

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-Sixth Session
June 4, 2011**

The Committee on Ways and Means was called to order by Chairwoman Debbie Smith at 8:49 a.m. on Saturday, June 4, 2011, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/76th2011/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Debbie Smith, Chairwoman
Assemblyman Marcus Conklin, Vice Chair
Assemblyman Paul Aizley
Assemblyman Kelvin Atkinson
Assemblyman David P. Bobzien
Assemblywoman Maggie Carlton
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Crescent Hardy
Assemblyman Pat Hickey
Assemblyman Joseph M. Hogan
Assemblyman Randy Kirner
Assemblywoman April Mastroluca
Assemblyman John Ocegüera

GUEST LEGISLATORS PRESENT:

Senator Don Gustavson, Washoe County Senatorial District No. 2

STAFF MEMBERS PRESENT:

Rick Combs, Assembly Fiscal Analyst
Mike Chapman, Principal Deputy Fiscal Analyst
Joi Davis, Senior Program Analyst
Julie Waller, Program Analyst
Carol Thomsen, Committee Secretary
Cynthia Wyett, Committee Assistant

Chairwoman Smith opened the hearing on Senate Bill 159 (R2).

**Senate Bill 159 (2nd Reprint): Makes various changes governing offenders.
(BDR 16-74)**

Senator Don Gustavson, Washoe County Senatorial District No. 2, stated it was his pleasure to bring S.B. 159 (R2) before the Committee today. The bill was aimed at helping offenders who were released into society improve their chances of success and reduce their chances of recidivism.

Senator Gustavson stated that the bill would revise the statute that listed the types of information provided to inmates by the Department of Corrections (DOC) upon release, whether release was by expiration of sentence, pardon, or parole.

Senator Gustavson said S.B. 159 (R2) would require that upon release inmates must be given information about programs and organizations that offered workplace bonds aimed at guaranteeing honesty for "at-risk" or hard-to-place job seekers. Those bonds would help former inmates secure jobs and would give employers a level of guarantee that the person would be a good employee. Perhaps the best example of such a bond program was The Federal Bonding Program established in 1966 by the U.S. Department of Labor. Senator Gustavson said that program provided fidelity bonding insurance coverage for the first six months of employment to individuals with criminal histories and other high-risk job applicants.

According to Senator Gustavson, that type of information was essential to inmates upon release and would go a long way toward helping inmates reintegrate into society, avoid reoffending, and make restitution to victims. The bill would also require the Director of DOC to provide eligible offenders, upon request, with information and reasonable assistance related to acquiring a valid Nevada driver's license or identification (ID) card, which would aid the offender in obtaining employment and becoming aware of any treatment programs that were available in the community.

Senator Gustavson stated that a portion of the minimal fiscal note attached to S.B. 159 (R2) had been included in section 2, which had been amended out of the bill by the Assembly Committee on Judiciary. The remainder of the fiscal note would be eliminated after passage of the bill because helping just one inmate assimilate back into society without again reoffending would result in a cost savings to the state.

Chairwoman Smith indicated that the Committee had previously heard similar testimony regarding Assembly Bill 92 (R1), and it appeared that the state would save money over the long run by helping offenders return to society and become productive citizens.

Chairwoman Smith said it appeared that testimony heard by the Assembly Committee on Judiciary from DOC Director James Cox indicated that the fiscal note on S.B. 159 (R2) would be greatly reduced after the bill was amended. Senator Gustavson stated that was correct. The fiscal note had been reduced because section 2 of the bill had been amended out.

Testifying next before the Committee was Eddie Floyd, Fox News Radio, who stated that he was also the voluntary public information officer for "My Journey Home," the program that handled The Federal Bonding Program for the State of Nevada. That Program was free to both employers and the persons securing the bond. Mr. Floyd said "My Journey Home" had picked up The Federal Bonding Program to allow offenders who had recently been released from incarceration to secure a bond to protect the person and the employer and to make the person more worthy of hire by employers. Mr. Floyd said that was the main goal of The Federal Bonding Program, and S.B. 159 (R2) would go a long way toward attaining that goal. He thanked Senator Gustavson and representatives from the Department of Corrections and the Division of Parole and Probation for their diligent work on the legislation.

