

**MINUTES OF THE
SENATE COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-fifth Session
May 30, 2009**

The Senate Committee on Government Affairs was called to order by Chair John J. Lee at 1:03 p.m. on Saturday, May 30, 2009, in Room 2144 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412E, 555 East Washington Avenue, Las Vegas, 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 John J. Lee, Chair
Senator Terry Care, Vice Chair
Senator Steven A. Horsford
Senator Shirley A. Breeden
Senator William J. Raggio
Senator Randolph Townsend
Senator Mike McGinness

STAFF MEMBERS PRESENT:

Heidi Chlarson, Committee Counsel
Michael Stewart, Committee Policy Analyst
Cynthia Ross, Committee Secretary

OTHERS PRESENT:

Mark Winebarger, Chief Deputy Treasurer, Office of the State Treasurer

CHAIR LEE:

We will begin the work session with Assembly Bill (A.B.) 451. This bill would establish a Linked Deposit Program.

ASSEMBLY BILL 451 (2nd Reprint): Establishes a program for the issuance of state obligations to provide venture capital to certain minority-owned businesses in this State. (BDR 31-613)

MICHAEL STEWART (Committee Policy Analyst):

Assembly Bill 451 establishes a Linked Deposit Program to increase the availability of reduced-rate loans to qualified small businesses owned and operated in the State. The program is operated through the Office of the State Treasurer. Two amendments offered are included in the work session document ([Exhibit C](#), original is on file in the Research Library.)

The first amendment, suggested by the Nevada Banker's Association and presented by the Office of the State Treasurer, would be to amend section 16 of the bill to delete provisions that would require the State Board of Finance to qualify a lending institution for participation in the Program and instead provide that the institution must apply to the State Treasurer for qualification. The amendment provides that the State Treasurer, rather than the State Board of Finance, shall adopt regulations needed to carry out provisions regarding this qualification process.

The second amendment would delete section 18, subsection 2, paragraph (g) which provides that the State Treasurer can deem any business ineligible for the program by regulation. This amendment was suggested by Senator McGinness and Chair Lee. Both amendments are included in the mock-up proposed Amendment 5437, [Exhibit C](#).

Senator Townsend pointed out the language "venture capital" in the summary. If the Committee decides to amend and pass this bill, that technical error will be corrected and "venture capital" will be deleted in the bill's reprint.

CHAIR LEE:

We have a question on the fiscal note. Senator Raggio had a \$400,000 figure based on money that would have returned to the State through interest if the money was left in the general portfolio and not used in the Linked Deposit Program. Mr. Winebarger, can you address this issue and the expense of the program to the State?

MARK WINEBARGER (Chief Deputy Treasurer, Office of the State Treasurer):

The \$400,000 fiscal note is based on the maximum amount of loans at \$20 million with the maximum 2-percent interest rate reduction. Interest rates for these types of CDs are running slightly over 1 percent. The actual interest rate reduction would be closer to 0.55 percent based on a 40-percent reduction of the current rate. This would lead us to about \$165,000 of interest lost over

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the biennium based upon the program becoming established by January 1, 2010. This is also assuming the full \$20 million is loaned over the entire fiscal year 2011.

SENATOR MCGINNESS:

What is the standard percentage of loans defaulting? We need to factor this into the program.

MR. WINEBARGER:

The banks are liable for any defaulted loans. We will match our deposit with the banks with outstanding loans. If a loan is defaulted on, we can pull back our money. If a bank has \$100,000 on loan, we would only have \$100,000 in credit. If they start with a \$5 million loan and someone defaulted at \$2 million, we would be able to pull back \$2 million of our CD with that bank.

CHAIR LEE:

Are you satisfied with our amendment deleting section 18, subsection 2, paragraph (g)?

SENATOR MCGINNESS:

Yes.

SENATOR CARE MOVED TO AMEND AND DO PASS AS AMENDED
A.B. 451.

SENATOR BREEDEN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATORS MCGINNESS, RAGGIO AND
TOWNSEND VOTED NO.)

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CHAIR LEE:

Assembly Bill 422 was brought to our Committee in our final minutes. Due to its complexity, we held a subcommittee on this bill. The subcommittee worked very hard over the many concerns surrounding this bill.

