MINUTES OF THE
SENATE COMMITTEE ON GOVERNMENT AFFAIRS

Seventy-fifth Session
February 25, 2009

The Senate Committee on Government Affairs was called to order by Chair John J. Lee at 1:40 p.m. on Wednesday, February 25, 2009, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 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
Olivia Lodato, Committee Secretary

OTHERS PRESENT:

Jeremy Aguero, Principal Analyst, Applied Analysis
Guy Hobbs, Managing Director, Hobbs, Ong & Associates, Incorporated
Veronica Meter, Vice President, Government Affairs, Las Vegas Chamber of Commerce
Steven D. Hill, Chair, Board of Trustees, Las Vegas Chamber of Commerce
Dana K. Bilyeu, Executive Officer, Public Employees' Retirement System
Leslie A. Johnstone, Executive Officer, Board of the Public Employees' Benefit Program

Detective David F. Kallas, Director of Governmental Affairs, Las Vegas Police Protective Association Metro, Incorporated; Southern Nevada Conference of Police and Sheriffs
Rusty McAllister, President, Professional Fire Fighters of Nevada
Lynn Warne, President, Nevada State Education Association
Danny L. Thompson, Executive Secretary-Treasurer, Nevada State American Federation of Labor and Congress of Industrial Organizations
Mark Murphy, Fiscal Policy Analyst, Research and Collective Bargaining Services, American Federation of State, County and Municipal Employees
Tray Abney, Director, Government Relations, Reno-Sparks Chamber of Commerce
Jack Eastwick
Dave Allen, Chief Financial Officer, Moana Nursery
James T. Richardson, Nevada Faculty Alliance
Jerri Strasser, R.N., Nursing Steward, Service Employees International Union, University Medical Center
Ronald P. Dreher, Government Affairs Director, Peace Officers Research Association of Nevada
Roger Maillard, President, American Federation of State, County and Municipal Employees Local 4041
Rob Potter
Joe Elliott
Teresa J. Thienhaus, Director, Department of Personnel
Martin Bibb, Executive Director, Retired Public Employees of Nevada

Chair Lee opened the meeting with a statement concerning the purpose of the meeting. The purpose was to start the process for a bill to help Nevada manage its cash flow challenge (Exhibit C). He said the hearings were intended to begin a dialogue for well-thought-out and substantive ideas.

Jeremy Aguero, Principal Analyst, Applied Analysis, said his company and Hobbs, Ong & Associates were contracted by the Las Vegas Chamber of Commerce to do a series of fiscal briefings. He offered an overview of the briefings. He said the first part was an analysis of public employee salaries compared with private sector employees. He utilized a PowerPoint presentation (Exhibit D, original is on file in the Research Library). He said they used 324 occupational classifications and subclassifications for comparisons. He said public sector employees were paid more than private sector counterparts. The average pay differential was plus 28 percent, Exhibit D.

Senator Raggio asked if the comparisons used were within the State of Nevada.

Mr. Aguero replied they were within the State using numbers from 2007. The analysis was completed in 2008.

Senator Raggio asked if there was an update of the comparison numbers due to the difficult economic downturn in 2008. He asked if the level of salaries in the private sector was the same as mentioned in the survey.

Mr. Aguero said they had not updated the analysis to reflect the soft economic conditions present in 2008. He next discussed the comparisons used in occupations, Exhibit D. He said there were significant differences between executive and management positions and line or production positions. He added there was a question whether the Public Employees' Retirement System (PERS) contribution should be included in the analysis.

Senator Care asked Mr. Aguero if he took into account the difference in numbers of people performing a certain job in the private versus the public sector.

Mr. Aguero said he only used statistics when there were enough employees in both the private and public sectors of a category. He said the second part of the analysis addressed the specific question of public sector employee salaries with public employees in other states, Exhibit D. He stated Nevada public employees earned 12.1 percent more than their counterparts in other states. He added there were significant differences by job classification. He said teachers were paid 93.5 percent of the national average, while firefighters were paid approximately 150 percent of the national average. He said Nevada had the lowest number of government employees per capita, Exhibit D.

Senator Raggio said Nevada ranked fiftieth in the country for the number of public sector employees per capita.

Guy Hobbs, Managing Director, Hobbs, Ong & Associates, Inc., said for comparison purposes, certain job categories were paid higher than other states.

Senator Care asked Mr. Hobbs if there was a correlation between higher than national average compensation and the ranking as fiftieth for Nevada for the number of public employees.

