

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-fourth Session
June 2, 2007**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:27 a.m. on Saturday, June 2, 2007, 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 in 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

GUEST LEGISLATORS PRESENT:

Senator Warren B. Hardy II, Senate District No. 12

STAFF MEMBERS PRESENT:

Gary L. Ghiggeri, Senate Fiscal Analyst
Larry L. Peri, Principal Deputy Fiscal Analyst
Mark Krmpotic, Senior Program Analyst
Michael Archer, Committee Secretary

OTHERS PRESENT:

Michael Fischer, Director, Department of Cultural Affairs
Anne Loring, Washoe County School District
John P. Sande III, Nevada Franchised Auto Dealers Association; Western States Petroleum
Robert L. Crowell, Focus Property Group

CHAIR RAGGIO:

The work session is open on Senate Bill (S.B.) 301.

SENATE BILL 301: Revises various provisions governing the Fort Mohave Valley Development Law. (BDR 26-1317)

CHAIR RAGGIO:

Senate Bill 301 was heard in this Committee on April 9, 2007. It has to do with the Fort Mohave Valley development account and the Colorado River Commission. When the Committee acted, an amendment was to be added that, in effect, provided the State could not be sued and gave the Commission the authority to raise rates. It came to our attention, through Senator Warren B. Hardy, that it was not feasible or workable. The Senator has been working for a considerable amount of time in an assiduous fashion to

come to some resolve to meet everyone's concern and provide some solution. He proposed Amendment 4099 to S.B. 301 ([Exhibit C](#)) which may be workable.

SENATOR WARREN B. HARDY II (Senate District No. 12):

This can best be described as a settlement agreement. The issue with the amendment passed by the Committee was the contracts in this case which go out to the year 2017; therefore, in essence, it made it difficult for them to increase fees to pay it back. I conferred with the Colorado River Commission and the contingency at Laughlin, and we decided the best approach was to get the Colorado River Commission out of the Laughlin business.

The amendment transfers control of the fund to the Clark County Commission for use by Laughlin. It then further transfers the remaining land in the Fort Mojave Development Fund area to Clark County for use in Laughlin. We are taking the Colorado River Commission out of the Laughlin business and providing this money and land for use by the residences of Laughlin.

CHAIR RAGGIO:

This gives them a source of revenue to compensate for the amount required.

SENATOR HARDY:

That is correct. We will still end up \$5 million short of what we would have received. The trade-off is it frees up money for other purposes. It removes some of the limitations that were on the money in terms of the Mojave Development Authority. Laughlin felt the ability to use it for other purposes was worth the trade-off.

CHAIR RAGGIO:

If the amendment in this fashion was approved, would it do away with the potential for litigation?

SENATOR HARDY:

I asked specifically if we needed verbiage in this amendment to protect the State from litigation. Ms. Brenda Erdoes, Legislative Counsel, indicated the verbiage was not necessary because it resolves the issue. I gained further assurance from both Laughlin and Clark County that there would be no lawsuit if this amendment was approved.

CHAIR RAGGIO:

They would have this capability?

SENATOR HARDY:

Yes.

CHAIR RAGGIO:

Is the staff comfortable with utilizing this amendment? If so, I will accept a motion to approve proposed Amendment 4099 to S.B. 301.

SENATOR BEERS MOVED TO APPROVE AMENDMENT 4099 TO S.B. 301.

SENATOR RHOADS SECONDED THE MOTION.

SENATOR TITUS:

Although I have been a critic of this whole thing, I compliment Senator Hardy for putting this together and finding a real solution that will not cost taxpayers. It makes a lot of sense and saves the State from a lawsuit. Thank you, Senator Hardy, I appreciate your efforts.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

Senator Hardy, although you are not a member of the Committee, we would appreciate you explaining this to the other Senators when the bill comes up because I have run out of explanations.

SENATOR HARDY:

I will work assiduously to accomplish it expeditiously.

CHAIR RAGGIO:

The work session is open on S.B. 422.

SENATE BILL 422 (3rd Reprint): Requires the establishment of a registry of greenhouse gas emissions and an inventory of greenhouse gases released in this State. (BDR 40-678)

CHAIR RAGGIO:

Senate Bill 422 was returned from the Assembly with a request to concur with Amendment 1081.

SENATOR TITUS:

Senate Bill 422 would create the registry and inventory of greenhouse gases. I worked with Mr. Leo Drozdoff, Administrator of the Division of Environmental Protection. After we passed the bill, the Division did more work on it and returned with some revisions on the language which would improve the regulatory process. I trust their judgment; this is their language, and I support it.

The changes still create a registry and an inventory; it is the first step toward moving to some kind of broader cap and trade program; and redefines the greenhouse gases by putting in the chemical formulas. The amendment rewords terms such as: "emission" of greenhouse gases rather than "determining" greenhouse gases; instead of "procedures" for participation, they say "requirements" for participation. It is regulatory language.