[ASSEMBLY BILL 422 \(1st Reprint\)](#): Makes various changes regarding the financing of local improvements with revenue pledged from sales and use taxes. (BDR 21-54)

MR. STEWART:

This is the bill that concerns sales tax anticipated revenue (STAR) bonds and tourism improvement districts (TIDs). We had extensive testimony on this bill, and it was assigned to a subcommittee chaired by Senator Townsend. The other members of the subcommittee were Senator Horsford and Senator McGinness.

Assembly Bill 422 excludes Local School Support Tax (LSST) revenues from being pledged in the future for repayment of STAR bonds in TIDs. The subcommittee met twice. In the work session document, [Exhibit C](#), there is a list of the presented and discussed proposed 11 amendments. I will review them for the record.

The first proposed amendment provides that any bond or note issued pursuant to section 9 in a county whose population is less than 400,000 for a stadium, arena, or event center with a seating capacity of 8,000 or more, or in Clark County for an arena with a seating capacity of 15,000 or more, must mature on or before the end of the thirtieth fiscal year anniversary of the adoption of the ordinances that created the TID. This amendment was proposed by Northern Nevada Urban Development Company, LLC, and Nevada Land LLC.

The second proposed amendment brought forth by the Northern Nevada Urban Development Company, LLC, and Nevada Land LLC provides that projects are still eligible to receive financing through the LSST if the ordinance creating the TID was adopted before the bill's effective date or the governing body and the private entity have entered into a memorandum of understanding prior to January 1, and the governing body has obtained the reports from independent consultants required in the Nevada Revised Statute (NRS) 271A.080. This identical change is proposed for sections 1, 6 and 9 of the bill. This will allow LSST financing if those conditions are met.

The bill's third amendment, also proposed by the Northern Nevada Urban Development Company, LLC, and Nevada Land LLC, extends the sunset provision from October 1 to May 1, 2010. It specifies that a governing body

shall not create a TID that includes a redevelopment area (RDA) within its boundaries. This was a much discussed amendment.

The fourth proposed amendment to A.B. 422 and the last brought forth by the Northern Nevada Urban Development Company, LLC, and Nevada Land LLC clarifies the reporting requirements in section 7, subsection 3, paragraph (d) for reports obtained from businesses within TIDs. If those reports are obtained from out-of-state independent consultants selected by a governing body, they shall only apply to reports completed after the effective date of the bill.

Proposed amendment five to A.B. 422 provides that in section 5, subsection 2 that the Department of Taxation may establish regulations governing the reports required to be filed with the Department pursuant to this subsection. The amendment also specifies that those businesses reporting in a manner consistent with section 5 shall continue to use those practices currently employed. This amendment was discussed and recommended by the subcommittee.

The sixth amendment was proposed by Harrah's Entertainment, Inc. and it provides that a STAR bonds project could continue to utilize the LSST if the project is a sports stadium or arena project containing 15,000 or more seats. This proposal affects sections 6, 9 and 12 of the bill.

The seventh proposed amendment, the second amendment brought forth by Harrah's Entertainment, Inc., broadens the definition of "project" in NRS 271A.050 to include arenas and encompass other professional sports, including professional rodeo events. The subcommittee discussed within this amendment the possibility of broadening the definition of "project" to include all professional sports and sporting events.

The eighth proposed amendment clarifies that only the retailer, not the project, is prohibited from obtaining the financing or reimbursement from the use of STAR bonds in the event of a retailer relocation. If a retailer relocation is within three miles of the STAR bonds boundary, the retailer is prohibited from obtaining financing or reimbursement through the use of STAR bonds. This amendment states the prohibition only applies to the retailer, not the entire project. This amendment was brought forth by the City of Sparks upon the recommendation by bond counsel.

Proposed amendment nine amends section 10 to require a municipality to hire an independent third-party auditing organization to oversee the compliance reporting related to certified payroll reports as set forth in Nevada's prevailing wage provisions. This amendment was submitted by the Associated Builders and Contractors, Inc.