Mr. Aguero said in terms of the analysis, they did not look for correlations, but they briefly looked at questions they received from time to time concerning whether Nevada was spending a higher percentage of the budget on payroll than other states. He said Nevada was in the middle; it was an offsetting factor on both sides. He said there was a substantially higher cost of living, which affected the rate of pay.

Mr. Hobbs added that due to the growth experienced in Nevada over the last several decades, everything has been in a catch-up mode. He said staffing at the end of the year was different than what would have occurred in the beginning.

Mr. Aguero said the next part of their analysis concerned the Public Employees' Retirement System and compared it with similar systems nationwide, Exhibit D. He said they obtained information from several sources. He said Nevada PERS was well managed and prudently administered. He said there was relatively low cost versus the benefits provided. He said it was among the nation's best. He said benefits were provided to 35,700 retired workers. He said the program cost $1.17 billion in fiscal year 2007, Exhibit D. He added Nevada PERS was one of the most favorable public employee retirement programs in the nation. He said contributions for most employees were zero. Mr. Aguero referenced the chart in Exhibit D showing estimates of annual retirement benefits, including social security. He reiterated Nevada was among the most efficient systems in the nation.

Mr. Aguero said the next question concerned Nevada's state retiree health insurance subsidy compared with other similar systems nationwide, Exhibit D. He said the system in Nevada had an unfunded liability of $4 billion in 2008. The required annual contribution to fully fund the program over 30 years was $287 million, Exhibit D. Costs were expected to significantly grow in the future. Mr. Aguero said different parts had different aspects. He reviewed a comparison between public and private sector employees. Mr. Aguero summarized employee wages and salaries, Exhibit D.

Mr. Aguero said the next question asked was whether Nevada's tax system was more or less stable than the tax system used in other states. He said they used a 50-state comparison for performance. The tax system was neither among the nation's most stable nor most unstable. He said inflation-adjusted per capita state revenues tended to decline in Nevada due to the design of the tax system. Several portions of the tax system did not adjust for inflation. He said sales tax, property tax and gaming tax accounted for the majority of collections. He referred to the chart showing consumer spending from 1947 to 2007, Exhibit D.

Mr. Hobbs said sales and use tax in Nevada was the largest single source of revenue to the State General Fund and a significant contributor to local governments. He said the design of the sales and use tax in Nevada was completely goods-oriented, with a number of exemptions against the application of goods. He said the amount spent by consumers on goods versus services was declining. He said the inflation-adjusted per capita revenue from sales tax continued to decline.

Senator Raggio referred to the chart of allocations of major state tax rates, Exhibit D. He mentioned several anomalies in the chart on sales tax. The State allocation rate of 56 percent versus local rate did not show the State had provided the money for local school districts if the local rate was short. He said gaming taxes did not show Clark County received a gaming tax. He said the tax burden per capita in Nevada was second best to Alaska. He wanted the report to be as accurate as possible.

Mr. Aguero said the last analysis concerned how Nevada's state budget policies impacted its fiscal performance, Exhibit D. The findings showed the State's expenditure cap was largely illusory and did not act as an actual cap. He said spending at 100 percent of the Economic Forum's projections created an equal likelihood of a surplus or a shortfall. He said there was a propensity to use single-occurring funds to pay for recurring government programs.

Senator Raggio asked what it meant that the State expenditure cap was illusory.

Mr. Aguero said it meant the cap essentially applied to the Governor's Executive Budget and required him to submit a budget to the Legislature taking into consideration that cap. He said it did not stop the State from actually spending at that level; it merely prohibited the Governor in terms of providing that budget. He said in addition, the cap included operating expenses within selected funds and excluded capital funds, which meant money was moved around to avoid the cap.

Senator Raggio said the statutory cap stated expenditures could not exceed growth plus inflation. The cap was established in the 1970s. He understood the Legislature, not just the Governor, had never exceeded the statutory cap since the year it was established. He was talking about the General Fund expenditures against revenue.

Mr. Hobbs said Nevada compared extremely favorably in its per capita public sector expenditures to other states. He said there was always restraint in the State on spending.

Chair Lee asked if there were any questions for Mr. Aguero. He asked Mr. Hill and Ms. Meter to come to the testifiers table.