Testifying next was Larry Struve, Advocate for the Religious Alliance in Nevada (RAIN), who indicated that RAIN had submitted a letter ([Exhibit C](#)) to the Committee regarding its support for S.B. 159 (R2), which was also available for public review on the Nevada Electronic Legislative Information System (NELIS).

Mr. Struve reiterated that RAIN was very supportive of efforts to establish reentry programs for ex-offenders in Nevada. He said RAIN had worked with Senator Gustavson on the bill, and the language in section 1, subsection 1, paragraph (f), subparagraphs (1) and (2) had been added by amendment at the request of RAIN and with the approval of Senator Gustavson. That provision would require the Director of DOC to provide information and assistance to

those inmates being prepared for release regarding how to obtain a valid identification (ID) card once released into society.

Mr. Struve stated that the two requirements added to the bill by the Assembly Committee on Judiciary were that the inmate had to request the information assistance, and the inmate had to be eligible to acquire a valid driver's license or ID card from the Department of Motor Vehicles (DMV). Those stipulations would somewhat narrow the scope of eligible inmates.

Mr. Struve said RAIN was supportive of S.B. 159 (R2) because RAIN believed the time had come when Nevada had to take steps to develop an integrated statewide reentry system. Should the Committee choose to process S.B. 159 (R2) and A.B. 92 (R1), which the Committee considered on May 27, 2011, it would represent a significant step in helping DOC begin the journey toward an integrated reentry program in Nevada.

Mr. Struve opined that having proper identification was critical because without it a person could not secure housing or employment or apply for benefits. He indicated that RAIN was present to offer strong support for S.B. 159 (R2).

Assemblyman Goicoechea referred to Exhibit C which indicated that S.B. 159 (R2) complemented A.B. 92 (R1), and he asked whether that was correct. Mr. Struve replied that was correct.

Assemblyman Hambrick asked for clarification regarding inmates who would not be eligible for a Nevada identification (ID) card through the Department of Motor Vehicles.

Mr. Struve said there were inmates incarcerated in Nevada who had been residents of other states and were never eligible for a Nevada driver's license or ID card. Therefore, when those inmates were released and returned to their home states, they would seek ID from those states. Mr. Struve said it was possible that inmates who decided to remain in Nevada could be issued a Nevada ID card.

Senator Gustavson said RAIN had raised funding for the reentry program and currently had over \$16,000 in the fund to help cover the costs of issuing ID cards or driver's licenses, which would alleviate the cost for DMV.

Mr. Struve commented that RAIN had been involved in a fundraising effort to put money into a special revenue account in the Office of Criminal Justice Assistance. There was over \$16,000 in that account, which had been given as free-will offerings from parishioners and congregations throughout the state.

Mr. Struve said in all fairness, the amount raised by RAIN might not be sufficient to cover the entire cost for all inmates who were released. The past fundraising had been a one-shot effort by RAIN to show that the persons in its congregations were very supportive of the establishment of an integrated reentry program in Nevada.

Mr. Struve believed RAIN would attempt to continue its fundraising effort, and RAIN had been asked to work with the Department of Corrections (DOC) toward development of a mentoring program. That program would train mentors who could work with inmates when released so that in addition to securing employment, the inmate would have support reintegrating into communities without reoffending. The cost for that type of program was yet to be determined, and perhaps grant funding could address those costs.

Mr. Struve said S.B. 159 (R2) was an important, critical first step that could be built out with continued fundraising and similar efforts for reentry programs. He hoped the Committee would not pass up the opportunity to take advantage of the proposal.

Chairwoman Smith asked how the funds raised by RAIN would interface with the mandates of S.B. 159 (R2) to offset the fiscal note.

Mr. Struve said that a regulation was being processed through the Department of Public Safety (DPS), which was the agency that currently held the funds raised by RAIN. It was his understanding that DOC would give a voucher to the inmate being prepared for release, and upon release the inmate could take that voucher to DMV to cover the cost of an ID card. The DMV would then return the voucher to DOC, and DOC would forward the voucher to DPS for reimbursement from the special revenue account containing the RAIN funds. That was how DOC and DPS were attempting to make it a revenue-neutral program.