The Division also cleaned up the effective unit to remove those that produce electricity with renewable energy. They are not emitting greenhouse gases because they did not want the renewable energy plants to get caught up in the regulatory process. I agreed with that.

People from the industry, such as Yankee Caithness Power Company, said it helped them.

CHAIR RAGGIO:

It looks like section 11 of S.B. 422 was deleted.

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SENATOR TITUS:

I will bring Mr. Drozdoff to the Committee to further explain the amendment.

CHAIR RAGGIO:

In the future, I do not want to be presented with unintended consequences on energy bills. We will put S.B. 422 on the next agenda.

The work session is open on S.B. 466.

SENATE BILL 466: Makes appropriations to restore the balance in the contingency fund. (BDR S-1268)

CHAIR RAGGIO:

Senate Bill 466 is the appropriation to restore the balance in the Contingency Fund. The staff recommended an increase from \$14 million to \$15 million. Is that correct?

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

The Governor's budget recommended it be funded at \$14 million and then sent over a budget amendment to increase the amount appropriated to the Statutory Contingency Fund by \$1.5 million. The staff recommended the increase in the appropriation be provided to the Interim Finance Committee (IFC) Contingency Fund because it would give more flexibility for use of the money during the interim. If the money is appropriated to the IFC Contingency Fund and is then needed for another purpose, the IFC could address it. If the Statutory Contingency Fund runs short during the interim, that fund can request an allocation from the IFC Contingency Fund. Therefore, the staff recommends the amount appropriated to the IFC Contingency Fund be increased to \$1.5 million.

CHAIR RAGGIO:

Is the Committee comfortable with the staff's recommendation? If so, I would accept a motion to amend and do pass as amended S.B. 466 with Amendment 1116.

SENATOR RHOADS MOVED TO APPROVE AMENDMENT 1116 TO S.B. 466.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The work session is open on Assembly Bill (A.B.) 275.

ASSEMBLY BILL 275: Makes appropriations to restore the balances in the Stale Claims Account, Emergency Account and Reserve for Statutory Contingency Account. (BDR S-1267)

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CHAIR RAGGIO:

Assembly Bill 275 was heard in this Committee on May 24, 2007, and was recommended in the budget. Is an amendment needed?

MR. GHIGGERI:

No, an amendment is not needed on A.B. 275.

CHAIR RAGGIO:

This is an appropriation we can now pass out of Committee that appropriates money in the State Claims Account, Emergency Account and Reserve for Statutory Contingency Account. Are there any objections? If not, I will accept a motion to do pass A.B. 275.

SENATOR BEERS MOVED TO DO PASS A.B. 275.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The work session is open on A.B. 551.

ASSEMBLY BILL 551 (1st Reprint): Makes appropriations to the Department of Cultural Affairs. (BDR S-1211)

CHAIR RAGGIO:

Assembly Bill 551 was heard in this Committee on May 24, 2007. It appropriates the required amount that we can now process to the Department of Cultural Affairs. Does this include the grants management position?

MR. GHIGGERI:

It is in the budget recommended for approval in the Joint Subcommittee closing.

CHAIR RAGGIO:

There was a request for Library Collection Development funding, but I think we removed it from the bill during the budget hearings.

MR. GHIGGERI:

That is correct.

CHAIR RAGGIO:

Does this reflect the agreement on the funding for the Department of Cultural Affairs? Dr. Fischer, is any critical issue being overlooked if we pass out the first reprint?

MICHAEL FISCHER (Director, Department of Cultural Affairs):

The amended bill as presented from the Assembly is correct.

CHAIR RAGGIO:

I will accept a motion to do pass of A.B. 551.

SENATOR BEERS MOVED TO DO PASS A.B. 551.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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SENATOR MATHEWS:

I would like to consider S.B. 166 which was amended to add librarians.

SENATE BILL 166: Requires payment of increased salaries to certain school employees holding national certification. (BDR 34-1149)

CHAIR RAGGIO:

We are awaiting the amendment to S.B. 166.

The Committee will be in recess at 8:42 a.m. until the call of the Chair.

CHAIR RAGGIO:

The work session is reconvened at 6:38 p.m. with S.B. 499.

SENATE BILL 499 (2nd Reprint): Revises provisions governing the approval of certain plans, designs and specifications for school buildings. (BDR 22-443)

CHAIR RAGGIO:

Senate Bill 499 was introduced on behalf of the Washoe County School District and revised provisions concerning the necessity for inspection, construction and renovation of buildings. The bill was referred by the Senate Committee on Government Affairs who concurred with the amendment.

SENATOR BEERS:

Senate Bill 499 was brought by Washoe County to enable them to streamline their process for building schools and it was supported unanimously by the Committee. It was acceptable to the Senate Committee on Government Affairs and the Washoe County School District.

