

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-fourth Session
June 3, 2007**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 10:51 a.m. on Sunday, June 3, 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 Maurice E. Washington, Washoe County District No. 2
Senator Steven A. Horsford, Clark County District No. 4
Assemblywoman Debbie Smith, Washoe County District No. 30

STAFF MEMBERS PRESENT:

Gary L. Ghiggeri, Senate Fiscal Analyst
Brian M. Burke, Senior Program Analyst
Joe McCoy, Senior Research Analyst
Carol M. Stonefield, Principal Research Analyst
Sandra K. Small, Committee Secretary

OTHERS PRESENT:

Jodi Stephens, Executive Assistant to Senior Staff, Office of the Governor
Terry Hickman, Nevada State Education Association
James Richardson, Nevada Faculty Alliance
Martin Bibb, Retired Public Employees of Nevada

CHAIR RAGGIO:

The Committee heard Senate Bill (S.B.) 238 on May 1, 2007, which comes to us after consideration by the Senate Committee on Human Resources and Education. The Committee is aware, in accordance with the agreement reached on the budget, funding of approximately \$9.7 million has been provided for empowerment school programs. This funding accommodates a minimum of 5 percent of the schools in the Washoe County School District and the Clark County School District as well as the capability for rural school districts to participate. The Committee needs an outline of what the bill provides and if any changes are necessary.

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

SENATOR MAURICE E. WASHINGTON (Washoe County District No. 2):
I am here in support of S.B. 238.

JOE MCCOY (Senior Research Analyst, Research Division, Legislative Counsel Bureau):

Senate Bill 238 contains the central features of empowerment school programs instituted in other states including site-based management, greater budgetary control at the school level, the option for an incentive pay structure for all school personnel and provisions that allow non-zoned students to transfer into empowerment schools as space is available. Senate Bill 238 allows the same appropriation from state and local sources that Nevada schools already receive. However, it gives empowerment schools discretion over 90 percent of the funds appropriated to them by the district. Due to greater control over their budgets, empowerment schools are required to provide quarterly fiscal reports to and be audited by the school district.

This measure allows charter schools to participate in the Empowerment Plan and requires a minimum of 5 percent of the total number schools in the Clark County School District and the Washoe County School District to convert to empowerment schools. In the rural school districts, conversion to empowerment schools is optional. The total number of empowerment schools statewide is capped at 100.

In S.B. 238, the school design team has the primary responsibility for developing a school empowerment plan and submitting the application to the school district board of trustees for approval. The measure specifies the composition of the school empowerment team, the professional experience members of the team must possess and the elements the school empowerment plan must include. In addition, the school district may choose to develop a district-level design team to provide general guidelines for the team to consult and criteria for evaluating the school plan. In reviewing the empowerment plan, the school district may not consider the amount of money the school empowerment team requires to carry out the plan as long as the amount is within the limits of the 90-percent funding appropriated to the school. The school district must provide a written statement of the reasons for denial of the empowerment plan and must provide the school empowerment team with a reasonable opportunity to correct any deficiencies.

SENATOR WASHINGTON:

This policy is necessary due to the appropriations which have been provided and to set parameters and guidelines for the operation and startup of empowerment schools.

CHAIR RAGGIO:

Is there an amendment necessary, for example, to section 5 of the bill relating to the design team? It has been represented that the Governor has agreed to this language.

SENATOR WASHINGTON:

We had an opportunity to speak with the Office of the Governor after reviewing the amendment. Their intent is to ensure rural districts have an opportunity to participate in the empowerment program. In section 5, subsection 2, of S.B. 238, the population has been raised from counties of 5,000 or less to

counties of 100,000 or less. The second change requested by the Governor regards quarterly reporting.

CHAIR RAGGIO:

Are these amendments already in the bill, or are they needed?

SENATOR WASHINGTON:

These changes are not in the bill.

CHAIR RAGGIO:

As I understand it, the Office of the Governor is requesting an amendment to allow submitting a proposal to the board of trustees for counties under 100,000. Is that the amendment being requested? The second change requires the board of trustees to file quarterly reports from empowerment schools to the Department of Education, Office of the Governor, and the Legislative Committee on Education.

SENATOR WASHINGTON:

Yes, that is the language we have been given. However, the Office of the Governor has agreed to an annual evaluation or report to be submitted to the Office of the Governor and the Legislative Counsel Bureau (LCB).

