

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-fourth Session  
April 9, 2007**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:13 a.m. on Monday, April 9, 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 Dina Titus  
Senator Bernice Mathews

**COMMITTEE MEMBERS ABSENT:**

Senator Bob Coffin (Excused)

**GUEST LEGISLATORS PRESENT:**

Senator Mark E. Amodei, Capital Senatorial District  
Senator Warren B. Hardy II, Clark County Senatorial District No. 12  
Senator John J. Lee, Clark County Senatorial District No. 1  
Assemblyman Harry Mortenson, Clark County Assembly District No. 42

**STAFF MEMBERS PRESENT:**

Gary L. Ghiggeri, Senate Fiscal Analyst  
Larry L. Peri, Principal Deputy Fiscal Analyst  
Michael Bohling, Committee Secretary

**OTHERS PRESENT:**

James Richardson, J.D., Ph.D., Nevada Faculty Alliance  
Martin Bibb, Retired Public Employees of Nevada  
Roger K. Maillard, State of Nevada Employees Association  
Ronald P. Dreher, Peace Officers Research Association of Nevada  
Al Bellister, Nevada State Education Association  
Harold Shrader  
Robert A. Ostrovsky, City of Las Vegas  
Rose E. McKinney-James, Clark County School District  
Leslie A. Johnstone, Executive Officer, Board of the Public Employees' Benefits Program  
Tray Abney, Legislative Director, Office of the Governor  
Dana Bilyeu, Executive Officer, Public Employees' Retirement System  
Gary Wolff, Nevada State Law Enforcement Association  
Stephen M. Rowland, Ph.D., Professor of Geology, University of Nevada  
Las Vegas

Scott K. Sisco, Deputy Director, Chief Fiscal and Administrative Officer,  
Department of Cultural Affairs  
Helen Mortenson, President, Archaeo-Nevada Society  
George M. Caan, Executive Director, Colorado River Commission of Nevada  
Sabra Smith-Newby, Clark County  
Troy Wade, Chairman, Nevada Test Site Historical Foundation  
Ellen Leigh, Curator of Education, Atomic Testing Museum  
William G. Johnson, Ph. D., Director, Atomic Testing Museum  
Steve Woodbury, Deputy Director, Commission on Tourism  
Julie Whitacre, Nevada State Education Association  
Michael R. Alastuey, Nevada Association of School Superintendents  
Carole Vilaro, President, Nevada Taxpayers Association  
Ray Bacon, Nevada Manufacturers Association  
Mary Jo Parise-Malloy, Nevadans for Quality Education  
Randy Robison, Nevada Association of School Superintendents  
James Wells, Deputy Superintendent for Administrative and Fiscal Services,  
Department of Education  
Evan R. Dale, Deputy Manager, Administration and Finance, State Public Works  
Board  
Tim Tetz, Executive Director, Office of Veterans' Services  
Laura Billman, Nye County  
Roberta (Midge) Carver, County Commissioner, Board of Commissioners, Nye  
County  
William E. Roberts, Ed.D., Superintendent, Nye County School District  
Harold Tokerud, Nye County School District  
Gustavo Nunez, Interim Manager, State Public Works Board, Department of  
Administration  
Clark M. (Rick) Hardy, Superintendent of Schools, Lincoln County School  
District

CHAIR RAGGIO:

We have a staff report for the Committee.

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

I have distributed the Senate Committee on Finance Progress Report as of  
April 9, 2007, 64th day of the 2007 Legislative Session ([Exhibit C](#)). The  
Committee has heard 423 of the 426 budgets in either Full Committee,  
Subcommittee or assigned them for staff recommendations. As of last week,  
7 budgets have been closed in Full Committee and 48 have been closed in  
Subcommittee. There have been 141 bills referred to Committee as of last  
week. There are 136 bills currently in Committee, we have had hearings on  
56 bills and there are 27 scheduled for hearing this week. Of the 104 Capital  
Improvement Projects (CIP), 64 have been reviewed by the Subcommittee.  
There are currently three pieces of legislation in the Senate Committee on  
Finance which are not exempt ([Exhibit D](#)). They are Senate Bill (S.B.) 370, the  
Millennium Scholarship bill which was heard last Monday; S.B. 457, for the  
Government Accounting Standards Board (GASB) Statements 43 and 45 local  
governmental liability issues; and Senate Joint Resolution (S.J.R.) 7.

**SENATE BILL 370:** Revises the eligibility requirements for a Governor Guinn  
Millennium Scholarship for students who have completed a certain  
number of credits. (BDR 34-301)

**SENATE BILL 457:** Provides for the creation, administration and investment of a trust fund for the management of certain retirement benefits provided by a local government. (BDR 23-736)

**SENATE JOINT RESOLUTION 7:** Proposes to amend the Nevada Constitution by adding the provisions of the Tax and Spending Control for Nevada initiative. (BDR C-1324)

Additionally, a bill draft request (BDR) was delivered this morning which is a one-shot appropriation for the Department of Public Safety (DPS) and is included in the *Executive Budget*. It makes appropriations from the Highway Fund and General Fund for replacement equipment and vehicles for agencies within the DPS.

CHAIR RAGGIO:

This is BDR S-1266. Do I have a motion for introduction?

**BILL DRAFT REQUEST S-1266:** Makes an appropriation for 300 new and replacement vehicles, replacement equipment, aircraft navigational and communications equipment, replacement video cameras for patrol vehicles, four motorcycles, training furniture and protective suits. (Later introduced as S.B. 555.)

SENATOR BEERS MOVED TO INTRODUCE BDR S-1266.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATORS COFFIN AND CEGAVSKE WERE ABSENT FOR THE VOTE.)

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CHAIR RAGGIO:

Senator Beers, with your approval, we will move the hearing on S.B. 180 to Wednesday, April 11, 2007.

**SENATE BILL 180:** Provides the registered owner of a vehicle with the opportunity to make a voluntary contribution to the State Highway Fund at the time of the renewal of the registration. (BDR 43-696)

We will now begin the hearing on S.B. 544.

**SENATE BILL 544:** Makes various changes relating to the Public Employees' Benefits Program. (BDR 23-126)

SENATOR MARK E. AMODEI (Capital Senatorial District):

During the interim, I was chairman of the Committee on Assembly Concurrent Resolution (A.C.R.) No. 10 of the 72nd Legislative Session. Assemblywoman Chris Giunchigliani was the chair during the previous interim.

I will pattern my testimony after Ms. Leslie A. Johnstone's testimony and the memorandum (**Exhibit E**) now being distributed regarding the Public Employees' Benefits Program (PEBP) position on S.B. 544.

I will begin by addressing item 1 of the memorandum, and the recommendation in S.B. 544 to change the composition and appointment process of the PEBP board members. Several points of my presentation deal with the underlying feeling of a lack of communication between the previous and present administrations of the PEBP Board. You will see recommendations which are aimed at forcing communication and interaction. From my observations, as a representative of the Capital District over the previous four to six years, I believe things have changed, in a communication sense, since the change in leadership occurred at the PEBP.

One reason the change in the appointment process of the PEBP Board was recommended was, if the Legislature had a direct hand in appointing some board members, there would be better communications between members of the Legislature and the operations of the Board. I believe the communications dynamic at the PEBP has changed with the new leadership. With the changes I have seen in the leadership and communications at the PEBP, I believe Ms. Johnstone and her staff have earned the chance to not be the subject of the shortcomings of the previous administration regarding responsiveness to concerns raised by participants of the plan and members of the Legislature.

The committee recommended that local governments, if enrolling in the PEBP, should include both active employees and retirees. One of our concerns was political subdivisions, which were eligible for membership, were sending their retirees to the PEBP but keeping their active employees in separate plans. In the insurance business, if your group is exclusively active employees, you will have a better plan. The PEBP plan was receiving retirees from political subdivisions while the active employees were staying separate in their own groups which did not commingle retirees.

The Interim Study Committee of the Public Employees' Benefits Program (commonly known as the A.C.R. 10 Committee) during both interim sessions thought this was a practice which should stop. We did not think we should force people to participate in the plan, but if you decide to participate in the PEBP, you would bring your whole workforce including retirees. If you decide to participate, you should not enroll only your retirees to get a better plan for your active employees.

The A.C.R. 10 Committee also indicated, even if you are not going to participate in the PEBP, you still must commingle retirees and active employees in the same manner as the State. Whatever plan is decided upon, it should include your retired employees.

Moving to item 6, on page 2 of the PEBP memorandum, in view of the Government Accounting Standards Board's (GASB) Statements 43 and 45 liability issues, the present PEBP budget requests we begin funding these unfunded liabilities. The A.C.R. 10 Committee recommends these assets be prohibited from being used for any purpose other than the benefit of program participants.

In item 7, S.B. 544 recommends any proposed changes in benefits or plans should be reviewed by the commissioner of the Division of Insurance (DOI) prior to implementation. At the time, this was the Committee's attempt to regulate the fluctuations in benefits and rates which could potentially change as often as the PEBP Board judged necessary. With the new leadership at the PEBP, it may

not be necessary to impose this regulation and the fiscal impact in terms of the DOI's need for additional staffing to implement this additional oversight function.

Item 8 is an annual report to the Legislature which the Committee felt was important. The report will highlight the details of benefits and rates to get an overview of the PEBP operations. This report will provide plan participants with information on rate adjustment cost and frequency.

The remaining measures in Ms. Johnstone's memorandum of March 30, 2007 ([Exhibit E](#)), are self explanatory, and I will not speak to them directly. The majority of the work from the A.C.R. 10 Committee was focused on the areas of reporting requirements to the Legislature and providing continuity for retirees enrolled in the plan.

There also is a provision coordinating benefits with Medicare and reflecting the fact the State is in second position to Medicare for payment responsibility.