CHAIR RAGGIO:

Page 2, section 4 of Amendment 1090 to S.B. 499 was stricken because it makes reference to a county whose population is less than 400,000, and that would be everybody except Clark County.

ANNE LORING (Washoe County School District):

There were three changes to the amendment, two word changes and the one to which you are referring. Clark County School District does not want this solution because they do not want to go to their local government building departments. This amendment removed the lower threshold on having local building departments approve the plans. An Assemblyman indicated one of the smaller counties had the capability to do this; we were unaware of it at the time the bill was drafted. This would allow those counties the same option. If they have a local building department, it would be responsible; if not, it would be the option of the State Fire Marshal or another local building department.

SENATOR COFFIN:

Does Clark County do this?

Ms. LORING:

Currently, there is no issue of duplication in the Clark County School District because they do not go to their local building departments.

SENATOR COFFIN:

The Washoe County School District wants the same thing as Clark County.

Ms. LORING:

We want no duplication, but our solution is the reverse of what is desired by the Clark County School District. Clark County has many local governments, and that makes the issue more complex. They prefer to have the State Fire Marshal do the plan checks; whereas Washoe County prefers to have the local building departments do the plan checks.

SENATOR COFFIN:

Would the school district face any unintended liability consequences?

Ms. LORING:

No, there would be no liability, because regardless of who does the checks, the plans must conform to State and local building codes.

CHAIR RAGGIO:

I will accept a motion to concur.

SENATOR BEERS MOVED TO CONCUR WITH AMENDMENT 1090 TO S.B. 499.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The work session is open on S.B. 422.

SENATE BILL 422 (3rd Reprint): Requires the establishment of a registry of greenhouse gas emissions and an inventory of greenhouse gases released in this State. (BDR 40-678)

SENATOR TITUS:

Pursuant to your question this morning, Mr. Leo Drozdoff provided a section-by-section explanation of S.B. 422 ([Exhibit D](#)), which are technical language changes. Section 2 of S.B. 422 exempts the renewable energy which comes from the State Environmental Commission that supports Amendment 1081.

CHAIR RAGGIO:

Are there any unintended consequences that I will hear about in the future?

SENATOR TITUS:

I am not aware of any unintended consequences. There was no opposition to the amendment and I would move to concur.

SENATOR TITUS MOVED TO CONCUR WITH AMENDMENT 1081 TO S.B. 422.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The work session is open on S.B. 324.

SENATE BILL 324 (1st Reprint): Revises provisions governing regulation of motor vehicle fuel. (BDR 51-1139)

CHAIR RAGGIO:

The Committee previously voted to amend and do pass S.B. 324 with Amendment 438.

JOHN P. SANDE III (Nevada Franchised Auto Dealers Association; Western States Petroleum):

I am with the law firm of Jones Vargas. The proposed amendment comes from the Nevada Petroleum Market and Convenience Store Association which opposed the original amendment. We agree with the amendment and everybody is in accord, including the Alliance for Automobile Manufacturers. We merely took out the reference to the American Society for Testing and Materials Standards, but left in the requirement that any fuel specifications must be based upon scientific evidence demonstrating that any motor vehicle fuel which is produced in accordance with the specifications is of sufficient quality to ensure appropriate performance when used in motor vehicles in Nevada. This is important for southern Nevada because it has many problems with hot fuel handling and vapor locking. We are all in agreement and request your support.

SENATOR TITUS:

How did we vote on S.B. 324, and why has it returned?

CHAIR RAGGIO:

Senate Bill 324 was amended and do passed, but the amendment has not been returned to the Committee.

SENATOR TITUS:

Are you changing the amendment on which the Committee already voted?

MR. SANDE:

There is now agreement and no opposition. Everybody is on the same wavelength insofar as what is appropriate.

SENATOR TITUS:

Do the environmental groups support it?

MR. SANDE:

Yes. An air pollution control agency must adopt the specifications on anything proposed. The specifications would be stringent, primarily in Clark and Washoe Counties.

SENATOR TITUS:

Are we amending this into S.B. 324? It looks like the old Blue Ribbon bill.

CHAIR RAGGIO:

We used this as a vehicle. The original bill was the Blue Ribbon Commission bill on funding infrastructure.

SENATOR TITUS:

I recall it. I just want to be sure this is good and it is going in.

CHAIR RAGGIO:

I disclose I am a member of the law firm of Jones Vargas; however, I will vote on this bill.

The motion would be to rescind our action whereby we amended S.B. 324 for the purpose of a new amendment.

SENATOR RHOADS MOVED TO RESCIND THE PREVIOUS ACTION
TAKEN ON S.B. 324.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The new motion would be to amend and do pass S.B. 324 with the proposed amendment.