Veronica Meter, Vice President, Government Affairs, Las Vegas Chamber of Commerce, said there were 7,000 members of the Chamber of Commerce and they employed 200,000 people. She said the Chamber commissioned the reports presented by Mr. Aguero and Mr. Hobbs. They commissioned the reports in an effort to determine where taxpayer dollars were spent and to provide a factual foundation to make public policy recommendations. She said public employee pay in Nevada was the eighth highest in the country. The public sector employee was paid approximately 20 percent more than a private sector employee in a similar job classification. The report determined teachers were paid 93.5 percent of the national average. State workers averaged approximately 102 percent of the national average while local government employees in Nevada earned about 131 percent of the national average, excluding teachers. She said the Chamber of Commerce developed reform priorities for the Legislative session. She said they specifically recommended reforming PERS for new employees in order to address the unfunded liability and protect future generations from fiscal instability. She said they were committed to reforming the Public Employees' Benefit Program. She said the Chamber of Commerce was committed to long-term fiscal stability in the State. She said employee compensation was the largest single cost of government.

Steven D. Hill, Chair, Board of Trustees, Las Vegas Chamber of Commerce, discussed the Chamber of Commerce's recommendations. The goal was to get the State on a sustainable and responsible fiscal path. The process was started before the significant economic problems occurred.

Mr. Hill said public employee compensation was a sensitive subject. He said the Chamber's recommendation did not affect any retired employee. He said if the employee was working for local government, the recommendations did not affect that employee either. The recommendations dealt with new employees with the exception of the retirement health care benefit. Mr. Hill said police and firefighters represented approximately 6 percent of the public employees. The Chamber's attention was focused on the general public employee. They wanted facts available for everyone in the State. They tried to ensure published information was balanced. Local government employees, not including teachers, made 131 percent of the national average. State workers only made 102 percent of the national average, and teachers only made 93.5 percent of the national average. He said the disparity between local government pay and state employee pay was a problem.

Mr. Hill said the report pointed out Nevada was the lowest state in the country for state employees per capita. He said the State paid very highly in some areas. Pay was not determined by the policy of local government to have fewer employees who were well paid. He said raising pay for the other employees in the State was unrealistic. The difference between what local government employees were paid and what they would be paid if paid the same as the State employees was roughly $1 billion a year. He said they concluded local government pay should be in line with State government pay. He said the collective bargaining statute needed reforming. They supported transparency in the collect bargaining process. He also recommended revisions of the arbitration provisions. The arbitrator needed better guidance and strictures directing their efforts.

Mr. Hill said PERS had three problems. The first problem was it was configured as the most generous retirement plan in any state. Secondly, PERS had a $6.3 billion unfunded liability causing the State to contribute $530 million a biennium to maintain the unfunded liability. The Chamber of Commerce agreed solid retirement benefits should be provided to workers and be fair to the rest of the State. The issue with social security may arise. The State assumed the entire investment risk for the PERS system. The other result was five of six employees in the State did not have the PERS or social security contributions deducted from their checks. He said the other states and municipalities had changed their PERS systems and Nevada needed to do the same. Their reform suggestions were for new employees. He said someone working under the current benefit factor of 2.67 can retire with full benefits in 28 years. He said

28 years was not enough. There needed to be a minimum retirement age. Nevada was the only state in the nation without a minimum retirement age or a penalty for retiring before a certain age. The method for calculating benefits needed to be clear and fair. He said they heard anecdotal evidence of manipulation of the benefit calculation. It was difficult data to pinpoint. He said the loopholes needed closing. The amount of years of highest pay needed lengthening from three to five years. The amount of increase in pay for the five years needed to be capped and calculations based on base pay rather than the other possibility for pay in some contracts.

Mr. Hill said there were two problems with retirement health care. It was a benefit nobody else in Nevada received. Local government employees did not receive retirement health care subsidies and the private sector did not receive it. The Chamber recommended removal of retirement health care benefits for new employees. The current system had a $4 billion unfunded liability. The Legislature created a provision for a trust fund, but it was not funded to the point of actually paying for promises made to employees today. The system cost approximately $50 million a year to pay for the retirement health care subsidies. He said the program needed to be eliminated for new employees. He said the goal was to have the State get on a sustainable path. He said the reforms would have an impact on the budget in the future. The next generation would not have to pay for the lack of decisions made today. He said there were higher and better uses for the money than the way it was spent. He said the State will recover from the financial difficulties.

Chair Lee reviewed the suggestions Mr. Hill proposed for solutions to the problems. The first suggestion was transparency, and collective bargaining was an issue the Legislature needed to consider. Secondly, the arbitration process needed reforming. He said PERS reform was needed and the calculations changed from 2.67 to some other calculation for new hires. He mentioned the social security question needed discussing.

Mr. Hill said social security was an issue that might arise, but there was no recommendation from the Chamber.