JODI STEPHENS (Executive Assistant to Senior Staff, Office of the Governor):

The Governor wants to ensure the program is working. We do not need to know how much pencils cost; we want to ensure the students are achieving what we believe they will achieve. This can be accomplished with a yearly report.

CHAIR RAGGIO:

The Committee needs a written amendment.

SENATOR WASHINGTON:

Staff is working on the amendment.

SENATOR STEVEN A. HORSFORD (Clark County District No. 4):

I am in agreement with the amendments from the Office of the Governor. I am proud to have worked with Senator Washington and representatives from the Governor's office as well as our colleagues on the Senate Committee on Human Resources and Education to bring forward a comprehensive and innovative approach to providing autonomy to parents, teachers and principals to improve schools. The safeguards in the bill, both academic and financial, will ensure the schools are accountable and report their successes. As we start with these 36 schools and as they demonstrate success, we will be able to expand the program. The funding is reasonable to carry out the provisions of the bill.

CHAIR RAGGIO:

The funding accommodates, at best, 29 schools. We need to have staff consider including in the bill, in addition to the proposed amendment, language stating the terms of S.B. 238 must be accomplished within the limits of the appropriation.

SENATOR CEGAVSKE MOVED TO AMEND AND DO PASS AS AMENDED, SUBJECT TO FINAL APPROVAL OF THE AMENDMENT, S.B. 238.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The Committee heard Assembly Bill (A.B.) 319 on May 17, 2007, which we amended. This bill references the Public Employees Retirement System (PERS) and states the Legislatures pledges it will not enact any law which has the effect of increasing any benefit or allowance payable under the system, pursuant to the chapter involved, which is not cost neutral unless the actuarial value of the assets, etc., can be determined. The Committee needs to decide whether or not it will recede or not recede from A.B. 319.

ASSEMBLY BILL 319 (2nd Reprint): Pledges that the retirement benefits for certain public employees will not be increased without adequate funding. (BDR 23-750)

SENATOR BEERS:

This was a resolution the Assembly amended into an unintelligible version this Committee could not understand. The issue is: How do you increase a benefit or allowance payable under PERS which is cost neutral? The Senate amendment changed the bill to the language, as introduced, which deleted the phrase "... that is not cost neutral."

CHAIR RAGGIO:

The Committee heard testimony from Ms. Carole A. Vilardo, Nevada Taxpayers Association, in favor of changing the language to the original version.

SENATOR BEERS:

The Assembly amended the bill back to their amended version.

SENATOR CEGAVSKE MOVED TO NOT RECEDE FROM THE SENATE'S AMENDMENT TO A.B. 319.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

I will appoint a conference committee of Senator Beers, Senator Coffin and Senator Rhoads.

The Committee will hear A.B. 280. The Committee is hearing this bill, pursuant to budget closing agreements, to provide \$5 million in each year of the biennium for a pay-for-performance fund. The only condition is to determine an acceptable method for measuring performance for those qualified for this program.

ASSEMBLY BILL 280 (1st Reprint): Revises provisions governing licensed educational personnel. (BDR 34-1051)

ASSEMBLYWOMAN DEBBIE SMITH (Washoe County District No. 30):
That is correct.

This bill establishes a pilot program for a pay-for-performance system for teachers in Nevada. There was a pay-for-performance bill, A.B. No. 580 of the 73rd Session; A.B. 280 is different. Originally, the concept was to have more money and do this statewide. With \$10 million, we have developed a pilot program in Clark, Washoe and Lyon Counties allowing each district to develop their own pay-for-performance system utilizing the allocated funds to be distributed based upon student enrollment numbers. This system would be unique in each district. After months of looking at this idea throughout the country, this is a new concept, in places where it is being developed and works, the program is built at the local level. It takes a lot of work and time to develop a system which looks at defining success of a music teacher versus success for a third-grade teacher. It is a different way of looking at things. This idea allows that determination be made at the local level. The bill is short and looks basic. We have spent a year looking at this, meeting with different groups and looking across the country at what works and what does not work. It became apparent that defining the program at the State level would not work. What will work is to push the funds to the local level and let the systems be developed locally. The bill requires the districts to work with an advisory committee made up of business, parents and educational personnel. The education personnel cannot make up more of the committee than the other members. This group would meet prior to the district's developing a plan and make recommendations to the team developing the process.