Mr. Struve said the number of inmates who would take advantage of the program was unknown. The bill was the first step in a reentry program, and if it was successful, there was opportunity for additional fundraising by RAIN. The DMV had authority in current law to establish an account to receive gifts, grants, and donations to offset costs for providing driver's licenses and identification (ID) cards to homeless persons, and if A.B. 92 (R1) passed, that would also include persons within 90 days of release from prison.

Mr. Struve pointed out that there were mechanisms already in place to deal with the fiscal aspect of the bill. The key was S.B. 159 (R2) and A.B. 92 (R1), which would provide the tools to DOC to continue working on the initiative.

Chairwoman Smith assumed that other states that had established reentry programs that reduced recidivism rates had used similar programs. Mr. Struve said he had not personally reviewed the programs in other states, but he emphasized that the topic of reentry programs was a significant issue throughout the country. Mr. Struve noted that California was facing the possible release of 30,000 inmates by order of the U.S. Supreme Court, and California did not have an integrated reentry system to absorb and assist that number of releasees. It was hoped that Nevada would not be put in that type of circumstance, which was why taking small, initial steps now might prepare the state for a time when a large release of inmates was mandated.

Patrick Sanderson said he wanted to speak in favor of S.B. 159 (R2) because many persons had family members or friends who found themselves incarcerated, and the bill would establish the first step in helping those persons reenter society. Mr. Sanderson said he had worked in the construction field most of his life, and he had seen the difficulties encountered by persons recently released from prison who could not get to their job because of the lack of a valid driver's license or valid ID. He hoped that with all the budget problems facing the Legislature, the Committee could see fit to take the first step in moving forward with a reentry program, which would help everyone in the state.

Chairwoman Smith asked whether there was further testimony to come before the Committee regarding S.B. 159 (R2), and there being none, the Chairwoman closed the hearing.

Chairwoman Smith opened the work session regarding Assembly Bill 401 (R1).

Assembly Bill 401 (1st Reprint): Makes various changes concerning constructional defects. (BDR 3-382)

Chairwoman Smith said the Committee had reviewed the bill on June 3, 2011; she noted that the proposed amendment had provided technical clarifications and had amended out the study, thereby eliminating the fiscal note.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said the reason the bill had been submitted for review by the Committee was because the bill contained an appropriation; however, the amendment had removed that appropriation.

Chairwoman Smith asked whether there was further discussion or comment regarding A.B. 401 (R1), and there being none, the Chairwoman called for a motion.

Assemblyman Goicoechea said he had concerns regarding the policy included in the bill, and he would not vote in favor of passage.

ASSEMBLYMAN CONKLIN MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 401(R1).

ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.

THE MOTION PASSED. (Assemblymen Goicoechea, Grady, Hambrick, Hardy, and Hickey voted no.) (Assemblyman Kirner was not present for the vote.)

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Chairwoman Smith opened the hearing on Assembly Bill 542 (R1).

[Assembly Bill 542 \(1st Reprint\)](#): Provides for the licensing and operation of craft distilleries in Nevada. (BDR 52-649)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, indicated that A.B. 542 (R1) would allow for craft distilleries. The Department of Taxation had submitted an unsolicited fiscal note on the bill for \$68,205 in fiscal year (FY) 2011, but Mr. Combs believed the Department had indicated those costs would also need to be funded in FY 2012.

Assemblyman Hardy asked about the possibility of six or seven additional craft distilleries opening over the biennium that would help with the fiscal effect of the bill. Mr. Combs noted that there would be a \$75 licensing fee, but he did not think that licensing an additional six or seven craft distilleries would offset the fiscal note of \$68,205.

Assemblyman Goicoechea asked whether additional businesses would drive the fiscal note higher. Mr. Combs said that would not occur because the fiscal note dealt with the Department's need to reformat its system to add another business license. Assemblyman Goicoechea opined that there would be a tax associated with the sale of 10,000 cases of "spirits" in one year.

Chairwoman Smith also believed there was a revenue side to the bill because of the tax that would be charged when the cases of "spirits" were sold.

Chairwoman Smith asked whether there was further discussion regarding A.B. 542 (R1), and there being none, the Chairwoman called for a motion.

Mr. Combs pointed out that a motion to do pass the bill would mean that the Department would need to use its existing resources or attempt to locate savings elsewhere in its budget to cover the cost of reformatting its system.