Chair Lee said the Chamber recommended raising the retirement age for new employees. He said they suggested establishing a retirement age. Another suggestion was moving the highest years from three years to five years and using base pay only for calculating retirement funds. He asked Mr. Hill if the suggestion for health care was to stop full investment for new employees.

Mr. Hill said the benefit for new employees should be stopped and the benefit eliminated. Mr. Hill said the cost for currently employed State workers fully vested in the retirement subsidy at 20 years should be analyzed and the vesting period increased.

Senator Care asked Mr. Hill about the function of the marketplace. He said salaries in the public sector reflected the function of supply and demand. He said local government employees received 131 percent more than the national norm. He said people may work for the local government because of the security. He said those in the private sector may decide to stay in the private sector in order to significantly increase their income. He asked Mr. Hill to respond to those ideas.

Mr. Hill said he did not know of any work to analyze the differences. He said local government employees had the opportunity to enter the private sector if they thought it made sense. He said the opposite was what occurred most often. If a private sector employee was offered a job in government, the private sector could not compete with the pay and benefits.

Senator Townsend asked Mr. Hill the impact on the State's credit rating in dealing with the unfunded benefits when money was borrowed to build things. He asked whether it raised the cost of borrowing money.

Mr. Hill said at some point, there was potential for a significant impact on the borrowing capability. He said the interest rate would rise. The economic times may allow a reprieve for the State.

Chair Lee referred to the first reform priority. He said the Chamber did not refer to the defined benefit or defined contribution question. He asked if Ms. Bilyeu from PERS was present and said he did not want to open the subject if it was not necessary. He said the Committee did not need to discuss how the PERS program operated. He said the Chamber suggested calculation changes but no other changes. Chair Lee asked Ms. Bilyeu to address the pertinent questions and forego her full presentation.

Dana K. Bilyeu, Executive Officer, Public Employees' Retirement System, said she presented a full report on the system for the Committee (Exhibit E, original is on file in the Research Library), but she would not address everything within the report. Ms. Bilyeu said she had the opportunity to participate with the State's credit-rating process. She said the rating agencies looked at unfunded liabilities to see if the sponsors were making the contributions. She said it was not the existence of unfunded liabilities but how the liabilities were addressed over time. Ms. Bilyeu said the health care side was different for PERS and the ratings were different.

Ms. Bilyeu responded to Senator Care's question on portability. She said people coming into the system for security had full portability. The goal was to attract and retain personnel for a longer time. The defined pension fund fulfilled that mission. She highlighted several items for perspective with public sector employees. She said the average reported salary to PERS was approximately $46,000 a year. She said the most significant populations were school district employees and state workers. Clark County School District had the largest number of employees with approximately 33,000 reported people, Exhibit E. She also highlighted employer pay. She said it was introduced in the 1970s as a cost-savings mechanism. She said by removing the refund ability of employee contributions, the cost of contributions was lowered by almost a full percentage point. The concept of employer pay when first implemented was as a cost-savings measure. It was still a cost-shared approach to financing retirement. The cost-sharing mechanism was exactly half.

Ms. Bilyeu said the average benefit for the regular members of the fund in 2008 was $27,000, Exhibit E. She said it replaced the social security component and provided the defined benefit component to retirement security for the individual. States that use both social security and PERS try to do their replacement ratio by combining the two factors. She said prefunding money today to fund retirement security generated a cost savings.

Chair Lee asked Leslie Johnstone to come to the testifiers table. He said part of the concerns the Las Vegas Chamber of Commerce had involved eliminating health care subsidies for new employees. He asked Ms. Johnstone for her ideas on new employee health care subsidies.

Leslie A. Johnstone, Executive Officer, Board of the Public Employees' Benefit Program, said the reference was to the elimination of retiree benefits for any new employee. She said that was on a long timeline. The average employee on their plan worked 17 or 18 years with the State and was eligible for some portion of retiree benefits with least 5 years of service. She said the PEBP Board looked at ways to address plan design as well as the subsidy. The PEBP Board proposal was to increase to 15 years of service rather than the current 5 years before an employee was eligible for any type of subsidy as a retiree. She said the Board proposed certain changes on the plan design side as well to reduce the costs.

Chair Lee asked if there were further questions from the Committee.

Senator Raggio asked Ms. Johnstone what type of subsidy State workers received for health benefits when they retire and did it apply to dependents.

Ms. Johnstone said the average subsidy paid approximately 60 percent of the cost for the retiree and the dependents. She said a base amount of 75 percent was used for the retiree and 55 percent for the dependent.