The one component in the bill which is required of the pay-for-performance system is it does have a measure of student achievement included in the plan.

CHAIR RAGGIO:
Where is that mentioned in the bill?

ASSEMBLYWOMAN SMITH:
On the bottom of page 2, the bill states: "The pilot program must include a component that is based upon the achievement of pupils." Originally, we thought we would have a list of components. It became apparent that flexibility is important at the district level. This component needs to be consistent if we are moving to a pay-for-performance system.

CHAIR RAGGIO:
There is always the apprehension or resistance of any measurement of performance. I just had a conversation regarding why you can or cannot measure the performance of teachers. That measurement must be involved in this process. We are calling this a pay-for-performance program. Admittedly, this is three pilot programs but, as the father of a teacher, I know the concerns that somehow the testing will be different as it applies to different schools and different grades, etc. Testing is the primary way we assess performance of students. Does this language regarding the achievement of pupils intend to say there is some way to measure the performance of the teacher who will receive this bonus?

ASSEMBLYWOMAN SMITH:
Absolutely. We acknowledge in every classroom at every grade level not everyone has testing available, such as a music teacher who may greatly

influence student achievement, may not have a testing mechanism. Pupil achievement is absolutely the intent as stated in section 2, subsection 2.

CHAIR RAGGIO:

Is there someone here from the Nevada Association of Teachers?

ASSEMBLYWOMAN SMITH:

Yes, there is. You will hear from a number of groups in support of this bill.

SENATOR MATHEWS:

As a mother of a teacher at an at-risk school in the Clark County school system, I wonder how you can measure achievement. Their achievement would be smaller than other schools.

ASSEMBLYWOMAN SMITH:

The discussion has always been about growth. All students have the opportunity for growth whether in an at-risk school or an affluent school. Growth is what is being measured. The bill provides a reward for great teachers.

TERRY HICKMAN (Nevada State Education Association):

We have looked at A.B. 280 and agree it is important to implement at the local level. Because there are so many differences, we believe, with time and effort, we will be able to construct a measurement of student achievement which will be meaningful and well reported.

CHAIR RAGGIO:

Do you understand the bill includes performance pay provided under the pilot programs based upon some measurement of achievement, progress, growth or whatever you want to term it, and includes some evaluation of the teacher earning the bonus?

MR. HICKMAN:

I believe, without going into great detail and trying to negotiate this beforehand, the effort will be made to make this student achievement measurement something reasonable and something everyone will understand prior to and include student achievement

CHAIR RAGGIO:

The only way we can do that is through assessment practices of some kind to measure the student growth. If we are not going to do that, there is no reason to approve this pay-for-performance program. Student achievement was one of the conditions upon which this was agreed. I want to make sure we are all on the same path.

ASSEMBLYWOMAN SMITH:

I think we are on the same path about student achievement being part of this bill. I do not know how the pay-for-performance connects to the evaluation process.

CHAIR RAGGIO:

The funds are not being made available to give bonuses to the students. The funds are there to give bonuses to the teachers. The bonus will not be given without measurable growth.

ASSEMBLYWOMAN SMITH:

You are correct, and in that regard we are on the same page.

CHAIR RAGGIO:

To do that, you have to evaluate, as the result of growth or not, the performance of the teacher.

ASSEMBLYWOMAN SMITH:

Where we may be differing is talking about the formal evaluation process of teachers which is not connected to this bill. This program will certainly look at student achievement and how students are doing in each classroom. The system being developed will allow us to get to that point.

CHAIR RAGGIO:

I have been a strong advocate of kindergarten through twelfth-grade education performance and assessments. I was the author of the Nevada Education Reform Act. Why is there some reluctance to accept the terminology of "evaluation of teachers"?

ASSEMBLYWOMAN SMITH:

The evaluation of teachers is not part of this bill. I have, in good faith, brought a bill forward which develops a pay-for-performance system which has a student achievement component; a major step in this State. The other issue is not a part of this bill. I understand your issue and your concern. We should not let the possibilities of this system go by the wayside because we have an issue over the evaluation process. It is a separate issue. Pay-for-performance is not tied to the teacher's evaluation.

CHAIR RAGGIO:

I disagree. How do you give someone performance pay without evaluating their input?