CHAIR RAGGIO:

We will make a memorandum from the PEBP, dated April 9, 2007, part of the record of this hearing ([Exhibit F](#)). When Senator Amodei referenced item 1 from Ms. Johnstone's memorandum, it was in reference to sections 2 and 4 of S.B. 544 of the April 9 memorandum. Item 2 was in reference to sections 2 and 2(a) of S.B. 544 and the April 9 memorandum. Item 3 refers to section 6 of S.B. 544. Item 4 references section 6 and 6(a) of S.B. 544. Item 6 pertains to section 7 S.B. 544. Item 7 pertains to section 13 of S.B. 544. Item 8 pertains to section 15 of the bill. Item 9 pertains to section 16 of S.B. 544. Item 10 regards two amendments to *Nevada Revised Statutes* (NRS) 287.023, pertaining to the options of a retired officer, and NRS 287.040, referring to payments for group insurance.

SENATOR CEGAVSKE:

Regarding the notification of the commissioner of the DOI; can we add the employees must be notified if there are changes to the program or benefits?

SENATOR AMODEI:

The communications dynamic from several years ago regarding changes to benefits and premiums was not effective. Many participants in the PEBP plan were regularly being surprised by changes in benefits. We decided a potential way to open communication was to make the PEBP go through the same process which all other insurance companies in the State must adhere to when making benefit or premium changes: review by the commissioner of the DOI.

Our concern was with the effectiveness of communication and the stability of benefits and premiums. If we continue with this requirement, we will need to fund the DOI for the extra staff needed for the additional workload. The option we now prefer is to ensure the PEBP Board members do not make changes to the program several times each year based on the outcome of board meetings.

When we initially confronted this issue, as a result of the PEBP activities, we thought there was a fundamental problem in terms of communications and stability. Since the change in leadership at the PEBP, the problem no longer exists.

CHAIR RAGGIO:

We will now hear from the proponents of S.B. 544.

JAMES T. RICHARDSON, J.D., PH.D. (Nevada Faculty Alliance):

I am here to echo the comments made by Senator Amodei. I have followed this process closely for years and chaired the precursor of the PEBP Board in the 1980s.

The PEBP is working now; we have surplus funds, people are happier with the plan, the Board is working well and we have new leadership; we need to give it a chance to succeed. A demonstration of the way the PEBP is working is the memorandum the PEBP staff presented for our use regarding S.B. 544 and its review of the subsections with a clarity not seen from that office in recent years.

Given the complexities of this bill, I hope you will consider referring it to a subcommittee to work on the details. I urge the Board composition remain as it is, and strongly support the notion requiring all participating entities enroll all retirees and active employees in the plan. It is staggering what the number of retirees in the non-state pool of participants forces in terms of rate structures.

Oversight from the commissioner of the DOI is also a contentious point. I will refer you to a memorandum from Mr. Terry Johnson, Chair of the Board of the PEBP, dated April 9, 2007 ([Exhibit G](#)). Page 2 of the memorandum reviews this point and includes some involvement of the insurance commissioner.

Mr. Johnson's memorandum states, "It may be practical to have the insurance commissioner review the rates but the PEBP Board should remain responsible for the final adoption." This may be a workable compromise on the situation we encountered four years ago when this Committee and the plan's participants did not have confidence in the plan or its operation. The situation is dramatically different now.

MARTIN BIBB (Retired Public Employees of Nevada):

Four years ago, when the A.C.R. 10 Committee was established, the intent was clear. The Legislature and many of the user groups had lost a great deal of confidence in the plan. If the purpose was to send a message, the message was heard. The willingness of Ms. Johnstone to work with user groups is evident.

Specific to the question of commingling, we believe it is an issue which has troubled the plan for some time. Ms. Johnstone's proposal indicates an interpretation of commingling which was adopted and used by this board under the same statutes until 2005.

There are some complex elements relative to this plan and we agree with Dr. Richardson on the need for additional study. If it is the Committee's will to assemble a group to work on the details of S.B. 544, it would make sense, particularly in terms of the makeup of the Board of the PEBP. It is abundantly clear the situation is significantly better than it has been.

CHAIR RAGGIO:

In the event a subcommittee or a panel should be appointed to deal with the details of S.B. 544, I would appreciate suggestions from the proponents and opponents for a limited number of people to serve.

ROGER K. MAILLARD (State of Nevada Employees Association):

I fully support the previous comments. I want to point out a frightening statistic regarding non-state active employees and retirees. There are 300 active non-state participants in the PEBP plan and over 4,000 retirees in the plan which is a 13:1 ratio. It is amazing this has happened, and we would like to see it stopped.

CHAIR RAGGIO:

We will now hear from the opponents of S.B. 544.

RONALD P. DREHER (Peace Officers Research Association of Nevada):

We stand in support of most of the bill, but our concerns lay in sections 2 and 3 regarding retirees joining the PEBP. This Legislative body passed A.B. No. 286 of the 72nd Session which allowed retirees from local governments to join the PEBP plan upon retirement for those who did not have post-retirement medical insurance. Our concern with section 2 is the elimination of allowing retirees to join the plan.

Prior to 1998, Washoe County offered post-retirement medical coverage. Post-1998 employees are not offered this option upon retirement, and if they want insurance, they must enroll in the PEBP plan. The PEBP sends a bill to Washoe County for the enrolled employee under the provisions which existed.

This will eliminate the options for these people, and we will have a number of employees and retirees who will have no insurance. We are opposed to this bill for these reasons.

SENATOR CEGAVSKE:

Why are retirees not included in Washoe County's insurance plan?

MR. DREHER:

My concern is I do not want employees from Washoe County to be unable to join the PEBP, and this provision restricts them from enrolling.

CHAIR RAGGIO:

It does not restrict them if the local government participates. If the local government is not involved, why should their retirees be involved? Do you not find this equitable?

MR. DREHER:

I agree with you, but, this Legislature passed the provision allowing retirees to join the PEBP plan two Sessions ago.

AL BELLISTER (Nevada State Education Association):

We share the same concerns about the effect of section 2 of S.B. 544 on a retiree's ability to access the stipend which was passed under A.B. No. 286 of the 72nd Session. This closes the door to those retirees and their ability to enroll in the PEBP.

You heard compelling testimony in 2003 about the retiree's hardships of trying to make ends meet and being unable to afford health insurance in this State. Since A.B. No. 286 of the 72nd Session passed, the rate of increase of the average benefit received by a Public Employees' Retirement System (PERS) retiree increased 13.6 percent. During the same period, the PEBP premiums



increased 25 percent. If the PEBP is an indication of what is happening in the insurance industry, health insurance increases are outpacing increases in pensions.

CHAIR RAGGIO:

Is this not generally true of health insurance across the country? I know, for the average person, health-insurance costs are increasing faster than other costs of living. Is the instance you cite unusual?

MR. BELLISTER:

If the intent is to enroll active employees from non-state agencies so the retiree can have a stipend, the health-insurance trust we operate in the Clark County School District for teachers provides a benefit for \$433 each month. The PEBP rate for active employees is scheduled to reach \$557 next year. We are providing a better benefit for \$123 less. My calculations show it would cost \$27 million each year to enroll the active Clark County School District employees in the PEBP since we can provide insurance for less than the State is able to through the PEBP.

If it is the desire of this Committee to process this bill as written, we too will be willing to offer our input for a work group. If the bill is going to pass as written, it is unfair to those who are planning their retirement with the expectation the stipend will be there for them. This bill would end the stipend on July 1, 2007.

HAROLD SHRADER:

I am speaking on my own behalf as a retiree of local entities which are not enrolled in the PEBP. Many issues in my prepared testimony ([Exhibit H](#)) have already been addressed. The fate of the continuing coverage for the 4,000 local government retirees currently enrolled in PEBP is not explicitly protected by the wording of this bill. Our fate is not specifically addressed in this bill and is subject to different interpretations. Even the Retired Public Employees of Nevada (RPEN), as noted in their latest newsletter, does not know how to interpret our fate. Will those of us who currently have coverage continue our coverage under this bill or not?

CHAIR RAGGIO:

I will ask Ms. Johnstone to respond to this concern as well as others which may arise after all opponents have testified.

MR. SHRADER:

If our coverage is cancelled, either explicitly by this bill or a later interpretation, many of us will join the ranks of the uninsured. This is not covered under the Consolidated Omnibus Budget Reconciliation Act, and many of us do not have a spouse whose plan we can join. It would not be fair, after we have enrolled and are current participants of the program, to be removed from the plan because of a rule change.

CHAIR RAGGIO:

Do you pay a premium for your coverage?

MR. SHRADER:

Yes, I do. I have a subsidy from Clark County and the city of Reno.



ROBERT A. OSTROVSKY (City of Las Vegas):

We object to certain elements of S.B. 544 regarding retirees being permitted to participate in the PEBP plan only if active employees from local governments are also enrolled. If this occurs, the local governments will probably take the retirees back which will rebalance the internal cost structure of their insurance plans. If the actuarial figures are correct, there should be no burden on the PEBP fund. If the commissioner of the DOI was involved, we might learn the exact actuarial figures.

Las Vegas currently pays the PEBP a subsidy for the retirees participating in the program. Additionally, there is a new administrative fee included in this bill and we believe the subsidy already covers this cost. I have not read the newest amendments to this bill which may have an impact on those fees.

There is also the question of how to collect unpaid subsidy payments by withholding other tax revenue. This is a problem in Clark County since the city and county fund the Las Vegas Metropolitan Police Department (Metro). There have been issues between the Metro and the fund about what should be paid. If the funds are withheld, the city and county must make up the difference to fund the Metro, and we will be paying twice: once in the Metro's regular budget and once to make up for the withholding.

We will be happy to participate in any group discussion or subcommittee to resolve these issues.

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

Our concern is the ability to meet the mandated subsidy. In 2005, we received a full complement. In 2006, we have a shortfall, and in 2007 we are projecting a shortfall. We have an ongoing issue with respect to how the subsidy is structured.