The tenth proposed amendment specifies RDAs may make direct loans, secured or unsecured, providing that the unsecured loans not exceed \$100,000 to the owner or developer of an RDA. This was proposed by the City of Las Vegas.

The eleventh proposed amendment to A.B. 422 adds a new section 14.5 to require the Legislative Commission to appoint a subcommittee to conduct an interim study concerning community redevelopment in this State. This amendment was brought forth by Senator Horsford and the mock-up proposed Amendment 5456 is attached.

SENATOR TOWNSEND:

This body made a serious decision on public policy a number of years ago to do this. We are receiving this bill and proposed amendments in the final hours. The interested parties were told to come to this House to try and resolve their differences and concerns.

We gave this bill a considerable amount of time with a lengthy hearing and subsequent subcommittee hearings as it involves complex issues. Many of the interested parties are concerned whether their projects in the pipeline would be included in existing statute or by the changes in this bill.

Other issues were clarifying language, enforcement of prevailing wage by the Labor Commissioner and issues concerning the overlay of TIDs within RDAs. This became a significant policy debate by those who presented testimony and by the three members of the subcommittee. The issues with the most clarity were the public policy impact on RDAs and the fact that STAR bonds are drawn narrowly while TIDs tend to be amorphous. Senator Horsford requested a study to help us understand RDAs and their relationship to TIDs, whether these two tools should overlap, how the public is brought into an RDA process and whether they are involved enough with the process.

My first recommendation is that the Majority Leader should request a study from the Chair of the Senate Committee on Legislative Operations and Elections.

It would be a resolution, and the Legislative Commission would fund it. The study can be defined as it is presented in mock-up proposed Amendment 5456, [Exhibit C](#). The people affected by RDAs and TIDs would also have an opportunity to come before this legislative committee and voice their concerns.

In regard to the proposed amendments, they all have value, but the problem is this bill is a moving target. The STAR bonds public policy has been in place for a short time and we have had only two projects in the north come out of the ground. I have concerns with the implications. My second recommendation is that we do not process this bill with any of the proposed amendments. Let the STAR bonds continue to be in place and have anyone with language concerns in the statute and the bill meet in the interim and come back to the next Legislative Session.

CHAIR LEE:

Did the school districts come forward and address the exclusions concerning LSST? Do you know the revenue that could be lost to school districts?

SENATOR TOWNSEND:

Are you addressing the bill or the amendments?

CHAIR LEE:

I am addressing the bill where it excludes LSST revenues from being pledged in the future for repayment of STAR bonds. Was this issue discussed in the subcommittee meetings?

SENATOR TOWNSEND:

This may have been testified on the Assembly side but the school districts did not testify in front of the subcommittee.

CHAIR LEE:

We have 11 amendments proposed for A.B. 422. We will accept the subcommittee's report. I want to give everyone time to look at these amendments so everyone can understand what is taking place with this bill.

SENATOR RAGGIO:

I need to make the disclosure that members of my law firm have participated in this process; therefore, I will abstain from voting on A.B. 422.

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CHAIR LEE:

I need to review this bill with the proposed amendments and with the subcommittee's recommendations.

SENATOR MCGINNESS:

I want to be sure I understand Senator Townsend's recommendation. Can he briefly restate it?

SENATOR TOWNSEND:

My recommendation was to have the Chair of the Senate Committee on Legislative Operations and Elections draft a resolution to establish the study with regard to RDAs and TIDs and anything else of importance to local government and about local government, and that we process that as a legislative study. Also, because of the subject's complexities, I recommend we not process A.B. 422. One of the parties in the process testified that the sunset provision concerning the overlapping districts would be a substantial challenge to their project and they would have to move at an accelerated pace to complete the project. To cobble together and attempt to accommodate all parties is not always possible. In these situations it is best to fall back upon the broadest and best public policy. I recommend we move forward without the bill and have the study.

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CHAIR LEE:

This meeting of Senate Committee on Government Affairs is adjourned
at 1:26 p.m.

RESPECTFULLY SUBMITTED:

Cynthia Ross,
Committee Secretary

APPROVED BY:

Senator John J. Lee, Chair

DATE: _____