Senator Raggio asked if there was a reduction proposed in the present budget.

Ms. Johnstone said the Governor's Budget proposed many changes to the retiree benefits. She said anyone who retired after July 1 would receive no subsidy. They could still participate in the plan and receive benefits, but they would pay 100 percent of the cost. The existing Medicare retirees would also lose 100 percent of their subsidy currently being paid.

Senator Raggio asked the rationale for the decisions.

Ms. Johnstone said the Medicare retirees used the PEBP benefit as a secondary coverage. She said they were a lower-cost population. She said part of the rationale was the financial situation of the State and the other was the long-term liability issue.

Senator Raggio asked if the retirees' were eligible for Medicare Part A and Part B.

Ms. Johnstone said almost all the retirees now were eligible for both Part A and Part B. She said approximately 300 people were not eligible for Part A, but the number continued to diminish.

Chair Lee asked Mr. McAllister, Ms. Warne and Mr. Kallas to the table.

Detective David F. Kallas, Director of Governmental Affairs, Las Vegas Police Protective Association Metro, Inc.; Southern Nevada Conference of Police and Sheriffs, said he did not remember a time when a private entity was able to propose a reform agenda to the Legislature. He said 300,000 retired residents wondered why their benefits were being questioned. It was a credibility issue. He said problems occurred when executives received bonuses for failing performances. He discussed the contribution rates to PERS. He said the overview and analysis of the Chamber of Commerce report said the contribution rate was one of the highest in the country. Detective Kallas said further in the report, a statement was made that by not paying social security, the rate was one of the cheapest in the county. He said by pooling resources, a reasonable benefit was provided to the pubic employees participating in the system. Sixteen percent of the value of the system came from contributions; 84 percent of the value of the system came from investments. He said if the State went to a system including social security and a 401k-type of retirement system, the cost was 22 percent.

Detective Kallas referred to the discussion in the report regarding compensation for police and firemen. The report said the compensation was 130 percent of the national average. He said it included overtime, callback and assignment differential pay. He said the report did not take into account special events. He said the Las Vegas Metropolitan Police Department (Metro) section received requests from private groups to contract officers to provide for public safety at events. The entities paid Metro the overtime the officers received. He said when salaries were reported, the overtime paid by outside interests was recorded as part of the compensation. Metro was reimbursed $5 million last year for overtime officers worked. The issue of overtime was not determined by the employees. It was determined by the employers, generally because there were fewer public employees per capita. He said the Clark County Detention Center regularly required officers to work overtime to fill needed positions. He said it was fiscally sound to pay overtime rather than hire more people and all the auxiliary costs involved for recruiting, training and health care. The organizations he represented were willing to help their communities unconditionally.

Rusty McAllister, President, Professional Fire Fighters of Nevada, said he read Mr. Aguero’s studies. He said the survey discussed the earnings of firefighters. He said he was not earning 150 percent of the national average. He said he reviewed the Department of Labor status salary survey information and the average hourly salary for a firefighter was $21.22. Mr. McAllister said the median contract salary for a firefighter was $21.69 in Las Vegas. He requested comparisons be made between departments and areas of comparable size. He said compared with other cities of comparable size, Anaheim—Phoenix, Denver, Portland, Seattle and Oakland, Las Vegas firefighter's pay was in the middle range. He mentioned Nevada was ranked forty-fifth for the number of employees per 1,000 residents. He said Mr. Aguero's report did not mention the 44 million people who visit Nevada every year. Mr. McAllister said government had stated in public forum that overtime was cheaper than it was to hire employees. He said government made the decision to staff with overtime rather than hiring people. He said the Clark County Fire Department was 283 people short of the national average of 1.2 firefighters per 1,000 residents.

Mr. McAllister summarized some points. He referred to Ms. Bilyeu's report concerning retirement dollars paid into the system and then ultimately paid back out to employees, but did not emphasize 80 percent of the dollars were spent in Nevada. He said public employee retirees paid the same amount of taxes as people in the private sectors. He said a minimum age for employees retiring was discussed. He said entry age into the police-fire fund was 32 years old. The average retirement age for police and firefighters was 55 years. He said the retirement funds averaged over 20 years of service. Mr. McAllister said there should not be a difference in benefits for people doing the same job. New hires should not be valued less than earlier hires.