ASSEMBLYWOMAN MASTROLUCA MOVED TO DO PASS AS
AMENDED ASSEMBLY BILL 542 (R1).

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Kirner was not present for
the vote.)

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Chairwoman Smith opened the hearing on Assembly Bill 476.

Assembly Bill 476: Revises provisions relating to the Trust Fund for the
Education of Dependent Children. (BDR 34-888)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that A.B. 476 had been heard by the Committee on April 27, 2011, at which time testimony had been provided by Mark Stevens, Vice Chancellor of Finance, Nevada System of Higher Education (NSHE). Primarily, the bill would authorize the Board of Regents to request an allocation from the Contingency Fund to cover a projected shortfall in the Trust Fund for the Education of Dependent Children if, at any point, the Board believed there was not sufficient money in the Fund to cover the cost of the program.

Mr. Combs noted that section 2 of A.B. 476 would also make an appropriation in the amount of \$50,000 to pay expenses for the Trust Fund. No amendments to the bill had been received to date.

Chairwoman Smith said she would offer an amendment to section 2 of A.B. 476 that reduced the amount from \$50,000 to \$25,000 to pay for expenses. Chairwoman Smith indicated that she had spoken to Mr. Stevens, and that amount would be sufficient for the first year of the biennium and would also allow NSHE to approach the Interim Finance Committee to request additional funding from the Contingency Fund.

Chairwoman Smith asked whether there was further discussion, and there being none, the Chairwoman said she would accept a motion.

ASSEMBLYMAN HICKEY MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 476.

ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Kirner was not present for the vote.)

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Chairwoman Smith opened the hearing on A.B. 279 (R1).

[Assembly Bill 279 \(1st Reprint\)](#): Authorizes independent testing laboratories to inspect and certify gaming devices, equipment and systems. (BDR 41-570)

Chairwoman Smith said the Committee had heard testimony on A.B. 279 (R1) on May 6, 2011, regarding independent gaming laboratories (labs). An amendment to the bill had been submitted, [Exhibit D](#), that was available for review on the Nevada Electronic Legislative Information System (NELIS).

Chairwoman Smith commented that the original language of the bill was enabling and would have allowed the Nevada Gaming Commission to adopt regulations pertaining to independent testing labs, authorizing those labs to inspect and certify gaming devices. The Committee on Judiciary amended the original language in section 1, subsection 7 of A.B. 279 to read, "The Commission *shall* adopt regulations . . . ," as currently depicted in section 1, subsection 7 of A.B. 279 (R1).

Chairwoman Smith said the current proposed amendment ([Exhibit D](#)) had been offered to alleviate her concerns regarding the parameters of the independent testing labs and would also require that the independent labs had facilities located in Nevada so that employees currently working in the state labs would have access to private employment. The previous testimony from representatives of the independent labs indicated that those labs would hire the employees currently working in the state labs.

Chairwoman Smith opened discussion of the bill and the proposed amendment ([Exhibit D](#)). She indicated that she had been involved in several discussions that indicated the testing of gaming devices had to be completed at a faster pace to ensure that Nevada's gaming industry remained competitive with other states.

Assemblyman Aizley asked whether there were any safeguards built into the bill that stipulated the manufacturer of a device could not inspect and test the device. Chairwoman Smith said the testing would be conducted by independent labs, and the bill clearly indicated that the testing would be done by "independent testing labs." Assemblyman Aizley's question was, "independent of what."

Assemblyman Conklin said he understood Assemblyman Aizley's concerns, but he was aware that the testing labs were meticulous about protecting the sanctity and security of Nevada's gaming devices, because if the games were a "sham" it would severely damage the state's reputation in the gaming industry. He believed that the stipulation that the labs be "independent" and the ability of the State Gaming Control Board and the Gaming Commission to monitor those labs would be sufficient. The matter would also be reviewed by the Legislative Commission's Subcommittee to Review Regulations. Assemblyman Conklin said he was not trying to diminish Assemblyman Aizley's valid concern, but he assured the Committee that Nevada was probably the best in the world in regulating its gaming industry.