SENATOR RHOADS MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 324 TO REMOVE THE REFERENCE TO THE AMERICAN SOCIETY
FOR TESTING AND MATERIALS STANDARDS, BUT LEAVE IN THE
REQUIREMENT THAT ANY FUEL SPECIFICATIONS MUST BE BASED
UPON SCIENTIFIC EVIDENCE DEMONSTRATING THAT ANY MOTOR
VEHICLE FUEL WHICH IS PRODUCED IN ACCORDANCE WITH THE
SPECIFICATIONS IS OF SUFFICIENT QUALITY TO ENSURE
APPROPRIATE PERFORMANCE WHEN USED IN MOTOR VEHICLES IN
NEVADA.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The work session is open on the State Appropriations Act. This is the back language that will be going into the appropriations bill. Will this bill be introduced in the Assembly?

MARK KRMPOTIC (Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

Yes, the bill will be introduced in the Assembly.

SENATOR COFFIN:

I have always been concerned about back language which has been in each bill for the last six or seven Legislative Sessions relating to the ability of the Governor to rework the budget in the event of a fall in available funds subject to approval by the IFC. In the past, it became a *fait accompli* on how budgets were cut. It is how we lost mental health funding in 1991 and 1992. Is there any appetite on the Committee to bring the Legislature back into the process so cuts in funding are not made just by the Governor?

MR. KRMPOTIC:

Page 17, section 33 is the back language ([Exhibit E](#), original is on file in the Research Library) indicating that amounts appropriated are subject to *Nevada Revised Statutes* (NRS) 353, which is the State Budget Act. Agencies are required to comply with the State Budget Act in revising budgetary amounts via work programs and spending amounts appropriated by the Legislature. This language has not changed and is identical to the language that appeared in the 2005 Appropriations Act.

Pages 17 and 18, section 34, list budget accounts that are granted the ability to transfer appropriations between fiscal years. There are two changes in that section, which are deletions. The Healthy Nevada Fund account has been deleted from this section of the Appropriations Act. The way the money committees closed the budgets for the Healthy Nevada Fund, there are no longer General Fund appropriations included to fund the Senior Rx program or any other programs funded through that account. The General Fund appropriation that appears in the Healthy Nevada Fund only funds administrative costs.

The second account deleted from section 34 is the Information Technology Projects account. Those projects have been appropriated in special appropriations bills and not the Appropriations Act this Legislative Session.

Page 19, section 35, provides for transferability between fiscal years of amounts included in the budgets listed for specific purposes. There were subsections included in section 35 that listed appropriations to the Department of Education which have been removed. Those appropriations are now included in the School Funding bill, which was passed on to the Committee a couple of days ago.

Page 20, section 35, subsection 4, includes Department of Taxation appropriations made for the support of the unified tax system production support. Subsection 6 includes an appropriation of the Division of Forestry for equipment for expansion of the Indian Springs Conservation Camp.

Page 20, section 37 indicates appropriations from the General Fund of approximately \$2.7 million the first year and \$3.7 million the second year for any changes in the inmate population in the Department of Corrections or caseload changes in the Division of Parole and Probation or the State Board of Parole Commissioners. This section was added to the Appropriations Act to address any potential shifts in population. Savings were approved by the money

committees in the Department of Corrections' budget having to do with the application of good-time credits to inmates currently housed at the Department of Corrections through the potential passage of A.B. 510.

ASSEMBLY BILL 510 (3rd Reprint): Makes various changes pertaining to offenders. (BDR 16-1377)

Assembly Bill 510 allows for access to this money by each of these entities based on the need as laid out in section 37, subsection 1, paragraphs (a) (b) and (c). Language has been included to allow the Fiscal Analysis Division and the Department of Administration to jointly determine whether a need exists under paragraphs (a) (b) and (c) prior to using this funding for any programming activities for offenders, including mental health, substance abuse treatment or offenders under the supervision of the Division of Parole and Probation or any programs provided by specialty courts to divert or mitigate circumstances that would lead to incarceration of an individual.

Page 22, section 38, includes an appropriation of \$135,000 to the Department of Administration as approved by the money committees. This funding provides for a study of the validity of the current workload ratio for presentence investigation reports conducted by the Division of Parole and Probation and also an evaluation of the contents and quality of the presentence investigation reports prepared in Nevada as compared to other states.

Second, the funding also provides for an analysis of the instrument used by the Division of Parole and Probation to assess the risks and needs of offenders under the Division's supervision.

Page 23, section 39, appropriates approximately \$500,000 the first year and \$400,000 the second year for access by the Division of Child and Family Services for placement and treatment of paroled youth. It was placed in the Appropriations Act based on the fact it may or may not be needed by the Division of Child and Family Services, but it is accessible for those purposes based on demonstrated need by the Division.

Page 24, section 40, appropriates approximately \$100,000 each year for allocation to the Division of Child and Family Services upon adoption of the Interstate Compact on Juveniles by 35 states and enactment into federal law. This is contingent upon that action and ratification by 35 states.