CHAIR RAGGIO:

I have received prepared testimony from Ms. Terri Chambers of the DOI, Department of Business and Industry, which I would like entered into the record ([Exhibit I](#)).

LESLIE A. JOHNSTONE (Executive Officer, Board of the Public Employees' Benefits Program):

The PEBP Board's two primary areas of concern had to do with the appointment and composition of the PEBP Board and the oversight of the insurance commissioner. Those points are addressed in the memorandum from the chairman ([Exhibit G](#)).

CHAIR RAGGIO:

Can you comment on Mr. Ostrovsky's concern questioning the soundness of the actuarial evaluation and the possibility that oversight from the insurance commissioner may be required?

Ms. JOHNSTONE:

I have no reason to believe the actuarial projections would significantly change our current rating process. We hire a highly qualified actuarial firm. It is a question of whether or not the Legislature would like one actuary to review another actuary's work.

CHAIR RAGGIO:

Another comment questioned whether the insurance commissioner or the PEBP Board should have the final determination of the rates.

Ms. JOHNSTONE:

The PEBP Board strongly feels this determination should remain with the PEBP. As currently required by statute, this is a part of the PEBP's duties and responsibilities. Dividing this process would cause confusion from our perspective since we would not know where the responsibility lies when issues arise.

CHAIR RAGGIO:

How do you respond to the comment that if this bill is implemented in its current form, a vast number of retirees would be expelled from the PEBP and would have no continuing coverage? What would be the responsibility of the local governments from which they retired?

Ms. JOHNSTONE:

The non-state retirees currently enrolled in the program, as written in S.B. 544, will be grandfathered in and be eligible to remain in the PEBP. New retirees would only be able to join the PEBP if the employer enrolls the active employees.

CHAIR RAGGIO:

This should address Mr. Shrader's concerns.

Ms. JOHNSTONE:

Local governments are currently required to make health benefits available to their retirees.

CHAIR RAGGIO:

Mr. Bellister raised the issue of the Clark County School District's ability to provide benefits for active employees at a lower cost than the PEBP.

Ms. JOHNSTONE:

The demographics and geographic area have a large impact on cost. With the non-state group the PEBP currently has, which is heavily weighted with retirees, it will tend to have a higher cost than a local government plan which is weighted mostly with active employees.

SENATOR BEERS:

I sat on the A.C.R. 10 Committee with Senator Amodei during the last interim and, at the time, the issue of insurance commissioner oversight was an area in which we disagreed. With the change in management at the PEBP, I believe oversight is not necessary and would provide a level of redundant control. This is what Senator Amodei was referencing when he said things are not as bad as when the interim began.

Ms. JOHNSTONE:

Regarding the suggested amendments to S.B. 544 shown in the memorandum from the PEBP Board ([Exhibit F](#)), with the exception of the DOI oversight and the setting of Medicare rates, all of the suggestions are within the spirit of S.B. 544 and are technical suggestions. If a subcommittee is appointed, we can review them in more detail.

CHAIR RAGGIO:

The Committee will note the fiscal notes which have been received from the Department of Business and Industry, the PEBP and local governments. The Chair's intention will be to appoint a small advisory panel to meet on Wednesday, April 11. I would like suggestions for three people who are proponents and three who are opponents and someone from the PEBP organization to be on this advisory panel.

We will now open the hearing on S.B. 547.

**SENATE BILL 547:** Makes various changes regarding the management of the Public Employees' Benefits Program. (BDR 23-1414)

TRAY ABNEY (Legislative Director, Office of the Governor):

The Governor presented S.B. 547 to address the GASB Statements 43 and 45 which establish accounting standards for local and state governments. The rules require governments to begin recognizing, and publicly disclosing, the cost each year to fund their long-term obligations which pay for their retirees' health benefits. The GASB does not require governments to fund the liability, but they must report it. This could influence state governments' credit ratings when issuing bonds.

The current present value of unfunded liability in the PEBP is approximately \$3.9 billion. The Governor has proposed this bill to establish an irrevocable trust to reduce the GASB liability and provide a stable system for future subsidies and future retirees.

Governor Gibbons has included \$50 million over the next biennium in his recommended budget to assist with this liability, with 60 percent coming from the General Fund.

MS. JOHNSTONE:

This bill will authorize the establishment of a trust fund for monies to be deposited which go toward current and future State retiree benefits. This will meet the definition of a plan under the GASB. The pre-funding will be accounted for as being obligated for the benefits and go toward the unfunded liability calculation.

The amendments suggested by the PEBP, shown in an April 9, 2007, memorandum from the PEBP Board (**Exhibit J**), are technical in nature. In section 9, we would like to clarify the salary of the investment officer and any direct expenses associated with the investment officer would be paid from the retiree fund rather than from the PEBP's operating costs. Our intent would be to move toward segregating the accounting between active employees and retirees.

Section 17 refers to the Legislature establishing an assessment each session to pre-fund health benefits for State retirees. It would be best to change the wording to "fund current and future" health benefits for State retirees.

CHAIR RAGGIO:

The only words you are adding are "fund current and future" and deleting the word "pre-fund" in section 17 of S.B. 547 which addressed NRS 287.046.

Ms. JOHNSTONE:

The other request, which is the same request we made for S.B. 544, is to add clarifying language on the obligation of non-state jurisdictions to pay retiree subsidies for their retirees. Assembly Bill No. 286 of the 72nd Session refers to subsidy obligation for those who join PEBP upon retirement, and most of the non-state retirees joined PEBP during the biennial reinstatement period. They did not join upon retirement but at a later date. This is a clarification we have included in this request for amendments.

CHAIR RAGGIO:

The amendments you have suggested are to clarify non-state employers are responsible for retiree subsidies for all of their participants in the PEBP and not only those who join PEBP upon retirement.

Ms. JOHNSTONE:

Senate Bill 547 puts the investments responsibility with the PEBP.

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

I would like to give the Committee an update with respect to S.B. 457 which is the local government alternative to this program.

**SENATE BILL 457:** Provides for the creation, administration and investment of a trust fund for the management of certain retirement benefits provided by a local government. (BDR 23-736)

You asked us to meet with the Committee on Local Government Finance to discuss possible amendments to S.B. 457 which would satisfy the tax requirements for the retirement system to invest on behalf of the local governments. We met with the Committee and with Ms. Brenda J. Erdoes of the Legislative Counsel (LCB) Legal Division last week to work through those amendments.

I have not seen the amendments yet, but we are confident we will be able to invest for the local government pools. The way the bill is currently being drafted, it will be an option for the State to join the pool as well. We also spoke to the Office of the Governor and the budget director last Friday to let them know this process was going forward.

CHAIR RAGGIO:

This makes sense. It is more desirable for these funds to become centralized rather than have numerous individual funds.

SENATOR BEERS:

An employee who started after 1987 has been paying 1.45 percent of their wages toward their retirement health care needs and an employee who started before 1987 has not. Has there been any discussion about starting an immediate assessment of 1.45 percent on the long-term employees and putting the money into this fund?

Ms. JOHNSTONE:

The PEBP reviewed the current structure of the retirees who do not have Medicare Part A coverage, and they will have 200 to 300 participants who will be in this situation for the foreseeable future. Given the history of those individuals, it did not appear to be cost effective. A group this small is difficult

to predict since one claim can completely change the dynamics of the projection. The PEBP is obligated to review this situation annually to update the information.

SENATOR BEERS:

Are the 300 people retirees without Medicare Part A coverage?

Ms. JOHNSTONE:

Not all retirees from the State will join the PEBP, so we are only reviewing the PEBP participants.

SENATOR BEERS:

We should start an assessment against employees hired before 1987 which is equal to the Medicare assessment of employees hired after 1987, who are paying 1.45 percent each month from their paychecks. The funds should be routed into this benefit along with the planned General Fund contributions as a matter of employee equity.

Ms. JOHNSTONE:

I may have answered a different question. We reviewed the idea of funding Medicare Part A for the post-1987 retirees instead of the payroll deduction. We should review it again and report the pros and cons of the idea to the Committee.

CHAIR RAGGIO:

If we have a subcommittee on S.B. 544, this could be a discussion topic.

SENATOR TITUS:

Mr. Abney, is the Governor confident the \$50 million to prepay our unfunded liability will meet the GASB requirements, or will there be additional proposals to address the problem for the long term, since \$50 million is a small portion of the liability?

Additionally, with the budget cuts we are facing, will the \$50 million be subjected to budget cuts as well?

MR. ABNEY:

I do not have an answer specifically for the \$50 million. You are correct in stating \$50 million is a small portion of the liability. The GASB does not require us to pre-fund the liability; only to report it on our books. The Governor wants to set up this fund and build it up in the future.

SENATOR TITUS:

If they do not require us to pre-fund the liability, do we have to spend the \$50 million?

Ms. JOHNSTONE:

Our actuaries tell us the \$50 million with which Nevada is pre-funding the GASB liability is one of the more proactive measures they have seen taken by state and local governments in an effort to address the issue. From this aspect, we are in a positive position.

The matter of funding this liability on an ongoing basis, and how much is actually funded this year, will be decided by the legislative process. Having this proposal is seen as a positive move.

SENATOR TITUS:

I understand we are progressive in addressing this liability. At which point will we know if the Governor still wants to invest \$50 million into the liability or if this money will be used to supplement budget cuts elsewhere?

MS. JOHNSTONE:

The Budget Division has given no indication of these funds being jeopardized.

CHAIR RAGGIO:

It is better to be ahead of the curve with this type of situation than to create a situation similar to the one we face nationally with social security. We would be ill advised to do less than what has been proposed to address this issue. If we defer funding for another two years, it becomes a larger problem.

DR. RICHARDSON:

We are grateful the Governor has recommended establishing this fund. We have also heard nothing about these funds being in jeopardy. It appears the bill can be amended to allow PERS to manage these funds, and they have the expertise and track record to manage the fund effectively. We prefer this to establishing a separate investment office and I believe the local governments feel the same. We would like to go on record in support of the amendments Ms. Johnstone referenced.