Chairwoman Smith said A.B. 279 (R1) clearly indicated that the Nevada Gaming Commission would adopt regulations, and section 1, subsection 8, read, "As used in this section . . . an 'independent testing laboratory' means a private laboratory that is registered by the Commission to inspect and certify gaming devices, associated equipment . . . and to perform such other services as the Board and Commission may request." Also, said Chairwoman Smith, the bill included the language "registration of independent testing laboratories" in almost every section.

Chairwoman Smith said the proposed amendment ([Exhibit D](#)) indicated that, ". . . an independent testing laboratory must have a facility in this state . . ." to provide employment opportunities for the current state testing lab employees.

Assemblywoman Carlton said she was concerned about the language that stipulated that independent testing labs had to be located in Nevada. She believed that labs not located in Nevada could make the argument that their testing would be equally as good as a lab located in-state, and that the out-of-state lab could also comply with the requirements and regulations, and she was concerned about interstate commerce issues. Assemblywoman Carlton

pointed out that gaming was now allowed in many other states throughout the country where testing labs might be located.

Assemblywoman Mastroluca thought the fact that the language said the lab must have "a facility in Nevada" would not preclude out-of-state testing labs from also conducting the testing. The bill simply required that the independent lab also have a facility located in Nevada. Assemblywoman Mastroluca believed that language would allow some flexibility in the law. She agreed that the state did not want to limit its capabilities to test gaming devices, thereby creating a reduction in business, but she believed the first priority had to be the integrity and safety of the gaming devices, and the state's ability to regulate the games to the best of its ability.

Assemblywoman Carlton said she apparently had misinterpreted the language, because she thought the testing lab had to be located only in Nevada.

Chairwoman Smith asked Mr. Lee, as the author of the proposed amendment ([Exhibit D](#)), to provide clarification of the language in section 1, subsection 7, paragraph (g).

Keith Lee, representing Cantor Gaming, said Assemblywoman Carlton was correct that the language required that the independent lab had to have a facility located in Nevada, but the language was not exclusive. The intention was that an independent testing lab had to have a facility located in Nevada to maintain the integrity and close working relationship with the Nevada Gaming Commission and the Gaming Control Board, and to also ensure that additional jobs would be created in Nevada. Mr. Lee reiterated that the language was not meant to be exclusive and independent labs could also have labs located in other states or jurisdictions. The labs that came forward for certification and registration under the auspices of the bill would most likely also be operational in other states or jurisdictions. Mr. Lee did not believe the legislation would create an interstate commerce issue because the language was not exclusive.

Assemblywoman Carlton pointed out that there were gaming jurisdictions in Macau, and she wondered whether independent labs could also be located in Macau. Mr. Lee said that was a possibility, and he believed that there were already testing labs located overseas. The legislation was about the ability of Nevada's gaming regulators to have control over the independent testing labs when testing games that would be located in Nevada. Mr. Lee pointed out that the testing of gaming devices for the Nevada Gaming Commission and the Gaming Control Board would not be exclusive, and independent labs might also test games that would be put into play around the world, including Macau.

Assemblywoman Carlton asked if a game was tested by a lab in Macau and met the criteria for that location and that game was then proposed for use in Nevada, whether that game would have to be retested or could the state accept the original test completed by an independent lab in Macau that was affiliated with a lab located in Nevada.

Mr. Lee said a game that was tested in another location could be accepted in Nevada, but the ultimate authority regarding acceptance would be the Nevada Gaming Commission and the Gaming Control Board. If the game was tested in Macau, the Nevada gaming authorities would review the results of that testing before final approval was given for the game. The Nevada Gaming Commission and the Gaming Control Board would have ultimate approval of games put into play in the State of Nevada.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that a fiscal note had been submitted by the Gaming Control Board that totaled approximately \$16,000. However, the Gaming Control Board had indicated that it could absorb that amount within its existing resources. When the bill was amended to its current format, the fiscal note had been changed. Mr. Combs said the bill would result in the elimination of 12 approved positions in the Gaming Control Board's testing lab. The position elimination would result in a cost savings, but the Board would also lose lab fees that were charged for testing the devices, which funded the Board's budget.

Mr. Combs believed that the action would ultimately result in a net cost savings to the Gaming Control Board of approximately \$45,000 over the biennium. The portion of General Funds that was used to fund the positions would be used to replace the fee revenue that would be lost because of the position eliminations. Mr. Combs did not think there would be a need to significantly alter the budget account for the Gaming Control Board if the bill passed.