Page 25, section 41, appropriates a little over \$600,000 to the Supreme Court for a new case management system. This can be allocated by the IFC upon submittal of a detailed plan and budget developed by the Administrative Office of the Courts for that case management system.

Page 25, section 42, appropriates approximately \$300,000 per year for allocation to the Office of Homeland Security. This is to support a state fusion process that may be allocated by the IFC upon presentation of a plan developed by the Office of Homeland Security with agreement from local law enforcement, including the Las Vegas Metropolitan Police Department and the Washoe County Sheriff's Office and subsequently approved by the Board of Examiners. This was language that was proposed and recommended for approval during the Joint Subcommittee meeting a few days ago in resolving closing differences.

Page 26, section 43, appropriates approximately \$4 million to the Tort Claim fund to replenish that fund. That money is not revertible and would remain in that fund.

CHAIR RAGGIO:

In regard to section 24, the reversion dates, is it available to go back and forth if not used in the first year? Is it divided up by year?

MR. KRMPOTIC:

Page 26, section 42, subsection 2, says the amounts would revert at the end of each fiscal year respectively.

CHAIR RAGGIO:

I think the Committee would agree it should be available to be utilized either year.

SENATOR BEERS:

I agree with that.

MR. GHIGGERI:

The funding was sent over and predicated upon a budget amendment provided by the Department of Administration to fund two or three positions for the operation.

CHAIR RAGGIO:

I understand, but we are still awaiting some kind of plan or sign-off between the Governor and these two agencies or law enforcement. It is not necessary to limit it to positions. They must come to the Interim Finance Committee and present a state fusion process. It would be appropriate for the funding to be available for either year because the process may include more than just a position.

SENATOR BEERS:

Mr. Ghiggeri, does this impact your calculation to balance cash flow between the two years?

MR. GHIGGERI:

It does not impact it; however, this bill will be introduced tonight in the Assembly. In that event, the bill would have to be amended.

CHAIR RAGGIO:

You could bring it to their attention.

SENATOR COFFIN:

The back language, which is usually boilerplate, has the appearance of items which have been somewhat controversial during this Legislative Session; sometimes in bills that may have been designed after debate. Now we would be changing it in the back language which most people do not read. I sense there is more of this than usual.

CHAIR RAGGIO:

Nothing has changed insofar as the agreement is concerned. We are talking about whether they would have the ability to use funding not used in the first year and carry it over to the second year. The IFC has to approve whatever the

process is and then provide funding. I am concerned if the money in 2008 reverts, there would not be enough money to carry out the process. It is something that could easily be provided in here. We do not want to amend the bill when it returns to the Senate. We will mark it as an item.

MR. KRMPOTIC:

Page 28, section 45, subsection 3, is a change which provides an increase in the cost-per-eligible for the aged, blind and disabled population that is higher than the cost-per-eligible used to project Medicaid expenditures. It provides the Division of Health Care Financing and Policy the ability to request additional money for this purpose. It is my understanding the cost-per-eligible was a decrease identified by the Governor in his budget reductions and this would provide access for this specific purpose for additional expenditures.

CHAIR RAGGIO:

That was the recommended action by the Joint Subcommittees. We were concerned about the estimates as to why the cost had dropped in this area; therefore, we wanted to make sure if that was not the reality, they would have access to request additional funding.

MR. KRMPOTIC:

Page 30, section 54, is new language that allows the Nevada System of Higher Education to balance forward an appropriation of \$50,904 from fiscal year 2006-2007 into the next biennium. It was identified by the Subcommittee as an amount that was unexpended. In a discussion with Ms. Brenda J. Erdoes, Legislative Counsel, I understand this section may be rewritten for legal purposes.

CHAIR RAGGIO:

The intent of the Joint Subcommittee will still be there.

MR. KRMPOTIC:

That is correct. Page 30, section 55, includes new language which was also approved by the Joint Subcommittee. It limits the use of funding provided for the Clark and Washoe Counties' integration budget accounts for district attorneys and legal expenses solely for the representation of child welfare agencies in each of those counties.

Page 31, section 58, has an exception provided in the first sentence. It includes section 43, the tort claim appropriation noted earlier; section 53, the Nevada System of Higher Education (NSHE) research grants; section 56, Legislative Retirement funding; section 62 is the cost of the Legislative Session; and section 69 is challenge grants to the Nevada Council on Arts.

Page 32, section 62, shows the amount appropriated from the General Fund to the Legislative Fund of \$3 million to pay the remaining cost of the Legislative Session. This has been reduced by \$500,000, which was previously indicated to the Legislature as a potential cost of the Legislative Session.

CHAIR RAGGIO:

On the fusion process issue, all you would have to do is add the exception in section 58 as an amendment.

SENATOR BEERS:

Does section 62 refer to the 2007 Legislative Session or the 2009 Legislative Session?