We have been discussing ways to permanently add to this fund. There are usually excess revenues in the PEBP budgets which are reverted to the General Fund which we believe should be used to supplement this trust fund.

We are also appreciative of bills like Assembly Bill (A.B.) 196, submitted by Assemblyman John W. Marvel, which would allow funds above the cap to be used to help fund this trust fund in future years.

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

We are open, as a group of faculty alliance members, to discussing direct contributions from employees. We know this is a problem we need to attempt to solve. There must be regular contributions to this trust fund or we will not be ahead of the curve for long.

I have some reservations about the portion of this bill which would appoint the executive director of the PEBP operation by the Governor. This person is now appointed by the PEBP Board and has done an excellent job. I urge you to leave the appointment of the PEBP Board's executive director as is.

MR. DREHER:

The Peace Officers Research Association of Nevada supports S.B. 457. Last session, we discussed decreasing insurance. This bill is a solution to the problem. I support the Governor in what he is doing with this concept. It would be great to have a system like PERS to take care of this unfunded liability in the long term, and this is a way to accomplish the task. This bill provides funding

over a period of time and solves the problem and this is what the GASB recommends to receive lower bond ratings.

MR. BIBB:

The Retired Public Employees of Nevada also support the notion of creating a structure for local governments, as well as the State, to pre-fund the GASB liability. We appreciate the Chair's remarks regarding the importance of staying ahead of the curve.

SENATOR BEERS:

Which sections of this bill discuss how it will be funded?

CHAIR RAGGIO:

Dr. Richardson suggested we consider amending the bill to provide for any excess revenues from the PEBP budgets be committed to the trust fund rather than reverting to the General Fund.

SENATOR BEERS:

As written, this bill does not include ways to fund this program in the future.

MR. BIBB:

I did not mean to imply the bill included future funding. The funding and the structure are separate things and we understand if the trust fund is to be funded on a continuing basis, the sources need to be determined.

SENATOR BEERS:

The proposal for this biennium is to fund only a small portion of the liability.

MR. BIBB:

We understand this is part of the budgetary process through the Office of the Governor and this Committee's recommendations.

MR. MAILLARD:

I am in support of S.B. 457, and we think the appointment of the executive director of the PEBP Board should remain at the Board level.

GARY WOLFF (Nevada State Law Enforcement Association):

The Nevada State Law Enforcement Association also supports this bill. I sat on some of the A.C.R. 10 Committee meetings, and this was one of their best recommendations.

CHAIR RAGGIO:

We will close the hearing on S.B. 457 and open the hearing on S.B. 135 which creates the office of State Paleontologist.

**SENATE BILL 135:** Creates the Office of State Paleontologist within the Department of Cultural Affairs. (BDR 33-210)

SENATOR TITUS:

This bill is brought to you by the interim Committee on Protection of Natural Treasures which I chaired. It was one of five bill drafts requested. We have a State fossil, the Ichthyosaurus, but most of our fossils are lost to private collections. We do not have any standards for saving, collecting or studying them and passing this information on to future generations.



STEPHEN M. ROWLAND, PH.D. (Professor of Geology, University of Nevada, Las Vegas):

I would like to briefly review a PowerPoint presentation ([Exhibit K](#)) titled "Why Nevada Needs an Office of State Paleontologist." I will give a brief overview of Nevada's fossil resources, why we should pay more attention to our resources, what a State Paleontologist would do and how much it will cost.

This slide shows a map of the State of Nevada in which every color in the map is a different age rock. Most are sedimentary rocks and most have fossils in them.

This next slide shows a 15-million-year-old fossil leaf from near Fallon and a trilobite which is 500 million years old. The State fossil, the Ichthyosaur, which is well known and preserved in the Berlin Ichthyosaur State Park in central Nevada, allows us to reconstruct the geologic history of the State.

What Nevada is best known for is Ice Age fossils of mammals such as the short-faced bear skull from Elko. We also have horse fossils from Pyramid Lake and a ground sloth from southern Nevada. There are also famous ground sloth footprints and skeletons on the grounds on the Nevada State Prison east of Carson City.

We have a rich fossil record. We are not known for dinosaurs, but we have recently discovered dinosaurs in the State. This slide displays the femur of a Deinonychus dinosaur discovered in the Valley of Fire State Park.

We have abundant world-class paleontological resources spread throughout the State. These are fragile, nonrenewable, and represent a priceless heritage. They are neglected in terms of their scientific, educational and tourism value.

A group of volunteers from Montana State University were legally collecting dinosaur fossils in the Valley of Fire State Park. Since the fossils were collected on State of Nevada land, these fossils are now in the Nevada State Museum at Springs Preserve. This slide displays a picture of Josh Bonde, the young man who discovered the fossils, overseeing some children enjoying them.

If the Valley of Fire dinosaurs had been discovered on federal lands, it is likely these fossils would have left the State, never to return. One function of the Office of State Paleontologist will be to work with federal agencies and pay attention to fossil resources ensuring they stay here for future generations of Nevadans to enjoy.

We should pay more attention to our fossils since if we do not, we will lose them. Fossils can be used to diversify our tourism base, stimulate an interest in science and help residents and visitors of all ages to develop a deeper sense of place for Nevada and a deeper respect for the State's natural resources.

The State Paleontologist would systematically inventory State fossil resources and compile a database for the State, coordinate and promote paleontological research within the State and disseminate research results in the form of technical publications as well as publications for the general public.

The Nevada Friends of Paleontology is a new organization in Nevada the State Paleontologist would promote to allow interested people to get out and look at fossils and be trained to excavate them.

The State Paleontologist would oversee the issuance of collecting permits on State land and work with federal agencies on permitting issues on federal land within the State.

Another important function of the State Paleontologist would be to serve as a resource for kindergarten through Grade 12 (K-12) teachers. As a University of Nevada, Las Vegas professor, I often receive telephone calls from teachers in southern Nevada who want to include fossils in their classrooms and want people to talk to the kids about them.

CHAIR RAGGIO:

This bill was heard in the Senate Committee on Human Resources and Education and was referred here because of the fiscal note on the bill. The Desert Research Institute (DRI) has, over the years, done research in these areas. Why is this not available through working with the DRI rather than having a separate office within the Department of Cultural Affairs?

DR. ROWLAND:

There is no reason the DRI could not, and would not, be a partner with the Office of State Paleontologist. This is the way the legislation was written by the Committee on Protection of Natural Treasures.

CHAIR RAGGIO:

At a time when we are seeing limitations on what we can fund, I am wondering if there is some way we can accommodate all of these worthy goals and efforts.

DR. ROWLAND:

I would propose the DRI is not the best place for the Office of State Paleontologist since the mission of the DRI is research and they do not do much teaching or public service. The Nevada System of Higher Education (NSHE), the Division of Museums and History or the Department of Cultural Affairs would be a better place to have a State Paleontologist whose function is to educate and coordinate research within the State.

I would like to give two examples of neighboring states that have done a better job than we have in promoting fossil tourism with their paleontological resources. The George C. Page Museum at the La Brea Tar Pits in California has tens of thousands of visitors every year to look at the fossils and observe the researchers. This is both a research and tourism point of interest. Another example is the newly-developed Saint George Dinosaur Discovery Site at Johnson Farm in Utah. Saint George has hired a city paleontologist in addition to the state paleontologist of Utah and both have a major function in promoting fossil tourism. I have no doubt the salary of the city paleontologist in Saint George has been more than recovered by the amount of tourism dollars brought into the city by this facility.

There is a potential to diversify our tourism base by encouraging fossil tourism, which we do not do well in the State of Nevada. A site in the northern Las Vegas Valley has an area in which Ice Age vertebrate fossils are exposed on

the surface of the ground. This world-class paleontological site could be developed into a La Brea Tar Pits type of fossil tourism attraction, which is one of the types of projects a State Paleontologist could do.

The Department of Cultural Affairs fiscal note estimates a cost of approximately \$186,000 in the biennium for this position.

CHAIR RAGGIO:

This is for future biennium. Since it would not be a full year, it is \$70,000 the first year and \$93,000 each year thereafter.

DR. ROWLAND:

While this is a relatively modest amount, with creative use of existing employees for the next biennium, we could start this position on July 1, 2007, and accomplish some impressive things during the next biennium. If the State Paleontologist is a NSHE faculty member, the space and supplies are already being provided by the NSHE and new money could fund a talented doctoral student such as the young man who found the dinosaur fossils in the Valley of Fire State Park.

CHAIR RAGGIO:

Are you suggesting this fiscal note is not necessary other than to hire a student?

DR. ROWLAND:

Yes.

CHAIR RAGGIO:

If you submit this as a proposed cost, it would not be necessary to do this. Mr. Sisco, do you have anything to add to the fiscal note which is before the Committee?

SCOTT K. SISCO (Deputy Director, Chief Fiscal and Administrative Officer, Department of Cultural Affairs):

No.

HELEN MORTENSON (President, Archaeo-Nevada Society):

The site which Dr. Rowland mentioned is a world-class site. It includes camels, bison, Pleistocene horses and herds of mammoths. There was a study of this site done in the 1960s by scientists, and the State published a report stating they felt it is world-class tourism site. It is important to get the community involved and we can accomplish this through the NSHE, education and teachers.

The publications I have been collecting over the years from 1928 and 1929 do not deal with only southern paleontology. They deal with areas in Humboldt County. We need a State Paleontologist to gather these resources and forgotten reports from other institutions and put them into a simple database.

CHAIR RAGGIO:

Do you support Dr. Rowland's concept of this being done with a position which is now in NSHE?

MS. MORTENSON:  
Yes.

CHAIR RAGGIO:  
We will also make these letters of support a part of our record ([Exhibit L](#)). As I indicated, this bill is here primarily on the fiscal aspect although the presentation was compelling.