Mr. Combs referred to the proposed amendment, ([Exhibit D](#)), and stated he also had concerns regarding the language in section 1, subsection 7, paragraph (g) that would require that an independent testing laboratory "must" have a facility in Nevada. He was worried about interstate commerce clause violations and believed the language should be reviewed by the Legal Division of the Legislative Counsel Bureau before the Committee took final action on A.B. 279 (R1).

Chairwoman Smith noted that the same concern had been expressed by Assemblywoman Carlton and, therefore, the Committee would ask the Legal Division to review the bill prior to taking any further action.

Chairwoman Smith said she had discussed the bill with Mark Lipparelli, Chair of the State Gaming Control Board because the language had changed from enabling language that stated the Commission "may" adopt regulations to language that stated the Commission "shall" adopt regulations. Chairwoman Smith said the Board had spent some time reviewing the language of the bill and had determined that the situation should either remain status quo, or the Board should conduct the testing on all gaming devices without using independent labs.

Chairwoman Smith asked whether there were further questions or discussion regarding A.B. 279 (R1), and there being none, the Chairwoman stated that the Committee would discuss the bill further after it had been reviewed by the Legal Division.

Chairwoman Smith indicated that Mr. Combs would like to discuss the action taken previously by the Committee regarding A.B. 561, and she opened discussion on the bill.

Assembly Bill 561: Makes various changes concerning governmental financial administration. (BDR 31-1166)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that the Committee had voted to amend and do pass A.B. 561 on May 26, 2011. Mr. Combs explained that because of recent decisions regarding The Executive Budget, the previous action by the Committee should be rescinded. Mr. Combs said he would then explain the new amended version of the bill ([Exhibit E](#)) for further review and action by the Committee.

Chairwoman Smith stated that she would accept a motion to rescind the May 26, 2011, action to amend and do pass A.B. 561.

ASSEMBLYWOMAN CARLTON MOVED TO RESCIND THE PREVIOUS ACTION OF MAY 26, 2011, TO AMEND AND DO PASS ASSEMBLY BILL 561.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hambrick voted no.)
(Assemblyman Kirner was not present for the vote.)

Mr. Combs referred to [Exhibit E](#), "Proposed Amendment 7138 to Assembly Bill No. 561," which was also available for review on the Nevada Electronic Legislative Information System (NELIS).

Mr. Combs reviewed each section of the proposed amendment to A.B. 561, as follows:

- Section 1 would delay the hold-back of 1 percent of the General Fund projection to the Rainy Day Fund. A bill was passed by the 2009 Legislature that would have required the 1 percent hold-back to the General Fund to begin with the 2011-2013 biennium. The proposed amendment would delay the start of that 1 percent holdback until the 2013-2015 biennium.
- Section 2 would repeal the Governor's recommended proposal for the school district excess debt service funds, which the Committee had amended out in its original motion, and that would continue to be the case with the proposed amendment.
- Section 3 of the bill would delete the Governor's recommended change to the Modified Business Tax (MBT) for nonfinancial institutions for employee leasing companies.
- Section 4 had been changed based on the recent budget agreement. The language would alter the MBT for nonfinancial institutions to exempt wages up to \$62,500 per quarter, and it would tax wages above \$62,500 per quarter at the 1.17 percent rate. Currently, wages up to \$62,500 were taxed at the 0.5 percent rate and wages above that amount were taxed at the 1.17 percent rate. If the provision that was currently in place was allowed to sunset, the rate would return to 0.63 percent for all wages. The amount was based on taxable wages, and businesses were allowed a deduction if health care was provided. As drafted, the proposed amendment would remain in effect for the 2011-2013 biennium only.
- Section 6 would provide that the entire 10 percent governmental services fee on short-term car rentals would be deposited to the State General Fund. The current 1 percent portion that was allocated to the State Highway Fund would now be deposited in the State General Fund instead. Mr. Combs said that was part of The Executive Budget and was also approved by the Committee in its previous action on the bill on May 26, 2011.
- Section 5 was related to section 6 because section 5 would allow the money that was currently deposited in the State Highway Fund to be placed into a special account from the tax to remain in that account and be spent within that account until the amount was reduced to zero. Once the balance had been reduced to zero the provision would then be eliminated.
- Section 6.5 was related to the elimination of the sunset on the increase in the Local School Support Tax.