MR. KRMPOTIC:

It refers to the 2007 Legislative Session.

Page 36, section 67, is the section Senator Coffin referred to with respect to the ability of the Executive Branch to reserve not more than 50 percent of the operating expenses. If the General Fund is projected to be less than \$80 million, the \$80 million amount has been increased. In the 2005 Appropriations Act, the amount was \$70 million. I defer to Mr. Ghiggeri for further explanation of how that amount was determined. Other than that, the language in this section is identical to the language that existed in the 2005 Appropriations Act.

MR. GHIGGERI:

The \$80 million has been increased from \$70 million from the 2005 Legislative Session.

SENATOR COFFIN:

Relationships with the Governor have been unusual this Legislative Session. It has been troublesome in the areas in which we are not in session. If there is a downturn in the economy and it is left to the Governor to essentially rewrite the budget, I am concerned the reserve he is allowed to set aside is larger than that with which I would be comfortable. There were arguments in 1991 and 1992 regarding cuts made at that time. Some of those cuts were selectively made in such a fashion that entire departments and programs were decimated. Is there anything we can do here that could help avoid those mistakes?

CHAIR RAGGIO:

Anything the Governor does is subject to our approval.

SENATOR COFFIN:

It is not subject to the approval of the Legislature; it is subject to the IFC.

CHAIR RAGGIO:

The Legislature does not meet all year. The reason it was put in was to avoid doing anything arbitrarily. The Governor would have to attend the IFC meeting and utilize the reserve subject to the Committee's approval.

SENATOR COFFIN:

It is the same kind of language, except the number has increased to less than \$80 million, which means we would be in trouble \$10 million sooner. The Governor would be getting that authority sooner.

CHAIR RAGGIO:

You must figure in a bigger budget with inflation. It is probably prudent to set that amount. If we get below \$80 million, we will be in real trouble.

SENATOR COFFIN:

Is there any practical reason we could not change the percentage of reserve that would be set aside to not more than 10 percent, as opposed to 15 percent? It is out of control. Once this has been turned loose, the IFC almost

has to rubber-stamp what the Governor has done. We rubber-stamped what the Governor did in 1992.

CHAIR RAGGIO:

My response is, below \$80 million is not much reserve or an ending balance for Nevada. If the reserve reached that amount, the Governor would have the authority to set aside a reserve of not more than 15 percent. Anything the Governor does must be reported to the Legislature or, if not in session, the IFC. As a practical matter, it will only occur between sessions when it is the IFC. If it occurs during session, it will be dealt with by the Legislature.

The language was carefully drafted. In 1991, there was concern about not having expected revenue; therefore, a provision was added stating upon receiving the report, the Legislature or the IFC would have to approve setting aside a reserve. There is ample monitoring of the process. Nobody will agree to cut to an unreasonable point. Getting hung up on that, at this point, would be a problem.

SENATOR COFFIN:

Another part of the statute conflicts in regard to the Fund to Stabilize Operation of State Government, better known as the rainy-day fund. We could save a lot of grief if the rainy-day fund was allowed to be accessed by the Governor sooner and at a lower percentage of deficit. This language does not address the same kind of language in the statutes regarding the rainy-day fund, but we look at the same situation that drives it, such as lower revenues.

The Governor has to present the Legislature with cuts; if he were allowed to access the rainy-day fund earlier, he would not have to do that. We could set an amount of \$50 million or \$100 million of rainy-day fund to allow him some operating room or leverage. The Governor's former Chief of Staff had to make ugly cuts and had no flexibility. We still have not recovered from the cuts in the mental health system that occurred because of it. Do you see the point I am making?

CHAIR RAGGIO:

I see the point, but it is not addressed in this bill. The Assembly Committee on Ways and Means is acting on this as we speak; therefore, we need to approve this back language. The rainy-day fund is another issue. This late in the Legislative Session we can talk about it, but it cannot be handled at this point.

SENATOR COFFIN:

I should have prepared an amendment on it because I have been bothered about it before; perhaps it is too late.

CHAIR RAGGIO:

Are there further comments at this point? If not, let us proceed.

MR. KRMPOTIC:

Pages 38 and 39, sections 70 and 71, appropriate funding for utility inflation. Section 70 provides for approximately \$1.3 million the first year and \$2.7 million the second year; and Highway Funds of about \$125,000 the first year and \$250,000 the second year.

CHAIR RAGGIO:

These are separate funds insofar as the IFC is concerned. Is there one for the NSHE?

MR. KRMPOTIC:

The funds appropriated under section 70 would be accessible by either State agencies or the NSHE.

CHAIR RAGGIO:

Are they separate?

MR. GHIGGERI:

The amounts included in section 71 for the Distributive School Account (DSA) are separate from the NSHE and other State agencies. The DSA funding for the utility shortfalls or inflation would be provided for in section 71; whereas, the NSHE and State agencies are combined.