ASSEMBLYMAN HARRY MORTENSON (Clark County Assembly District No. 42):  
These are wonderful facilities and we are a world-class State. We are one of the best states in the union in regards to paleontological sites and we need to preserve them.

CHAIR RAGGIO:  
We will now begin the hearing on S.B. 301.

**SENATE BILL 301:** Clarifies the purposes for which money in the Fort Mohave Valley Development Account may be used. (BDR 26-1317)

SENATOR WARREN B. HARDY II (Clark County Senatorial District No. 12):  
I was contacted last year by Commissioner Woodbury and others to get involved in a dispute which had arisen in Laughlin relative to the Fort Mohave Development Account (FMDA) and the Colorado River Commission (CRC), the City of Laughlin and Clark County.

There was a lawsuit, the details of which are not germane to why the bill is here, in which the CRC found they were being required to pay \$5 million. The only source of funding they had was the FMDA. The specific purpose of the FMDA was for funds to go toward improvements in or around the city of Laughlin; however, there is a portion of the statute which stated funds could also be used for any other expenditure authorized by law.

The CRC asked their legal counsel for an opinion as to whether or not they could access money from the FMDA to pay their obligation from the lawsuit. Their attorney opined, based on the term "any other expenditure authorized by law," they could access those funds.

Clark County's district attorney issued an opinion indicating the money could not be accessed based on this portion of the statute. I asked the LCB legal counsel and they agreed the money could not be accessed based on this provision of the statute.

It was the intent of Clark County, on behalf of the city of Laughlin, to sue the CRC to recover this money. Then I got involved and attempted to determine what the outcome of a lawsuit would be.

CHAIR RAGGIO:  
The CRC used a portion of the proceeds from the 2005 land sale to pay electrical power transaction obligations which became due. The issue was challenged, and the CRC did not have the legal authority to use those funds. They have now entered into an agreement with Clark County, who is delaying any further litigation with the understanding they will agree to a change which specifies proceeds from land sales can only be used for the benefit of the city of

Laughlin. The other part of the agreement is they will come forward and request funding from the General Fund.

Why should the General Fund and all taxpayers of the State be required to pay \$5 million which the CRC apparently did not have the authority to utilize? If this is the decision, do they not have the authority to assess rates to acquire the funding which should be utilized for reimbursement?

SENATOR HARDY:

It is my understanding the CRC did not have a source or the availability to raise the funds. Since the CRC is a creation of the State, the State would be required to pay this money. I was simply trying to avoid a lawsuit with legal costs.

The agreement was they would not again utilize the loophole in the law which allowed them to access these funds until the Legislature had a chance to act on removing the language of "and any other expenditure authorized by law" from the statute. Clark County has delayed any action pending the outcome of this legislation.

GEORGE M. CAAN (Executive Director, Colorado River Commission of Nevada):

I am here to testify in support of S.B. 301 and would like to thank Senator Hardy for his leadership in attempting to reconcile this issue and keep it from going to litigation.

The CRC is a nonprofit and non-state-funded agency. We generate our revenues from surcharges on our electric power bills and administrative charges to the Southern Nevada Water Authority. Those charges are specifically for the administration of our hydropower and power program.

When we had these obligations, which were a settlement of a lawsuit we had with one of our industrial companies, we went to our bond counsel to learn whether or not we could entertain an administrative assessment to pay these fees. He indicated we were not able to include this administrative assessment. The only funds we had, which we had the authority to use, were from the FMDA. According to our attorney, we had the authority to use those accounts under the phrase "and any other expenditure authorized by law." Since these electrical contracts were provided under law, we did have, at the time, the authority to expend those funds.

CHAIR RAGGIO:

If your counsel believes you had the authority to expend those funds, why not go ahead with the litigation?

MR. CAAN:

I believe it was better to bring this issue, under the leadership of Senator Hardy, to the legislature prior to having the State and the County go to court.

CHAIR RAGGIO:

Why would the State be liable for a judgment rendered against the CRC if you are a nonprofit agency?

MR. CAAN:

If a lawsuit is brought against the CRC, it would also be brought to the State of Nevada through the CRC. We are an executive agency of the State.

CHAIR RAGGIO:

Has the lawsuit already been filed?

MR. CAAN:

No. It is our belief, if it goes to a lawsuit, and if they are successful, the judgment would be rendered against the State of Nevada since the CRC is an executive agency of the State. Instead of going through a lawsuit which, in the worst case, would be brought back to this legislature for funding, this bill would seek a legislative decision to whether or not these funds would be provided.

CHAIR RAGGIO:

Would this not set a precedent in which any time the CRC makes a mistake the General Fund and taxpayers of the State are responsible to rectify the problem?

The CRC is an extremely important agency and serves a valuable purpose, but I will ask our legal counsel for an opinion of whether or not the State has any potential liability in such litigation.

Who was your legal counsel telling you this could be done?

MR. CAAN:

I will provide the Committee the opinion which was provided to me in writing by our attorney. We use the Office of the Attorney General and are relying on them to provide us with information. I think you will find the analysis provided was comprehensive and sufficient to provide us with the opinion we could use the FMDA funds.

CHAIR RAGGIO:

The Office of the Attorney General provided this opinion?

MR. CAAN:

An attorney from the Office of the Attorney General provided us with an informal opinion.

The \$5 million was a result of a settlement which reduced the obligation of the State and the CRC from what would have been \$120 million. This was a result of the energy crisis when many electric bills were higher than anticipated. We managed to decrease the \$120 million liability to \$5 million. We were faced with a situation where, if we did not use FMDA funds, we would have defaulted. The lesson is if we need additional funds, we will request them through the Legislature.

We entered into a settlement with the provision of attempting to reduce our liability. The \$5 million settlement is the legal responsibility of the CRC, and I do not believe the settlement was a mistake.

The reason we found ourselves in this situation was due to entering into long-term contracts during a period of increased energy prices. Today, we enter into month-to-month contracts so we are never at a liability with our customers. In fact, we keep collateral for three months for each customer in case they should default on their bills.

This was a onetime instance in which the CRC faced a liability as a result of an energy crisis which was consistent with the liability of many other utilities across the western states.

CHAIR RAGGIO:

We will ask our legal counsel for an indication of what the potential liability for the State of Nevada would be in this circumstance.

SENATOR TITUS:

I find this appalling. You used bad judgment in entering into a long-term contract. You then had to get out of the contract with a settlement. You had to pay \$5 million for the settlement and energy we never got. You took the money from the FMDA which you had no right to do. Now the county is suing you, and you want the State to pay the \$5 million?

If the State is going to be liable, we need to think about having more involvement and more oversight of the CRC.

MR. CAAN:

It is common practice for utilities to enter into long-term contracts to hedge price uncertainty.

SENATOR TITUS:

Which you are no longer doing, since it was a bad decision.

MR. CAAN:

As a result of the litigation, we are entering only into short-term contracts with these customers. When we were entering into long-term contracts it was standard practice. The problem was, during this period of time, the prices were manipulated and extremely high. The only way to obtain affordable prices for all of our customers was by entering into long-term contracts. Today, we do not enter into long-term contracts for our retail customers.

SENATOR TITUS:

Did you receive any power for the \$5 million, or was it a settlement to get out of the contract?

MR. CAAN:

For \$120 million in contracts, we received some power. Primarily, those were financial instruments and we were able to end those contracts with the settlement. We turned a potential liability of \$120 million into a \$5 million liability. If you research all of the settlements which were arrived at across the western states from 2000 and 2001, you will find many settlements far exceeding the one we entered into. I consider the fact we were able turn a \$120 million liability into \$5 million a positive occurrence. Today, we have collateral, and we buy one month at a time from these contractors. This was a one-time event due to the high electricity prices and a retail company which we served went into bankruptcy and tried to leave the State holding the \$120 million liability.

As the director of the agency, it was my responsibility to reduce the liability to the greatest extent I could and to pay the bills when they came legally due so the State was not in a position of defaulting on legally-obligated contracts.



SENATOR TITUS:

I am sure you did what you thought was in the best judgment. It would be much worse if we had to pay \$120 million, but if the State is going to be held liable, we need more oversight for the CRC.

SENATOR BEERS:

Can we also ask our legal counsel to review whether or not paying this \$5 million settlement was, in fact, a lawful purpose?

SENATOR HARDY:

I have a legal opinion from the LCB indicating it was not a lawful purpose, and I will provide it to the Committee. I have formal legal opinions from the Clark County District Attorney's Office and the LCB indicating paying the money for this purpose was not lawful. I then went to several informal sources to determine whether or not the State would be liable for this \$5 million and was satisfied, if there were a judgment, we would have to come back to the Interim Finance Committee (IFC) requesting the funds.

I brought this bill forward based on the two formal legal opinions which indicated Clark County and Laughlin would prevail in a lawsuit and the State would be liable. There is also a policy question in this bill which will remove the language "and any other expenditure authorized by law."

CHAIR RAGGIO:

This language is found in subsection 2 of NRS 321.536. The Committee is not critical of you bringing forth the bill, we just want to get a legal opinion as to whether or not there is a potential liability to the State of Nevada on this issue.

SENATOR BEERS:

Senator Hardy, did you get additional opinions on whether or not the agency can work this \$5 million into its administrative assessments adding to the price of energy provided to its customers?

SENATOR HARDY:

To the extent in which I had conversations with Mr. Caan and members of the CRC, I was satisfied they do not have the ability to add administrative assessments to pay the \$5 million.

CHAIR RAGGIO:

I believe he indicated this was the opinion of your bond counsel. We will ask our legal counsel about this issue as well.

MR. CAAN:

I would like to add one comment regarding Senator Titus's question about oversight. Last year the LCB conducted an audit of the CRC, including a full comprehensive audit of our power supply program, resulting in seven recommendations which have been implemented. They closely examined our operations based on this particular issue and others.