ASSEMBLYWOMAN SMITH:

We are talking about the formal evaluation process which is a different process than looking at student achievement as it relates to a teacher for a pay-for-performance bonus system. These are two separate issues which stand by themselves. Of course, you will have to evaluate how the teacher performed to get the bonus, but that is separate from the formal evaluation process.

CHAIR RAGGIO:

Perhaps we are talking about the same thing. There must be some evaluation of the teacher. I am not talking about the formal evaluation. I am talking about how you evaluate and rely on the growth measure used. That is why I do not understand why we do not say the teacher will be evaluated for this purpose.

ASSEMBLYWOMAN SMITH:

For the purpose of this program, we are evaluating the teacher, but it is not the formal evaluation process.

SENATOR CEGAVSKE:

Pay-for-performance is something which has been bandied about many sessions. This is the first time I have really looked at it. Early this last year I attended a conference in Montana with education people. The speaker told us Nevada has a provision in the *Nevada Revised Statutes* (NRS), chapter 288,

which prevents us from doing what is necessary to evaluate teachers. Nevada is the only state in the United States with this provision. Evaluations are critical to what we do. When you go into a business and have evaluations, they do not have guidelines about where you cannot go. One is evaluated on the job performed. That is what a true pay-for-performance evaluation is. It would be wonderful if we did a portfolio assessment for every child the way we do for special education children. With the portfolio assessment, not only do you find out the progress of the child, but you can find out the progress of the teacher. I am concerned we are not giving any guidelines. I understand we want everyone to do their own thing. Without having more detail or guidelines in this bill, I am concerned about the program. Ten million dollars is a lot of money. Is there a set amount for each performance bonus? Will each school receive an amount of money to distribute as a onetime good job on a science program or music program?

ASSEMBLYWOMAN SMITH:

I believe we have the opportunity for these district-level programs to have the structure to which you are referring. We had a list of things, but again realized the issues need to be defined at the local level. It has never been about giving someone a reward for having a science fair or music program. This is about rewarding teachers on an annual basis for how they impact student achievement in the classroom.

SENATOR CEGAVSKE:

We provided funds in S.B. No. 404 of the 2005 Legislative Session. That money was granted and given out and, in my opinion, was not done well. In certain areas, we expended funds which we should not have. We spent the majority of the funds and have nothing to show for it.

ASSEMBLYWOMAN SMITH:

I have many of the same concerns. Part of the problem was we did that at the State level in a big way rather than decision making in a smaller venue. I am not trying to do anything with S. B. 404. However, it does make the point that you cannot always structure at the State level something which makes sense at the local level. The advisory group, which will be meeting and making recommendations, is the strength in this legislation. The local chambers of commerce and parents will be meeting and participating in this process. It is probably better this is a pilot program. We have time to build a strong program.

CHAIR RAGGIO:

One of the agreements reached was the funding for performance pay would not be utilized in bargaining for overall salaries. What is the meaning of the language on page 2, section 2, subsection 2, "... negotiated pursuant to chapter 288 of NRS"?

ASSEMBLYWOMAN SMITH:

That language does not mean this will become part of the bigger bargaining for teacher's salaries. This is fenced off money. It means the local associations will be participating in the process of developing the program. It has nothing to do with negotiating salaries.

SENATOR BEERS:

On page 2, line 40 it states: "The pilot program must include a component that is based upon the achievement of pupils." I would like some examples of components not based on the achievement of pupils.

ASSEMBLYWOMAN SMITH:

It is all based upon the achievement of pupils. We were trying not to say testing because not all students and teachers have the types of testing for making judgments. You could be looking at portfolios in a music class.

SENATOR BEERS:

Would you have a problem with changing the language to: "The pilot program must be based upon the achievement of pupils"?

CHAIR RAGGIO:

We do have some proposed amendments prepared by staff.

CAROL M. STONEFIELD (Principal Research Analyst, Research Division, Legislative Counsel Bureau):

This amendment was prepared at the request of Chair Raggio. The amendment limits the program to teachers. There is a provision in section 1.5 referring to licensed educational personnel; for the pilot program the bonus would be limited to teachers. It goes on to provide the applications from the three school districts would be reviewed by the Legislative Bureau of Educational Accountability and Program Evaluation and the Legislative Committee on Education. The amendment establishes components for the pilot program including career leadership and advancement options for teachers which would not be related to administration. There would be activities teachers can become involved in not requiring they move on to school administration such as coaching and mentoring of other teachers, developing instructional materials, demonstrating mastery of a range of instructional strategies and assessments. Another component would be professional development which would include the acquisition of additional majors or degrees specifically related to teaching assignments or the provision of professional development to other teachers. For instance, one could be a lead teacher on a professional development team. Another component would be

CHAIR RAGGIO:

In the interest of time, I suggest staff provide a mock-up of the amendment and provide a copy to Assemblywoman Smith and everyone else. We will look at the proposed amendment after the Floor Session. I thought this had been discussed. All interested parties should have time to review this proposed amendment.