CHAIR RAGGIO:

I wanted that made clear.

MR. KRMPOTIC:

Subsection 2 of section 70 provides funding for electricity, heating and cooling costs which have been exhausted by the requesting agency or the NSHE. Typically, an agency will access this funding if all other funding in their budget is exhausted. In other words, often agencies will request work program transfers between categories to address the shortfall prior to accessing these Contingency Funds.

Page 39, section 71, as Mr. Ghiggeri had indicated, appropriates General Funds in the amount of approximately \$2.5 million the first year and \$5.2 the second year strictly to meet the needs of school districts with respect to utility inflation.

CHAIR RAGGIO:

That answers my concern. It is a separate fund.

MR. KRMPOTIC:

It is a separate fund. The language included in section 71, subsections 2 through 7, closely resembles language included in a 2001 bill that appropriated monies for utility inflation. The language calls for a policy and procedure to be established by the Board of Examiners and subsequently approved by the Interim Finance Committee that would establish the procedure and policies for access and allocation of these monies to school districts throughout the State. Subsequently, any allocations are approved by the Board of Examiners and the final say is made by the IFC.

CHAIR RAGGIO:

Please explain section 72; it intrigues me.

MR. KRMPOTIC:

Section 72 keeps the modified-business-tax increase at 0.63 percent.

CHAIR RAGGIO:

That is interesting. What is the effect? It removes the sunset provision and that is the manner in which it was accomplished.

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MR. KRMPOTIC:

Page 41, section 73, notes the appropriation under section 43 is the appropriation of the Tort Claim Fund; section 62 is the appropriation of the Legislative Fund. Those are effective upon passage and approval; all remaining sections of the bill are effective July 1, 2007.

SENATOR BEERS:

Could we get section 72 in context with the page out of the NRS to see how it flows?

CHAIR RAGGIO:

The staff reminds me the Appropriations Act needs to sit in the House of origin for 24 hours; therefore, when will we get it?

MR. KRMPOTIC:

The Committee will receive it sometime on Monday.

MR. GHIGGERI:

If the bill is introduced tonight, the Committee will receive it tomorrow.

CHAIR RAGGIO:

Is that just the Appropriations Act?

MR. GHIGGERI:

Yes, just the Appropriations Act.

SENATOR TITUS:

We passed the Distributive School Account, but S.B. 238, the policy bill with details regarding how empowerment is supposed to work, has not passed.

SENATE BILL 238 (1st Reprint): Provides for a program of empowerment schools. (BDR 34-112)

CHAIR RAGGIO:

We will look at S.B. 238 tomorrow.

CHAIR RAGGIO:

The work session is open on the back language for the Authorizations Act which will be introduced in the Senate.

LARRY L. PERI (Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

There are three new sections in the back language to the Authorizations Act as compared to the one passed in the 2005 Legislative Session. The first is section 13 on page 30 of [Exhibit F](#), which clarifies the reversion clauses that have to do with funding available to the Division of Tourism for support of the Reno-Tahoe Winter Games Coalition. Fiscal staff wanted to leave no doubt or interpretation for the need to revert those funds properly and not commit them for expenditure after June 30 of each fiscal year; therefore, it is spelled out more clearly. They must be reverted to the fund for the promotion for tourism by the dates identified in September in each of years 2008 and 2009.

Page 30, section 14, is new and has to do with the Real ID Act in the Department of Motor Vehicles (DMV). Section 14, subsection 1, clarifies the

authorized amounts in section 1, which are \$100,000 and \$200,000, for FY 2007-2008 and FY 2008-2009 respectively, which must be expended only for purposes of implementing the provisions of the Real ID Act. Subsection 2 clarifies, that if necessary, the DMV may request augmentation from the Highway Fund of amounts authorized to comply with the provisions of the Real ID Act, or any regulations adopted pursuant thereto, if the amount authorized in each of the two fiscal years is not satisfactory or sufficient.

CHAIR RAGGIO:

Would they come to the IFC for that?

MR. PERI:

Yes, the Nevada Department of Transportation (NDOT) currently has that authority and this would similarly allow the DMV to also come before the IFC for permission for an augmentation.

CHAIR RAGGIO:

Is there a Highway Fund contingency?

MR. GHIGGERI:

They would be coming for program augmentation of Highway Fund authority similar to what is currently done with the NDOT.

MR. PERI:

The next new section is on page 31, section 17, which seeks to provide clarification for the Peace Officers Standards and Training Commission. This has to do with Capital Improvement Project 07-C52 for construction of the emergency vehicle operations course. The Subcommittee members may recall this Administration Assessment money must be collected and held in full before the project can be started. It clarifies the Administration Assessment money is allowed to be carried forward and accumulate, and it does not revert to the General Fund.

Those are the three new sections. The rest are boilerplate including more recent amounts approved through budget closings and such. I have not yet calculated the total authorized amount.