CHAIR RAGGIO:

Did they address this particular issue during the audit?

MR. CAAN:

They did not address the \$5 million, but they did address the way we manage our power program today versus the way it was previously managed.

CHAIR RAGGIO:

We will leave it at that and ask our legal counsel.

SABRA SMITH-NEWBY (Clark County, Nevada):

I would like to go on the record in support of S.B. 301.

CHAIR RAGGIO:

Are there any people here on behalf of S.B. 316?

**SENATE BILL 316:** Requires compensation for Legislators who serve on the Commission on Special License Plates. (BDR 43-861)

If there are no people present to testify on S.B. 316, we will hear this bill in the next meeting.

Senate Bill 408 is next on the agenda.

**SENATE BILL 408:** Directs the Commission on Tourism to transfer money from the Fund for the Promotion of Tourism to the Atomic Testing Museum. (BDR S-1097)

TROY WADE (Chairman, Nevada Test Site Historical Foundation):

Many members of this Committee have visited the Atomic Testing Museum and seen what we have done to turn a unique piece of Nevada and Cold War history into a Smithsonian-class museum. From the concept of the museum, we believe the educational potential is its greatest attribute.

Since its opening in 2005, we have escorted over 10,000 students through the museum. Those students have come from Battle Mountain, Elko, Fallon and Mesquite as well as from throughout Clark County. We have worked with the school districts to develop curricula which meet State of Nevada standards for history, science, language and arts. We are now averaging approximately a bus load of students each day at the museum.

None of this would have been possible without the grant we received from this Committee and the Nevada Legislature in the 2005 Session. The Nevada Test Site was, and is, one of the major battlegrounds of the Cold War. The Atomic Testing Museum is a venue which teaches the value of this contribution to both the State and the nation.

Much of the success of the museum's education program can be attributed to the support provided by the previous legislation. We will continue the success of the museum with the funds to be provided by S.B. 408.

We have provided a report in our information packet (**Exhibit M**) summarizing the success of the program's first year which will soon be expanded into its second year.

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CHAIR RAGGIO:

Is the Nevada Test Site Historical Foundation a U.S. Internal Revenue Service code 501(c)(3) nonprofit organization?

MR. WADE:

Yes, it is.

ELLEN LEIGH (Curator of Education, Atomic Testing Museum):

The busing portion of S.B. 408 is of extreme importance to our school program.

WILLIAM G. JOHNSON, PH.D. (Director, Atomic Testing Museum):

The most important part of this funding is the transportation subsidization, without which, many classes of students would be unable to visit the museum.

CHAIR RAGGIO:

What is the overall budget of your foundation for this purpose?

MR. WADE:

The operating costs for the museum are approximately \$1 million each year. This legislation is important to us since it pays for the students to come to the museum. We take care of the other costs within the operating budget of the museum.

CHAIR RAGGIO:

Does the report in your information packet contain your overall budget and sources of revenue?

MR. WADE:

It alludes to it.

CHAIR RAGGIO:

We require this information from all nonprofit organizations who request appropriations from the Legislature.

MR. WADE:

We will provide our annual report to the Committee.

SENATOR TITUS:

The experts speaking before the Committee today are too modest in their presentation. This is an excellent museum which is sanctioned by the Smithsonian Institution. Four Legislative Sessions ago, the Legislature passed a bill which would allow the DRI to partner with the U.S. Department of Energy (DOE) in a lend/lease arrangement to build this museum. It has a library, an exhibition area, research area and storage of artifacts and records from the Nevada Test Site. A lecture series is also sponsored by the Nevada Test Site Historical Foundation. Thousands of people from all around the world have visited the museum. It is a way to preserve and tell the story of the Nevada Test Site and its impact on our history, politics, economics and culture.

I would encourage us to fund S.B. 408 since it gives a way to pass this important part of history on to the next generation.

SENATOR BEERS:

Have you met with Dr. Michael Fischer, our newly appointed Director of the Department of Cultural Affairs?

MR. WADE:

No, we have not met Dr. Fischer.

SENATOR BEERS:

You should take one of your information packets over to him and impress upon him the significance of your facility. You can examine the possibility of working cooperatively with the Department of Cultural Affairs.

STEVE WOODBURY (Deputy Director, Division of Tourism, Commission on Tourism):

Although the Commission on Tourism has no objection to the intent of this bill, we are strongly opposed to the source of funding. By statute, the Nevada Commission on Tourism (NCOT) is allotted 0.375 percent of lodging tax to carry out its mandate of promoting the State to increase tourist visits. The NCOT has a relatively small budget and we work to make every dollar count. Our programs have been successful in promoting the State, increasing tourism visits and generating additional sales, gaming and other tax revenue for the State. The activities in this bill including providing instruction materials and internet access, and subsidizing admission and transportation costs for schools simply do not fall within the NCOT's statutory mandate.

Over the years, transfers from the NCOT's budget to other State agencies and entities have slowly crept in. These transfers which, for the most part, fund operational costs rather than promotion have increased dramatically in the past few years. These transfers weaken Nevada's ability to compete in an extremely competitive global tourism market.

For the first time in our budget submission for this biennium, we have included funds to actively and directly market Nevada's State Parks and Museums as part of Nevada's tourism product. Rather than diverting NCOT's tourism promotion funds to subsidize operational costs, our goal in this effort is to help Nevada's parks and museums become more self sustaining by promoting them, increasing patronage and revenues, and eventually eliminating these kinds of transfers from our budget.

This measure, although admirable, does nothing to put heads in beds. Along with the other transfers, funding this bill, using tourism promotion dollars, will force us to drop advertising, media familiarization trips and other activities proven to generate exposure and bring visitors and revenue to the State.

CHAIR RAGGIO:

We will now open the hearing on S.B. 416.

**SENATE BILL 416:** Creates the Fund to Stabilize the Operation of Public Schools. (BDR 34-1304)

SENATOR JOHN J. LEE (Clark County Senatorial District No. 1):

For decades, this legislative body has gathered together with intentions to improve K-12 public education in the State. Each session, we try to take steps

to address current problems facing the system, but rarely do we look into the future.

Senate Bill 416 is a fiscally responsible piece of legislation. It creates a fund to stabilize the operation of public schools; a rainy-day fund for Nevada's K-12 public education system. The education rainy-day fund is set up similarly to the State's rainy-day fund, the Fund to Stabilize Operation of State Government. It would only be accessible if State or district revenues fall short by five percent. We have been fortunate our State, for the most part, has experienced a healthy and robust economy. We all know economic downturns must be expected, but by capturing only 20 percent of the Distributive School Account (DSA) reversion, we can assure public education in the State is funded even when our economy has a downturn.

In addition, S.B. 416 will create a system by which school districts can apply for money from the fund for deferred maintenance projects. Deferred maintenance is a major problem in our State. A 1998 report by Howarth Associates contained no less than \$436 million worth of existing facility needs. One of the major recommendations of the report was for the State to provide monies for the repair of existing buildings. Nearly ten years have passed since the report, little has been done to address the problem. One can imagine it has only gotten worse. Senate Bill 416 would be a step in the right direction to help address the growing concern.

We also have a friendly amendment to this bill.

JULIE WHITACRE (Nevada State Education Association):

In the last 18 years, the amount of supplemental appropriations allocated by this body to school districts when compared to the reversion, which has gone back to the General Fund, shows a difference of \$500 million. In the same time period, there have been two instances where the actual basic support for each person was less than what was legislatively approved. Both times, in the 1981-1983 biennium and again in the 1991-1993 biennium, would have been good instances where we could have dipped into this fund to bring the basic support back to up to what the legislative body had approved.

The amendments we have presented to the Committee ([Exhibit N](#)) are for clarification purposes only and do not change the intent of the bill. The first amendment comes in subsection 3 of section 5. The current language says if the school districts' or the State's revenues fall by 5 percent, then the legislative body could appropriate them money from this fund. The amendment clarifies if a single school district's revenues fall by 5 percent, they would also be eligible for appropriations from the fund. It would not have to be all 17 school districts, just a single one.

The second amendment comes in subsection 4 of section 6. This is a clarification if there is not enough money in the fund for the applications from Capital Improvement Program (CIP) projects, each project would be proportionally cut to meet the amount of money in the fund.

SENATOR BEERS:

How is it possible for this to happen? My understanding of the Nevada Plan is we make up revenue shortfalls which may occur in local government with General Funds.

MR. GHIGGERI:

I cannot address this. I have not seen what they have.

SENATOR BEERS:

My understanding of the Nevada Plan is it is impossible for a school district to come up short since, if they do, we make up the difference. This is one of the reasons we have the spending reduction in the second year of the biennium coming.

MICHAEL R. ALASTUEY (Nevada Association of School Superintendents):

On two occasions, once in the early 1980s and once in the early 1990s, after the Legislature established the basic support guarantee for each of the years, the revenues fell significantly short. On both occasions, the Office of the Governor, through the *Executive Budget* director, contacted school districts and indicated a cut would be forthcoming before the Session. The Legislature, immediately upon convening, was presented with a bill to retrospectively reduce the basic support guarantee established two years previously.

CHAIR RAGGIO:

The reason this occurred was, in those days, the Legislative Branch and the Executive Branch were free to massage the anticipated revenues so they could provide for everything they wanted. This is the reason we established the Economic Forum which, although not perfect, requires their numbers to be used for purposes of expenditures from the General Fund. This occurred immediately after the 1991 budget situation.

SENATOR BEERS:

In order for the provisions to be triggered here, the Economic Forum would have to be over-projecting actual revenue.

CHAIR RAGGIO:

It is not always accurate. For example, they did not foresee the downturn in sales tax and other revenue for this biennium. It is not a perfect system, but it prevented the political play of massaging revenue so you could give money which we did not have to people.