Lynne Warne, President, Nevada State Education Association, said she was a fourth-grade teacher in Washoe County. Ms. Warne said average starting salaries for educators in the State was $27,000. She said the average salary for longer-term educators was $47,000. Ms. Warne referenced Nevada Revised Statute (NRS) 288.200. All revenues needed consideration with due regard for the obligation of the local government to provide facilities and services and to guarantee health, welfare and the safety of residents. She said the Las Vegas Chamber reports said State workers were overpaid. The educators said that was not true. Statistics bear out the average Nevada teacher made $5,000 less than the average teacher across the United States (Exhibit F). She said since 1992, the Nevada Legislature had passed zero-percent, cost-of-living increases six times for Nevada educators. She said 50 percent of all educators left Nevada schools within the first three years. Clark County had over 300 vacancies. Educators' salaries had not kept pace with inflation. Ms. Warne said

NRS 286.421 stated payment of the employee's contribution must be made in lieu of basic salary increases or cost of living or both and must be counterbalanced by an equivalent reduction in employees' salaries, Exhibit F. She said Nevada educators were paying their fair share toward their retirement. She said the average retiree drew $27,000 a year from PERS. Most educators depended on this retirement to cover all their retirement needs, Exhibit F. She said every dollar that went into PERS provided $6 back to Nevada's economy. The PERS provided over $1 billion in purchasing power to Nevada each year Exhibit F.

Senator Raggio said one of the Chamber's proposals was transparency in the collective-bargaining process. He said there were Open Meeting Laws on almost everything with the exception of collective bargaining for public sector compensation and benefits. He asked Ms. Warne whether it should be an open process. He said if the bargaining process was open and everybody understood the concerns, there might be a better appreciation on the part of the public. He said when NRS 288 which related to relations between government and public employees was enacted, the public sector gave up the right to strike.

Detective Kallas responded there appeared to be a perception that since local government employees had the ability and privileges to collective bargain, their salaries were greater than those of State employees. He said arbitration worked for employees and employers. He said the local governments were good fiscal stewards of the taxpayers' dollars.

Senator Raggio asked whether the process would be easier with public support and if the public knew the issues being discussed.

Detective Kallas said if the public and press were in the meetings, it would slow the process down. He said the system worked. It was not a perfect process and they gave up things such as going on strike, but they negotiated in good faith.

Senator Raggio said the law was changed because Legislators were told it would be more effective in the arbitration process. He said the arbitrator was committed to the last best-offer process. He asked whether that needed changing. An arbitrator looked at the ability to pay and had many different definitions. He said an arbitrator could only select one of two offers and could not make a compromise. He asked if it was good for the Association and for the public taxpayers.

Mr. McAllister said there were multiple places where negotiation took place. The step prior to binding arbitration was fact-finding. He said a fact finder made recommendations for both sides to find middle ground. He said there were ways to reach an amicable decision.

Ms. Warne said they believed the current system worked. They bargained with the representatives from the school district, and they were provided parameters set by the Board of Trustees. She also said arbitration worked.

Danny L. Thompson, Executive Secretary-Treasurer, Nevada State American Federation of Labor and Congress of Industrial Organizations, said the PERS system was one of the finest in the nation. He represented 200,000 people in Nevada. He said every person he represented had a defined benefit program. Some of the systems were not as good as the PERS system. He said the Legislature's stewardship and prudent investments allowed the system to be effective. He attended the Spending and Government Efficiency Commission (SAGE) when the report was presented. He said there was a comparison of Nevada government workers to all the other states. At the end of the presentation, the remark was made the numbers were skewed because Nevada workers did not receive social security. He read from Mr. Aguero's report that Nevada's plan did not include social security participation by or for the State's public employees. He said when social security benefits were included in the analysis, Nevada's total retirement contribution by both employers and employees were among the lowest nationally. Mr. Thompson said occupations included in Mr. Aguero's report skewed the numbers: floral designers earning $29,000 a year; fast-food cooks at $15,000 a year; animal trainers at $25,000 a year; ushers, lobby attendants and ticket takers at $16,000 a year; and parking lot attendants at $18,000 a year. He said the discussion was not about PERS and the money spent on PERS but about taxes. He said the gaming industry paid 40 percent of the taxes collected in Nevada. Mr. Thompson stated the tax base must be diversified.

Mark Murphy, Fiscal Policy Analyst, Research and Collective Bargaining Services, American Federation of State, County and Municipal Employees (AFSCME), said he reviewed a range of surveys sponsored by the Las Vegas Chamber of Commerce and the Department of Personnel's salary survey. Mr. Murphy said the Department of Personnel's survey followed the accepted practice of salary surveys. They examined the job duties and requirements of particular positions and compared them to equivalent positions by other employers. He said AFSCME conducted hundreds of salary surveys around the country every year. He said the Chamber of Commerce did not conduct their survey in the same manner. He said they compared major occupational categories. The Personnel survey showed State employees were paid 7.8 percent less compared to the survey of employers for comparable jobs. He said the comparison was between public and private employers in Nevada and employers of the Western states.