SENATOR TITUS:

We know it is difficult to evaluate teachers based on test scores because you do not know how different the student situation is at home, what the student learned in the previous grade, or if they came from a different school or state. We are simply taking a slice of time in a child's life and blaming a particular teacher for everything the child has lived through. It is difficult to use test scores because we are not giving teachers the resources they need to do as much as they would like. Until we make the commitment to put funds into resources, we cannot expect teachers to perform to a certain level they do not have the ability to meet because they lack resources.

SENATOR RHOADS:

Why is there only one eligible rural county? I thought this was a statewide program.

ASSEMBLYWOMAN SMITH:

When we looked at the amount of available money, and when it became a pilot program, it made sense to not put 17 counties through the rigors of developing a program. It will be a rigorous job to develop a program. It took Colorado years to develop a pay-for-performance system. We are hoping it will not take Nevada that long. Lyon County had a pay-for-performance system in place using funds from A.B. No. 580 of the 73rd Legislative Session. For the amount of money the districts would get out of this, it would not be worth it to most of them to go through the difficult process of setting up the program.

SENATOR RHOADS:

All of the school districts should be eligible if they want to participate.

ASSEMBLYWOMAN SMITH:

I do not have a problem with that.

In response to Senator Titus's comments, this program was never intended to place blame on anyone for something they are not doing. It is intended to be a program awarding teachers for what they are doing. It has never been intended test scores would drive the factor but would be a part of the decision making.

CHAIR RAGGIO:

The Committee will defer action on this bill until everyone has had an opportunity to look at the proposed amendment. I understand the chambers and others are in support of the concept.

SENATOR MATHEWS:

I want to be certain a person is not hindered from progressing to administration if they choose. Look carefully at the proposed amendment to make sure this is not the situation.

CHAIR RAGGIO:

The Committee will review the unclassified pay bill request which needs to be introduced in the Senate. The Committee has received a copy of bill draft request (BDR) S-1527.

BILL DRAFT REQUEST S-1527: Establishes maximum allowed salaries for certain employees in the classified and unclassified service of the State. (Later introduced as S.B. 575.)

SENATOR COFFIN:

In past sessions, I have had a chance to look at this bill. This session I have not had that opportunity. I would like to have highlighted the increases or decreases of more than 10 percent in this proposal.

CHAIR RAGGIO:

Staff could provide us a concept of the overall funding for unclassified salaries. There was a proposal in the *Executive Budget* to provide 4.9-percent increases to all unclassified personnel. A decision was reached, to accommodate the overall budget, to not include that recommendation in the budget. Rather, all

positions would receive the contemplated 2- and 4-percent increases for cost-of-living allowance (COLA) applied to classified positions. Adjustments were made by the decision group to address compact groups.

BRIAN M. BURKE (Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

I cannot provide a position-by-position analysis of increases or decreases. I can give general concept information.

Section 1 contains the individual unclassified salaries for each position in the unclassified service.

Section 11 provides General Fund appropriations to address decision unit E-813, the 4.9 percent included in the *Executive Budget*, applicable to the Gaming Control Board. The pay committee authorized this increase to address avoidable turnover. The Office of the Lieutenant Governor was authorized the 4.9-percent increase for salary parity.

Section 2 begins the back language. This section provides for classified employees who are reclassified to the unclassified service and may retain their classified position status and salaries. When those positions are vacated, they are then classified according to the unclassified pay bill.

SENATOR MATHEWS:

Does that mean the person can bump?

MR. BURKE:

Classified persons can bump if there is a layoff situation. That ability does not apply here.

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

If a person is in a classified position, which is now changed to an unclassified position, the person can stay classified. Once that person leaves the position, the position becomes unclassified. There were a number of those positions last Session when the Governor set up the tier system in the unclassified service. There were a number of classified personnel moved to unclassified service. A number of the people prefer to stay in the classified service. Once the incumbent vacates the job, it becomes unclassified.