CHAIR RAGGIO:

When will we actually have the bill to process?

MR. GHIGGERI:

The bill should be ready for introduction tomorrow morning.

CHAIR RAGGIO:

We will schedule that bill for introduction and referral back to this Committee and then act on the Authorization bill.

SENATOR BEERS:

I would call the Committee's attention to S.B. 273.

SENATE BILL 273: Provides an exemption from real property transfer taxes for certain transfers of water rights. (BDR 32-734)

Senate Bill 273 was processed out of the Assembly Committee on Taxation and sent to the Senate. The fiscal note to state government is approximately \$160,000 over the biennium, with a smaller fiscal note to local government. If you own water rights and transfer them to a water company in exchange for equivalent water service from the water utility, that transfer is exempt from the real estate transfer tax. The public policy concept is this is a transfer that is for the public good of one's neighbors.

CHAIR RAGGIO:

Mr. Crowell, can you tell the Committee what the public policy is and the reason for the request?

ROBERT L. CROWELL (Focus Property Group):

Currently, if you request water service on your land and you are in a municipal purveyor, you transfer your water to a municipal purveyor, such as Truckee Meadows Water Authority or Southern Nevada Water Authority, it is a tax-free transfer under current law. Senate Bill 273 would say if you had a similar requirement and you transfer it to a public utility certificated by the Public Utilities Commission of Nevada, it receives the same type of treatment.

The public policy rationale is you are transferring water from one owner to a water utility for the water to still stay on the exact same land. In essence, the beneficiary use of the water has not changed, although title has changed. Even though title has changed, there has been no effective beneficial use change as to the water being applied to the land. That is the public policy reason why it should not be taxed at that level.

SENATOR BEERS:

In regard to the fiscal impact, there are attached local government responses and 16 of 17 counties said there would be no impact. One county said there would an impact so small it would not warrant a fiscal note under State law. The Department of Taxation queried each county recorder's office utilizing the list of water utilities regulated by the PUCN and they came up with a fiscal impact of loss of revenue. It is not clear why they were all charging those transactions in the first place, which may be why local governments themselves contended there was no fiscal impact. While there is a fiscal note here, we have conflicting fiscal notes.

CHAIR RAGGIO:

If I am looking at the same fiscal note, the loss of revenue would be something like \$80,000 a year for the General Fund. The consolidated tax local situation is approximately \$34,000 a year.

SENATOR BEERS:

The fiscal note appears to be searching for transactions that might be subject to the tax and calculating their theoretical tax value.

SENATOR COFFIN:

The policy aspect seemed fair to eliminate the occurrence of double taxation. In fact, we already processed a bill with a similar philosophy having to do with a change of name in some groups. There was a situation in which an owner

changed a name of ownership with no real physical ownership change. There was a large fee and it did not seem fair.

MR. CROWELL:

That was S.B. 154 which passed out of both the Senate and Assembly.

SENATE BILL 154 (2nd Reprint): Clarifies certain provisions governing taxes on transfers of real property and contingently allows the imposition of additional taxes in Washoe County to fund capital projects for the county school district. (BDR 32-712)

SENATOR COFFIN:

Senate Bill 154 passed out of the Senate Committee on Taxation for the same reason.

SENATOR TITUS:

This will not cost the State much in terms of lost revenue and is probably a good idea. It would be strange for this Committee to give developers a tax break and not senior citizens. I would be happy to support this if we amend S.B. 179 into it, which allows expansion of the pool of low-income seniors who get a property-tax break.

SENATE BILL 179: Provisions governing refunds of accrued property taxes to senior citizens. (BDR 38-1326)

There was money left over in that fund to cover any increase of seniors who might be eligible. That bill passed unanimously out of the House last time and had general support this time. It is a good idea for the developers and low-income seniors because the cost would be even less.

CHAIR RAGGIO:

The cost of S.B. 179 was an expense of \$1.262 million in fiscal year 2009.

SENATOR TITUS:

That tax fund had money left over from the last biennium because of the cap that was put on the property tax. It could roll over into providing it at this time.

CHAIR RAGGIO:

Where is that money, staff?

MR. GHIGGERI:

That money was budget savings that accrued based on closings that have taken place in the review of the *Executive Budget*.

CHAIR RAGGIO:

Was it reverted?

MR. GHIGGERI:

No, it had never been appropriated.

CHAIR RAGGIO:

It would require additional appropriation of this amount.

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MR. GHIGGERI:

Yes, at this point based on closing of the budgets.

CHAIR RAGGIO:

What is the pleasure of the Committee?

SENATOR BEERS MOVED TO DO PASS S.B. 273.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS VOTED NO.)

* * * * *

CHAIR RAGGIO:

There being no more business to come before the Committee, the work session is adjourned at 7:45 p.m.

RESPECTFULLY SUBMITTED:

Barbara Moss,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____