- Section 7 extended the sunset on the Net Proceeds of Minerals Tax and it pertained to the payment-in-advance provision that had been approved by the 2009 Legislature, which would now continue throughout the upcoming biennium.
- Sections 8 and 9 were also related to the extension of the sunset on the Net Proceeds of Minerals Tax.
- Section 10 was related to the delay in the 1 percent holdback on the transfer to the Rainy Day Fund.
- Section 10.3 extended the sunset on the \$100 increase in the Business License Fee to the end of the upcoming biennium. That fee had been increased by the 2009 Legislature, and at that time the increase was scheduled to sunset prior to the 2011-2013 biennium.
- Section 10.7 included the provision that actually extended the sunset on the 0.35 percentage point increase in the Local School Support Tax. The sunset would be extended throughout the 2011-2013 biennium.
- Section 11 was also related to extension of the sunset on the Net Proceeds of Minerals tax.
- Section 12 deleted the Governor's recommended provisions for the securitization of the Insurance Premium Tax.
- Section 13 was needed to extend the Modified Business Tax (MBT) sunset and the tax change.
- Section 14 was related to the school district Reserve Debt Service Fund transfer, which would be deleted by amendment.
- Section 15 was also transitional language needed for the Net Proceeds of Minerals Tax sunset.
- Section 16 was a new section that indicated, "The State Controller shall transfer from the Fund to Stabilize the Operation of the State Government to the State General Fund the sum of \$41,321,014 for unrestricted State General Fund use."

Mr. Combs explained that the \$41,321,014 had been deposited in the Rainy Day Fund after the close of fiscal year (FY) 2010 per current statutory provisions. It was part of the Governor's recommendation to use the amount in the Rainy Day Fund to help support the budget on an ongoing basis in the upcoming biennium. Mr. Combs stated the provision had not been included in any legislation, and it was felt that inclusion in A.B. 561 was appropriate.

Mr. Combs indicated that represented the amended version of the bill as depicted in Exhibit E for the Committee's consideration; he stated he would attempt to address questions regarding employee leasing or other issues.

Chairwoman Smith said there appeared to be two issues regarding employee leasing. One issue was the fact that the leasing company received the benefit of being in a larger pool, and therefore, saved on unemployment insurance (UI) and workers' compensation costs. However, those companies were also asking for the benefit of being classified as a small employer to receive a tax break. Chairwoman Smith did not believe there was balance regarding the policy. In addition, Chairwoman Smith believed it would be a cost to the state at a time when the Legislature was attempting to balance the budget.

Mr. Combs clarified that the MBT was tied to the wages that were reported by an employer as defined in *Nevada Revised Statutes* (NRS) Chapter 612, which was the chapter that pertained to unemployment insurance (UI). When the MBT was created, for ease of administration among other reasons, the MBT was tied to Chapter 612 so that the wages reported for UI benefits would be used to tax businesses under the MBT.

Currently, said Mr. Combs, leased employees were considered employees of the leasing company rather than employees of each business that was affiliated with the leasing company. Therefore, the leasing company aggregated the wages paid to the employees and applied the UI tax rate for the purpose of calculating the UI liability for those employees. That was also the method currently used to calculate the MBT. Mr. Combs stated that if the Committee approved the amendment, the first aggregate \$62,500 would be tax free and anything above that amount would be taxed at the 1.17 percent rate, which was consistent with the method being used for the current biennium.

Mr. Combs said it was his understanding that the leasing companies wanted the Legislature to disaggregate the wages of the employees of the different businesses that participated in employee leasing company services, which would allow the companies to remain under the \$62,500 exemption, thereby lowering the tax burden. It was a policy decision for the Committee to consider, and as stated by Chairwoman Smith, under current UI law the leasing companies were getting the benefit of aggregating the amounts for the purpose of the company's experience rating for UI purposes.

Mr. Combs said there were two issues from a policy standpoint that the Committee should understand if it wanted to consider disaggregating the wages:

1. That action would create a difference between the UI tax and the MBT that was currently in place regarding how wages were treated.

2. The leasing companies were already receiving a benefit under the UI statute, and the companies would also benefit from disaggregating wages under the MBT.