Senator Raggio asked Mr. Murphy which survey he was referencing and whether the Committee could have a copy.

Mr. Murphy said the Department of Personnel produced a survey every two years. The latest survey was published in August 2008. The Las Vegas Chamber of Commerce reports acknowledged the risk of the methodology they used, which were the major occupational categories. He said they compared jobs that were not equivalent. He said the Chamber of Commerce claimed that since the analysis considered all public and private sector employees, it mitigated the extent of the outcome. Mr. Murphy said there were a number of occupations in Nevada where employees were paid in tips. He said tipped employees did not necessarily report all their income to the Internal Revenue Service or other surveys.

Mr. Murphy referenced the comparison of Nevada state employees to other state employees. He said the comparisons were not made to equivalent positions. The payroll per capita for Nevada employees cost the average Nevada resident 7.7-percent less than the national average. The SAGE Commission stated salaries paid to Nevada state employees were similar to equivalent positions in the private sector. He said that was an erroneous conclusion. It was important to consider the evidence and studies conducted in the public sector with the proper methodology.

Mr. Murphy mentioned retiree health care costs. He referred to the impact of the post-employment benefits on Nevada's credit ratings and ability to borrow. He said credit rating agencies were consistent since the Governmental Accounting Standards Board (GASB) promulgated Statements No. 43 and No. 45. He said a big number appearing in a state report based on no change in actual benefits did not cause them to downgrade the bond rating of an employer in the public sector. He said rating agencies knew the liabilities were different from the obligations of bonds. He said the rating agencies required a state have a plan and make progress toward fulfilling the plan. Mr. Murphy said the future $4 billion liability was due to health care inflation. He said the nation needed to solve the issue of health care inflation.

Senator Raggio said under GASB, the $4 billion unfunded liability was reported under PEPB. He said a plan was needed to deal with the unfunded liability. He said a plan was in place earlier but not feasible due to the economic downturn. He said a revision was needed in the plans, and they wanted to make the least impact on employees. He asked for verification that no local governments subsidized retirement health benefits in Nevada.

Mr. Murphy said there were very few states that did not provide something toward health benefits for retired employees.

Mr. Thompson said the City of Reno subsidized their retired employees. He said PERS had a plan in place to pay the unfunded liability.

Senator Townsend said if Nevada made their contributions, it removed the impact on their borrowing power. He mentioned the Jarvis-Gann Act in California known as Proposition 13 and officially titled the "People's Initiative to Limit Property Taxation." He said an identical question was put on the ballot in Nevada that passed in the 1980 election. The Legislature was concerned about the end result of a Proposition 13 question. He said the Legislature cut the property tax in half and doubled the sales tax. He said that put Nevada in a dangerous position during recessions. Senator Townsend said 40 percent of the sales tax came from visitors.

Chair Lee opened the meeting for public comment.

Tray Abney, Director, Government Relations, Reno-Sparks Chamber of Commerce, said the Las Vegas Chamber of Commerce report was a step toward long-term spending reforms. Mr. Abney submitted a letter for the record from Ralph Hartman, Chair, Reno-Sparks Chamber of Commerce (Exhibit G). He stated before any revenue increases were considered, long-term spending reform needed investigating. He mentioned implementing SAGE Commission recommendations, reforms to PERS and PEPB, public employee labor contracts and collection of uncollected fees owed the government, Exhibit G.

Jack Eastwick said he was a self-employed consultant. He said most companies went from defined benefit plans to defined contribution plans such as 401k plans.

Dave Allen, Chief Financial Officer, Moana Nursery, supported the efforts of the Reno-Sparks Chamber of Commerce and the Las Vegas Chamber of Commerce to ensure long-term spending reforms were enacted by the Legislature. Mr. Allen said his business was down approximately $11 million in sales and over 150 people were laid off. He said prevailing wage jobs required $24.81 an hour versus $10 to $16 an hour for landscape labor. A backhoe operator received $14 to $17 an hour versus $45.95 an hour under prevailing wage. Mr. Allen said they were unable to compete with jobs requiring prevailing wage.