MR. BURKE:

Also under section 2, there is a mechanism to allow the Interim Finance Committee (IFC) to correct errors.

The provision in section 3 states unclassified salaries established in section 1 can be increased by a 2-percent COLA in FY 2007-2008 and by 4-percent in FY 2008-2009.

SENATOR CEGAVSKE:

Is the 2 percent effective July 1, 2007, and the 4 percent effective July 1, 2008?

MR. BURKE:

Yes, that is correct.

Section 4, subsection 1, provides the General Fund appropriation needed to fund the unclassified COLA in the amount of \$1.45 million in FY 2007-2008 and \$4.43 million in FY 2008-2009. Subsection 2 provides the Highway Fund appropriations to fund the unclassified COLA in the amount of \$46,018 in FY 2007-2008 and \$140,336 in FY 2008-2009.

Section 5 provides the General Fund appropriation to continue the Gaming Control Board credential pay which is the \$5,000 paid for certified public accountants, lawyers and engineers and totals \$394,659 in FY 2007-2008 and \$415,159 in FY 2008-2009.

Section 6 provides the General Fund appropriation needed to fund the non-higher education classified COLAs totaling \$7.5 million in FY 2007-2008 and \$23.5 million in FY 2008-2009.

Section 7 provides the Highway Fund appropriation needed to fund classified COLAs in the amount of \$1.62 million in FY 2007-2008 and \$5.08 million in FY 2008-2009.

Section 8, subsection 1, provides the General Fund appropriation to fund the Nevada System of Higher Education's (NSHE) classified COLA in the amount of \$2 million in FY 2007-2008 and \$6.39 million in FY 2008-2009. Subsection 2 provides the General Fund appropriation to fund the NSHE professional COLA in the amount \$6.6 million in FY 2007-2008 and \$20.5 million in FY 2008-2009.

Section 9 establishes LCB positions are eligible for the 2-percent and 4-percent COLA. Those appropriations are funded outside this bill in the LCB budget account.

Section 10, subsection 1, provides the General Fund appropriation for the decision unit E-814 market survey increases for nurses, health counselors, psychologists, construction inspectors and related positions in the amount of \$5.18 million in FY 2007-2008 and \$5.5 million in FY 2008-2009. Subsection 2 provides the Highway Fund appropriation for the E-814 market survey in the amount of \$6,401 in FY 2007-2008 and \$6,644 in FY 2008-2009.

Section 11, subsection 1, provides General Fund appropriations for the Gaming Control Board and the Office of the Lieutenant Governor in the amount of \$905,167 in FY 2007-2008 and \$944,340 in FY 2008-2009.

Section 12 states unspent balances shall revert at the end of FY 2008-2009.

Section 13 states funding in section 6 is available for the Tahoe Regional Planning Agency COLA if California participates with its two-thirds match. If California does not participate, the Nevada funding will be used as a onetime bonus.

Section 14 states General Funds can be transferred within other sections of the bill having General Fund appropriations. There is a similar provision for Highway Funds.

Section 15 states the act becomes effective July 1, 2007.

The General Fund totals in this bill are \$24.14 million in FY 2007-2008 and \$61.73 million in FY 2008-2009. The Highway Fund totals \$1.67 million in FY 2007-2008 and \$5.23 million in FY 2008-2009.

SENATOR TITUS:

There has been talk about sales-tax revenue coming in higher than anticipated which could trigger a raise in teacher's salaries. Is that increase in this bill?

MR. GHIGGERI:

That is not in this legislation. If it occurs, it will be in a separate piece of legislation. Staff has not received direction related to this.

SENATOR CEGAVSKE MOVED TO INTRODUCE BDR S-1527.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The Committee has the Authorization Act, BDR S-1530.

BILL DRAFT REQUEST S-1530: Authorizes expenditures by agencies of the State Government for the 2007-2009 biennium. (Later introduced as S.B. 576.)

SENATOR CEGAVSKE MOVED TO INTRODUCE BDR S-1530.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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SENATOR COFFIN:

During the afternoon meeting, could we review potential oversights in legislation?

CHAIR RAGGIO:

If you give a list to staff, we can review those concerns.