CAROLE VILARDO (President, Nevada Taxpayers Association):

In support of the intent of this legislation, I would also point out the legislation is not effective until 2009. This was to ensure there would be no impact on this biennium's budget and, in the preparation for the next budget, it would be a known fact.

Section 6 of the bill shows the ability to provide some money, if there were an emergency, for school refurbishing and maintenance. This should be an account within the fund similar to the disaster relief account within the State's rainy-day fund to show a delineation and identification of interest going into the account. This account should not only provide for a grant, but also provide for a loan.

You have heard two bills this morning which referenced the PEBP retiree health care benefits. It would be beneficial, since we are dealing with a future biennium, to take an additional 3 to 5 percent to fund the retirees' health care benefits. I would anticipate, not knowing if you will provide for a separate irrevocable trust, you will probably provide for an irrevocable trust for the school districts. Since we have bills dealing with the State and bills dealing with local

government, I do not know if the local government irrevocable trust includes schools. Whichever mechanism you use, this would be a perfect vehicle to provide an irrevocable trust for school district retirees.

While the General Fund makes up for revenue shortfalls, the money primarily used in the calculation against the DSA is a property tax specifically listed on tax bills which is for schools. The 2.25-percent portion of the sales tax is called the Local School Support Tax (LSST). People understand those two sources of revenue are supposed to be for schools and, at this point, it is a valid use to set aside a small portion. This does not stop the Legislature from making up for revenue shortfalls at those times when it is needed and it gives specific flexibility for school districts.

CHAIR RAGGIO:

We would appreciate the proposed amendments being presented to this Committee in the usual form. Are you aware the Department of Administration projects a cost of \$25 million in the next biennium, if we institute this bill with the prediction the situation will not improve in the next biennium, with respect to revenues?

MS. VILARDO:

This becomes advance planning, and I can think of some alternatives to minimize the \$25 million initially. I would like to discuss this with Ms. Whitacre and Senator Lee and, if acceptable to them, will give you some additional recommendations.

RAY BACON (Nevada Manufacturers Association):

The Committee has our written testimony ([Exhibit O](#)). There is another possible source of revenue for this bill which would be an irregular source of funds but still build up to a trust account. We can take some of the fine and penalty money from the courts which go into the school budgets and put it into the trust account. You are dealing with a fund buildup and this would be an irregular source of income to go into an impound account.

CHAIR RAGGIO:

What do you mean? In your written testimony, this bill should not be linked to the requirements of Education First.

MR. BACON:

Because this is a trust fund, it does not necessarily need to be linked to Education First. If we have a shortfall, and decide to fund 15 percent rather than 20 percent one year, I do not think it will be critical.

MARY JO PARISE-MALLOY (Nevadans for Quality Education):

We support S.B. 416.

RANDY ROBISON (Nevada Association of School Superintendents):

The Nevada Association of School Superintendents is in support of S.B. 416. We have discussed the bill with many of the proponents and Senator Lee. We are aware of many of the issues raised in the Committee and look forward to working them out in a productive manner.



CHAIR RAGGIO:

Those who are interested in this bill, please work with Ms. Vilardo and others who are suggesting amendments.

JAMES WELLS (Deputy Superintendent for Administrative and Fiscal Services, Department of Education):

The Department of Education has not taken a position on S.B. 416. I would like to see an amendment for the Department to pass regulations for accessing and allocating the money. Specifically, as it relates to section 6 of the bill, by setting deadlines and an application process, we will know how much money is being requested pursuant to this section for allocation.

CHAIR RAGGIO:

If you are suggesting an amendment, please submit it.

We will now hear testimony on A.B. 607.

**ASSEMBLY BILL 607:** Revises the provisions governing the design and construction of a previously approved capital improvement project at the Veterans' Nursing Home. (BDR S-1460)

EVAN R. DALE (Deputy Manager, Administration and Finance, State Public Works Board):

This is a request to change the scope of CIP 05-C17 which is the addition of a central dining room at the Nevada State Veterans' Home. We would usually do this at the IFC; however, during Legislative Session it is not permitted. We are requesting this project be allowed to move forward pending additional money in the 2007 CIP. We are also requesting authority to use the construction manager-at-risk delivery method on this project.

We are also requesting an amendment to S.B. No. 524 of the 73rd Legislative Session which prevented this project from moving forward until the federal funds were obligated to the project. A condition of receiving the federal grant is for us to deliver design documents to the U.S. Department of Veterans Affairs (VA).

CHAIR RAGGIO:

Does this bill resolve the problem?

MR. DALE:

Yes. This bill will allow us to proceed with the design of the project prior to getting final grant approval. We will then be able to deliver the design documents to the VA which is a condition of receiving the grant.

CHAIR RAGGIO:

What is the likelihood of receiving the federal money?

MR. DALE:

If we do not pass this bill, the likelihood is zero. If we pass the bill, it is likely we will receive funding. Mr. Tim Tetz of the Office of Veterans' Services is here to speak to the grant.

TIM TETZ (Executive Director, Office of Veterans' Services):

The likelihood of receiving the federal grant, if we pass this bill, is 100 percent. The VA has told us the money has been set aside for us and we only need to meet the timelines and complete our part of the process to receive the grant.

CHAIR RAGGIO:

What are we deferring in this project?

MR. DALE:

There is a list of construction items which we are deferring to the 2007 CIP. The 2007 CIP has been submitted to staff. This list is lengthy and includes items which will come later in the construction process.

CHAIR RAGGIO:

They are not being removed, only deferred, is that correct?

MR. DALE:

Yes.

CHAIR RAGGIO:

What will be covered with the funding in the bill?

MR. DALE:

The primary items we will cover are the design of the project and site work.

CHAIR RAGGIO:

What portion of the funding is now being utilized for this purpose?

MR. DALE:

Right now, the project is on hold. If this bill is approved, the full amount of State funding will be available.

CHAIR RAGGIO:

If we do not receive the federal funding, what will happen to all of the other projects listed in the bill?

MR. DALE:

The construction contract for this project will not move forward until the federal funding is 100-percent firm.

CHAIR RAGGIO:

Is this funding committed?

MR. DALE:

Yes.

CHAIR RAGGIO:

What amount of the federal funding is necessary for the design? There is \$1.6 million being deferred from the original scope of the project. What will need to be used for this design to satisfy the prerequisite to the federal funding?

MR. DALE:

It will require roughly \$120,000.

CHAIR RAGGIO:

This cannot be done at an IFC meeting. Is this the reason for the bill?

MR. DALE:

Yes.

CHAIR RAGGIO:

If there are no objections, the Chair will entertain a motion to Do Pass A.B. 607.

SENATOR BEERS MOVED TO DO PASS A.B. 607.

SENATOR CEGAVSKE SECONDED THE MOTION.

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

\* \* \* \* \*

CHAIR RAGGIO:

We will now hear testimony on S.B. 539.

**SENATE BILL 539:** Revises the distribution of federal money received by the State of Nevada from mineral leases on federal lands in this State. (BDR 26-316)

LAURA BILLMAN (Nye County):

We have issued packets to the Committee ([Exhibit P](#), original is on file in the Research Library) containing all of our testimony from 2005. We submitted an amendment to this bill.

CHAIR RAGGIO:

Do we have the amendment here?

MS. BILLMAN:

Yes. It is on the top of your packet.

For the first time, last year we breached the \$7 million threshold on the lease for federal lands and the counties received some money back after 20 years of getting nothing. We were hoping we could drop the threshold to \$5 million and possibly create a situation in which the counties receive a reimbursement on an occasional year for the cost of maintaining the roads, the public safety personnel and equipment we need in those areas.

CHAIR RAGGIO:

Currently, the first \$7 million revenues which are received from mineral leases on federal land in this State are deposited in the DSA. Any funds received in excess of \$7 million are deposited in the account for the lease of federal lands. From this account, 25 percent is again allocated to the DSA and the remaining 75 percent goes to the county in which the federal land is located. From this 75 percent, 25 percent is allocated to the school district in the specific county.

ROBERTA (MIDGE) CARVER (County Commissioner, Board of Commissioners, Nye County):

We need to remember Nye County is the State's largest oil producer. An increase in the Railroad Valley population, due to oil production, also increased the need for services. Over a 20-year period, we have only this year received some compensation for services.

CHAIR RAGGIO:

How much did you receive this year?

MS. BILLMAN:

In fiscal year (FY) 2005-2006 Nye County received, combined with the school district, a total of approximately \$470,000. For the first time, the oil well royalties were a little over \$9 million. This year they are not on target to reach \$7 million unless something changes.

MS. CARVER:

We maintain the roads on which those heavy trucks travel. The Duckwater Shoshone Tribe has gotten contracts with mines from Eureka County and their trucks are also traveling over these same roads which have now become nearly impassable. This area has over 100 miles of dirt roads which need to be maintained within a 16,000 square mile area which requires maintenance in this area of Nye County. The nearest high school to this area is in Eureka, over 60 miles away. There is a small stretch of State highway they travel over which is patched on a regular basis and the rest is 36 miles of gravel road.

There is a refinery in the Railroad Valley area which also refines the oil from Eureka County meaning additional truck traffic and expense. We worry since cellular telephone and radio service coverage is next to nothing in the remoteness of this county. We have a finite number of emergency services and fire protection volunteers, 36 to be exact, who cover this area. We need to upgrade our communications systems for cellular telephone.

We are asking for help to make this work for Nye County and supply the needed services.

CHAIR RAGGIO:

Can you address the amendment you are proposing?

MS. BILLMAN:

In 1997, former Assemblyman Roy Neighbors managed to get the threshold dropped from \$10 million to \$7 million. The lease for public lands money did not breach \$5 million between 1999 and 2005. We just received some money from them, but it is not on target to breach the \$7 million target this year. If we can slightly drop the threshold and allow these counties which are impacted by the oil fields, geothermal plants and gravel pits to receive an occasional influx of money, it will help replace the money expended to take care of these lands for which they are currently not being reimbursed.