James T. Richardson, Nevada Faculty Alliance, said the Nevada System of Higher Education (NSHE) had not been mentioned during the meeting. He said the faculty was suffering collateral damage from the effort to lower the pay and benefits of public employees. Mr. Richardson referred to the testimony he gave when the PEPB budget was heard (Exhibit H). He encouraged the Committee to read the ten points listed in the exhibit. He referred to the table using a 30-year calculation for the four largest budget functions of the State General Fund funds (Exhibit I). The funds were Department of Health and Human Services, kindergarten through Grade 12, NSHE and the Department of Corrections. He said without any caseload growth but a 3-percent inflation factor, the four functions totaled over $250 billion. He said PERS had a $6 billion liability and PEBP had a $4 billion liability. He added last Session put a plan in place to pay the $4 billion.

Mr. Richardson said there were many problems with the Las Vegas Chamber of Commerce study. He said they failed to control for the proper variables, compared unequal jobs, and lacked footnotes concerning salary cuts when PERS rates were increased. He was disappointed in the Chamber's study. He said they could and should have done better.

Jerri Strasser, R.N., Nursing Steward, Service Employees International Union, University Medical Center, said she worked as a pediatric critical care nurse at University Medical Center. Ms. Strasser submitted her written comments (Exhibit J). She said the Chamber of Commerce study was inaccurate. She said the Chamber did not include the high cost of living in Nevada in their comparisons. Nevada was one of only seven states that did not participate in social security. She said PERS was the only retirement available, Exhibit J.

Ronald P. Dreher, Government Affairs Director, Peace Officers Research Association of Nevada, asked why the Las Vegas Chamber of Commerce cared about PERS and PEPB. He suggested it was a ruse to take the focus off the economic downturn of businesses the Chamber represented and place it on the active and retired public employees. He said many private businesses in Nevada provided their employees minimal compensation and benefits. Mr. Dreher said Washoe County subsidized benefits for their employees. He said PERS was one of the best retirement systems in the nation, and it was financially sound. He referred to the transparency of collective bargaining and said the system outlined in the NRS worked well and the arbitration process worked well. He said there was a penalty for early retirement of 4 percent per year.

Roger Maillard, President, American Federation of State, County and Municipal Employees Local 4041, said he applied for a job with the State in 1967. He accepted a state job which paid 25 percent less than private jobs. He said he chose the defined benefit retirement system. He said PERS saved him an enormous medical bill. He said eliminating coverage for Medicare retirees put a burden on retirees they cannot afford.

Rob Potter said he worked for the Nevada Department of Transportation. He said Nevada had the lowest amount of public employees per capita, including Puerto Rico. He said they were the most efficient public employees. He said his pay was average. He said the reason he worked for the State was the benefits. He said the retirement benefits were a promise made by the State. He said the benefits were in lieu of a pay raise.

Joe Elliott said the report from the Las Vegas Chamber of Commerce was flawed. He suggested using the Legislative Counsel Bureau for a report without a political or financial bias. He said the Chamber paid $100,000 for the report. He said future liability did not affect the current financial problems in the state. He said Nevada’s 105,000 employees paid $1.3 billion a year into PERS. He said that sum included employers and employees. He said PERS paid out $1.1 billion a year.

Chair Lee said he planned to ask Ms. Bilyeu to come back to the Committee and make her presentation.

Teresa J. Thienhaus, Director, Department of Personnel, said she had the official State of Nevada 2008 Salary and Benefits Survey. She said under NRS 284.175, the official salary survey was done by the Department of

Personnel every two years (Exhibit K, original is on file in the Research Library). She said Mr. Murphy accurately portrayed the information in the survey. She had a comparison of the local government salaries in Nevada as compared with State of Nevada employee salaries. She said she could provide copies of the surveys to the Las Vegas Chamber of Commerce if anyone wanted a copy.

Martin Bibb, Executive Director, Retired Public Employees of Nevada, expressed his support for the PERS system. He said it was prudently managed and well run. He said the average amount of PERS benefit was $2,250 per month. He mentioned the health insurance issue. He said the insurance was adequately and properly funded. He said there were adequate reserves which made it a viable plan. He said it was not a rich insurance plan.

Senator Breeden and Senator Raggio disclosed Senate Standing Rule No. 23 did not apply in this case, but in the interest of full disclosure, said they were members of PERS and/or PEPB.

Chair Lee asked if there was any further discussion. As there was none, he closed the hearing at 5:15 p.m.

RESPECTFULLY SUBMITTED:

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Olivia Lodato,
Committee Secretary

APPROVED BY:

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Senator John J. Lee, Chair

DATE:______________________________________