SENATOR TITUS:

The Committee heard A.B. 196, introduced by Assemblyman John W. Marvel.

ASSEMBLY BILL 196: Makes changes concerning the limitation on the total proposed expenditures of the State. (BDR 31-946)

CHAIR RAGGIO:

Assembly Bill 196 was heard in this Committee May 21, 2007, and addresses the unfunded accrued liability. This bill removes from the cap the proposed expenditures recommended by the Governor for unfunded accrued liabilities of the State. The recommendation put forth was to limit it to the Public Employees' Benefits Program (PEBP).

SENATOR RHOADS MOVED TO AMEND AND DO PASS AS AMENDED
A.B. 196 FOR THE UNFUNDED LIABILITY ONLY AS IT REFERS TO THE
PEBP.

SENATOR TITUS SECONDED THE MOTION.

SENATOR BEERS:

The amendment is like stirring a spoonful of sugar into a glass of hemlock. I would support the amendment but not the bill. It is not a good idea to violate the cap placed on the Legislature many years ago. We have managed to live with it. Placing the unfunded liability outside the cap is going to decrease the attention it commands from the Legislature and hasten the damage to the State's bond rating which will occur if we do not attend to this liability either through reducing the liability or funding it.

SENATOR CEGAVSKE:

I am concerned about removing any caps. Have we been given anything indicating the end result if we do this?

CHAIR RAGGIO:

I do not have any information and do not know if it has any affect.

JAMES RICHARDSON (Nevada Faculty Alliance):

There is no fiscal note on the bill. It allows the opportunity in future biennia for Governors to recommend, or Legislators to approve the use of any above-the-cap funds to deal with this one specific liability. The bond raters in New York would think highly of passage of this bill because it gives the State another tool to address the Government Accounting Standards Board (GASB) liability and demonstrates we are taking the liability seriously. I urge passage of the legislation as amended.

MARTIN BIBB (Retired Public Employees of Nevada):

The Retired Public Employees of Nevada support this recommendation as limited to the GASB because it is the one area with a huge price tag and is something which will continue into the future.

SENATOR BEERS:

There cannot be a fiscal impact because this relates to future behavior. What this bill will do is free funds within the cap to create new programs instead of funding the liability. For that reason, I am convinced the bill will hasten the damage to our bond rating.

THE MOTION CARRIED. (SENATORS BEERS, CEGAVSKE AND RAGGIO
VOTED NO.)

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SENATOR COFFIN:

I am prepared to continue my work throughout the interim to address liabilities.

SENATOR MATHEWS:

Is there a bill related to autism the Committee will hear soon?

CHAIR RAGGIO:

Discussions are going on in other areas to deal with autism. This is a high priority for the Chair.

The Committee will review S.B. 443. This bill makes an appropriation to the Nevada Cancer Institute. An agreement has been reached on the funding for nonprofit organizations. This bill is part of the negotiated agreement to close the budget. Senate Bill 443 is being used for all one-shot nonprofit appropriations.

SENATE BILL 443 (1st Reprint): Makes various appropriations. (BDR S-1234)

MR. GHIGGERI:

This legislation implements the recommendations made by the Committee to amend S.B. 443 and makes certain adjustments to appropriations as recommended by the Governor. The first section of the bill establishes an account within the LCB for disbursement of these funds. The funds will be disbursed based upon an appropriate request for an allocation to cover costs incurred.

The second section provides for an appropriation to the Nevada Cancer Institute in the amount of \$5 million for expansion of laboratory and clinical space construction. The reversion for those funds is typical to all capital improvement projects; a four-year time span. There is a requirement for the Cancer Institute to provide reports to the IFC twice; first, on expenditures through December 1, 2008, and again through December 1, 2010. Section 3 of the bill provides for the reversion of the funding as of June 30, 2011. Section 4 provides an appropriation to the Nevada Cancer Institute for FY 2007-2008 for \$2.5 million. This funding reverts at the end of FY 2007-2008. Section 6 of the bill provides a \$2.5 million appropriation to the Nevada Cancer Institute for FY 2008-2009 which reverts at the end of FY 2008-2009.

SENATOR TITUS:

What is the total amount provided for the Nevada Cancer Institute?

MR. GHIGGERI:

The total is \$10 million. The Governor's budget included \$20 million.