The amendment changes the threshold in NRS 328.450 from \$7 million to \$5 million. If this amendment passes, any money over \$5 million would be split under the current requirements of the statute.

CHAIR RAGGIO:

Senator Beers, it does not appear we will have time to hear Senate Joint Resolution (S.J.R.) 7. I realize this is not exempt, but can we accommodate it at the next meeting or Special Session?

**SENATE JOINT RESOLUTION 7:** Proposes to amend the Nevada Constitution by adding the provisions of the Tax and Spending Control for Nevada initiative. (BDR C-1324)

SENATOR BEERS:

Yes. It will not take long.

CHAIR RAGGIO:

If you are here for S.J.R. 7, we will remove it from the agenda for this morning and reschedule it for a later date.

Ms. Billman, your amendment changes the threshold to \$5 million?

MS. BILLMAN:

Yes.

CHAIR RAGGIO:

Committee, although it is not in your book, are you aware the Department of Administration has supplied a fiscal note to this bill? It indicates a General Fund cost due to lost revenues of \$4.6 million in this fiscal year if the bill was in effect, just under \$4 million in FY 2007-2008, under \$4 million in FY 2008-2009 and just under \$8 million in future biennia.

We will now open the hearing on S.B. 551.

**SENATE BILL 551:** Revises provisions concerning school facilities. (BDR 34-214)

MS. BILLMAN:

Senate Bill 551 creates a funding source for the repair and renovation of rural schools. The Nye County School District would like to propose a conceptual amendment to S.B. 551 (**Exhibit Q**) which changes the population from less than 40,000 to less than 100,000.

CHAIR RAGGIO:

What is the purpose of the amendment?

MS. BILLMAN:

The amendment would allow counties with a population of fewer than 100,000 to access the application process ...

CHAIR RAGGIO:

Which counties will this affect?

MS. BILLMAN:

It affects all counties except Washoe and Clark Counties.

WILLIAM E. ROBERTS, ED.D. (Superintendent, Nye County School District):

I am representing the Nye County School District as a sponsor of S.B. 551 for the purpose of creating an account for the repair, replacement and renovation of school buildings and facilities, as amended.

The Nye County School District is the largest geographic school district in the contiguous United States. This district encompasses 18,400 square miles, including 7 communities and 17 schools with 6,687 students. The extraordinary distances between these communities creates challenges to the school in many ways in terms of supervision, transportation, food service and maintenance.

The repair, renovation and maintenance is difficult, time consuming and expensive. It takes several hours for construction and maintenance personnel to travel from the district offices in Tonopah and Pahrump to each of the communities. Contractors must travel from Bishop, California, Las Vegas or Reno. This travel is repeated daily since there are no rooms for overnight stays or restaurants for meals in some of the communities.

There is a map in your booklet (Exhibit R, original is on file in the Research Library) with the roads highlighted. Starting with the northernmost community of Gabbs, the elementary school was built in 1946 and the high school in 1951. Traveling southeast for 170 miles, you enter Round Mountain, where the junior/high school was built in 1982 and the elementary school in 1985. There are several modular units, built in the 1970s, which were donated by the Nevada Test Site.

Located 170 miles east is our one-room school site housing approximately 12 students. This was built in 1954. We have three schools in Tonopah built in the 1960s, 1981 and 1991 respectively. Traveling 93 miles south, you will find Beatty. The Beatty elementary school was built in 1960 and the high school in 1990. Further south is the farming community of Armargosa Valley. The school there was built in 1972.

Another 52 miles east finds you in the Township of Pahrump Valley. There, we have four elementary schools; Manse, built in 1954; J.G. Johnson, built in 1982; Mt. Charleston, all modular, built in 1994; and Hafen, built in 2001. Rosemary Clarke Middle School was built in 1999. Pahrump Valley High School is comprised of several phases of buildings built in 1973, 1974 and 1990.

CHAIR RAGGIO:

How many students are there currently in Pahrump?

DR. ROBERTS:

There are approximately 4,500 students in Pahrump. The first chart in the booklet (Exhibit R) lists the student population by school.

Due to ever-increasing growth and lack of time and resources to build additional schools, each of our sites contain numerous modular classrooms.

CHAIR RAGGIO:

Is Rosemary Clarke Middle School also in Pahrump?

DR. ROBERTS:

Yes, with approximately 1,300 students.

In rural Nevada, the communities are barely large enough to be self sufficient in the areas of basic needs such as groceries and gas stations. Until recently, we only had one hospital in Nye County. There are no grocery stores in Armargosa, Beatty and Duckwater and there are no movie theaters in Nye County. Many communities have no amenities such as motels and restaurants which can be a roadblock in the bid process as contractors' travel costs often double or triple.

Finding Nevada-licensed contractors is also an issue for some of our communities. At times, we have gone out for bid and had no responses. At other times, we have had responses which were outrageous.

With mandates, in effect and upcoming, demanding certain percentages of a district's funding going to specific programs, the flexibility of pulling monies from all areas to fund issues is difficult. With the age of buildings in the rural areas and most buildings contain asbestos, which, by law, requires extensive resources to repair or replace. To repair or even maintain these buildings requires remediation for the asbestos issue which can be expensive. This must be done before the repair even starts, not to mention the costs associated with the Americans with Disabilities Act (ADA) compliance construction. Several of our schools are in need of these services which we do not have the money to accomplish.

The push on energy conservation is also a major issue for rural districts. The older facilities were built with single-paned windows, low thermal-resistance-value insulation and inferior heating and cooling systems. In Gabbs, we have the building's original boiler from 1946 for which parts are difficult to find.

Sometimes our contractors must come from Bishop, California, in which case they must be licensed in both states. If a community is fortunate enough to have a local contractor, the contractors tend to be overwhelmed with the workload they have and are expensive.

You may ask what our community has done to help alleviate your school repair, renovation and replacement cost needs. Over the last 11 years, the voters have passed two bond issues and a new construction-residence tax on each new home in Pahrump at the maximum rate of \$1,600. This money is only to be spent in Pahrump. Over the last two and a half years, this has allowed us to purchase forty modular classrooms. School construction costs are running over \$250 per square foot in communities where contractors will work.

CHAIR RAGGIO:

I would be surprised if, at today's rates, it is not more than \$250 per square foot.

DR. ROBERTS:

We are currently building an elementary school, which is modular constructed, at an anticipated cost of \$14 million.

CHAIR RAGGIO:

Is this at a cost of \$250 per square foot?

DR. ROBERTS:

Yes. We wanted a block construction school, but it was \$16 million.



A recent *USA Today* article states Pahrump has almost doubled in population in the last ten years, and is a "bedroom community" to Las Vegas. Nye County is not the only district affected by this situation. All of the rural counties are having similar problems. The school buildings are old. To replace these schools, because of cost and location, is extremely expensive.

In closing, I am asking you to establish this fund from excess DSA monies to help us provide safe, energy-efficient facilities for our students. I invite you to tour any of our schools and you will see a stark difference in what you see in Reno or Las Vegas.

CHAIR RAGGIO:

You are speaking for the Nye County School District. The amendment would open this funding to all counties with the exception of Clark and Washoe Counties. This would require 10 percent of the surplus in the DSA, which would otherwise revert to the General Fund, to be used as a funding source for the repair and renovation of rural schools.

HAROLD TOKERUD (Nye County School District):

I am here to represent the Nye County School District Board of Trustees. In the past, I was the superintendent of schools in Esmeralda County, superintendent of schools in Nye County and a school principal. I have taught in these schools and they are in dire need of help. With all of the mandates we are faced with, we have little money for maintenance and renovation. We are even providing subsidized housing units for teachers in Gabbs and Round Mountain because there is no place for teachers to live, which also comes out of our school budgets.

This is a big problem in all of rural Nevada. There is a school in Dyer which was moved from Nellis Air Force Base after World War II. I have a son who teaches in White Pine County in the old high-school building which should be torn down.

GUSTAVO NUNEZ (Interim Manager, State Public Works Board, Department of Administration):

Section 4, paragraph 3(a) of the bill requires the State Public Works Board to make a determination and file a report. Section 4, paragraph 1(a)(1) uses the term, "Unsuitable for use as a result of structural defects, barriers to accessibility and life safety issues."

I am here to request clarification for the intent of the word "unsuitable." The word does not exist with respect to any building code or the ADA. With respect to structural defects, there is a definition for safe or unsafe. There are definitions with barriers and accessibility.

CHAIR RAGGIO:

Since you are the person we would ask, what would you think is necessary for a facility determined unsuitable for use? To me, it seems clear; structural defects, barriers to accessibility and hazards. I think you could make a judgment on this issue.

MR. NUNEZ:

We would like to suggest some language which complies with the building code.

CHAIR RAGGIO:

Suggest some language which is more suitable and, when we process the bill, it will be considered.

MR. NUNEZ:

I will do so. I also have a comment under section 4, paragraph 2, regarding the cost of removing barriers to accessibility exceed 40 percent of the cost of constructing a new facility. I do not think anything will qualify under this language. I would suggest changing barriers to all required repairs.

CHAIR RAGGIO:

Will you meet with the supporters of this measure to determine what suitable amendment might be considered? There is no assurance we will be able to process the measure, but I think it will be helpful for you to get the information as soon as possible.

MR. NUNEZ:

I will do so.

CLARK M. (RICK) HARDY (Superintendent of Schools, Lincoln County School District):

The Lincoln County School District is in support of this bill.

CHAIR RAGGIO:

We have deferred S.B. 180, S.B. 316 and S.J.R. 7 and will repost those measures.

CHAIR RHOADS:

There being no further business before the Committee, the meeting is adjourned at 10:54 a.m.

RESPECTFULLY SUBMITTED:

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Michael Bohling,  
Committee Secretary

APPROVED BY:

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Senator William J. Raggio, Chair

DATE: \_\_\_\_\_