Section 8 provides an appropriation of \$1 million to the High Sierra Industries, \$3 million to the Opportunity Village and \$1 million to the Washoe Arc. The funding for High Sierra Industries, Opportunity Village and Washoe Arc has a reversion date of June 30, 2009.

Section 10 provides an appropriation for the Institute for Neuro-Immune Disease in the amount of \$2 million. The funding is available over the biennium and reverts at the end of FY 2008-2009.

Section 12 provides an appropriation to the Clark County Public Education Foundation, Inc., of \$250,000 and to the Washoe County School District Educational Foundation of \$150,000. Those amounts represent the sum recommended in the *Executive Budget*. The funding reverts at the end of FY 2008-2009.

Section 14 provides an appropriation of \$3 million for the Lou Ruvo Brain Institute. The funding is available through June 30, 2009.

Section 16 provides an appropriation of \$1 million to the Nevada Discovery Museum in Reno for capital construction and initial operating expenses. The funding is available for four years because it involves a construction-related project. Similar to the Cancer Institute, reports are due to the IFC on expenditures through December 1, 2008, and through December 1, 2010. The funding reverts June 30, 2011.

Section 18 provides an appropriation to the Lied Discovery Children's Museum of \$500,000.

Section 20 provides a General Fund appropriation of \$500,000 for the Las Vegas Natural History Museum.

Section 22 provides \$1.5 million for the design of the White Pine County Courthouse.

SENATOR BEERS MOVED TO APPROVE SENATE AMENDMENT 1122 TO S.B. 443.

SENATOR CEGAVSKE SECONDED THE MOTION.

SENATOR COFFIN:

Every one of these appropriations is received by organizations backed by gilt-edged, A-list people whom I am proud to know. However, I am bothered because for three years I have tried to get funds for the families of the 5,550 National Guard and Reserve residents of Nevada who are middle class and do not have a board of directors backing them and do not come to the Legislature to request funds because they do not know how to do it and are too proud to ask. Granted, the request is for a few million dollars. There has been some discussion attempting to find the funding. There has been no progress. I could support S.B. 443 if there was an appropriation for these families. I feel bad about voting no on some of these items, particularly the Lou Ruvo Brain Institute which addresses something with which my family is familiar.

THE MOTION CARRIED. (SENATOR COFFIN VOTED NO.)

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CHAIR RAGGIO:

The Committee heard S.B. 326 on April 25, 2007. The fiscal note pertains to the funding of the Advisory Committee.

SENATE BILL 326 (1st Reprint): Creates the Committee on Co-Occurring Disorders. (BDR 40-1138)

SENATOR CEGAVSKE MOVED TO DO PASS S.B. 326.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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SENATOR BEERS:

The fiscal note for S.B. 108 can be eliminated by making it effective during the next biennium. The fiscal impact is two positions in the Budget Division.

SENATE BILL 108: Provides for the use of zero-based budgeting in the state budget process. (BDR 31-476)

CHAIR RAGGIO:

The Committee heard S.B. 108 on March 19, 2007.

SENATOR BEERS:

The bill requires zero-based budgeting for approximately 20 percent of the budget accounts each biennium. Every ten years, we would zero-base budget everything and produce some efficiencies throughout State government. The bill would be effective July 1, 2009, to give agencies time to plan for a new budgeting process.

SENATOR CEGAVSKE MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 108 BY CHANGING THE EFFECTIVE DATE TO JULY 1, 2009.

SENATOR BEERS SECONDED THE MOTION.

CHAIR RAGGIO:

I have introduced, in the past, several bills for zero-based budgeting.

SENATOR COFFIN:

Could we have a definition on the record of "zero-based budgeting"?

SENATOR BEERS:

There is a good academic treatise in Wikipedia on the Internet. Zero-based budgeting, rather than the current method which breaks budget decisions into base budget, maintenance decision units and enhancement decision units, would require rebuilding one-twentieth of the budget accounts from the ground up every two years. With the current system, we never go back to look at what a budget has been doing, whether it makes sense in context with current law, whether it is even legal and if spending should continue in the same way. For example, I do not believe a concerted effort to examine the ratio of clerical to nonclerical employees has ever been done in the wake of the computerization wave which took place during the 1980s. With zero-based budgeting, hopefully we would do that on an ongoing basis.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:
There be no further business, the meeting is adjourned at 12:22 p.m.

RESPECTFULLY SUBMITTED:

Sandra K. Small,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____