Assemblyman Hickey asked about the effect on the budget created by the Supreme Court decision and what adjustments would have to be made.

Mr. Combs explained that the 26th Special Session (2010) had passed a bill that required the transfer of \$62 million from the Clean Water Coalition to the State General Fund. That amount had been reflected by the Fiscal Analysis Division as General Fund revenue, and when the Governor prepared The Executive Budget that amount was also reflected as General Fund revenue in fiscal year (FY) 2011. When the Supreme Court issued its decision, both the Fiscal Analysis Division and the Budget Division zeroed-out the \$62 million from the State General Fund.

Mr. Combs stated that because there was not sufficient revenue to cover all the expenditures approved for the 2011-2013 biennium, and to avoid triggering a transfer from the Rainy Day Fund in FY 2011, funds had been shifted to address the \$62 million loss.

Assemblyman Hickey asked whether the state had actually received the \$62 million and whether the state would be required to return that amount to the Clean Water Coalition. Mr. Combs stated that the state had not received the funds and no reimbursement was required.

Chairwoman Smith asked whether there was further discussion or questions regarding the proposed amendment ([Exhibit E](#)) to A.B. 561. She pointed out that action had to be taken on the bill to balance The Executive Budget, and she called for a motion.

ASSEMBLYMAN OCEGUERA MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 561.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hambrick voted no.)
(Assemblyman Kirner was not present for the vote.)

* * * * *

Mr. Combs explained that there were two additional pieces of legislation for the Committee's consideration: The K-12 Public Education bill, which had been revised because of the budget agreement that had been reached, and the Appropriations Act, which would provide the General Fund and State Highway Fund appropriations that had been approved within the various budget closings. The two bill draft requests (BDRs) had been reviewed by the Fiscal Analysis Division and the Legal Division of the Legislative Counsel Bureau, and were ready for introduction by the Committee. [The previous K-12 education bill, A.B. 568, had been vetoed by the Governor on May 16, 2011.]

Mr. Combs indicated that Fiscal Analysis Division staff could present the provisions of the BDRs prior to Committee introduction, or the Committee could introduce the BDRs and return later today to hold a hearing to discuss the provisions of the bills. The drawback to introducing the BDRs and then holding a hearing on the bills was the possibility of necessary changes that might require an amendment.

Chairwoman Smith said her preference would be for the Committee to review the BDRs prior to introduction, which would allow the bills to move more quickly through the process.

Assemblyman Conklin agreed that introduction of the BDRs today was important, and he suggested that after review by Fiscal Analysis Division staff the Committee could hold a meeting behind the Bar of the Assembly for Committee introduction of the BDRs.

Mr. Combs said if the Committee reviewed the BDRs and there were no significant changes, the Committee could move for Committee introduction of the BDRs. The Committee could then either pass the bills behind the Bar of the Assembly or reconvene to pass the bills out of Committee.

Assemblyman Goicoechea said his preference was that the Committee review the BDRs for Committee introduction and pass the bills in Committee rather than behind the Bar of the Assembly.

Chairwoman Smith announced that the Committee would wait for copies of the BDRs and would then review the provisions and vote on Committee introduction of the BDRs.

Assemblyman Conklin believed that the contents of the two BDRs reflected the culmination of the action that had already been taken by the Committee.

Chairwoman Smith stated that was correct, but she agreed with Assemblyman Goicoechea that hearing the bills in Committee would allow for public attendance and public comment.

At 9:55 a.m., Chairwoman Smith said the Committee would be at rest until copies of the BDRs were available for review.

At 10:21 a.m., Mr. Combs announced that the copies of the BDRs were available and had been presented to Committee members. In the interest of time, Mr. Combs had asked Ms. Waller to review the changes to the sections of BDR S-1304 that had been made from the previous version of the K-12 funding bill. [[A.B. 568](#)]

BDR S-1304 — Ensures sufficient funding for K-12 public education for the 2011-2013 biennium. (Later introduced as [Assembly Bill 579](#).)

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, offered the following review of sections of the BDR ([Exhibit F](#)) that had been revised from the original K-12 Public Education Bill ([A.B. 568](#)):

- Section 1 of the BDR identified the estimated per-pupil basic support of \$5,263 in fiscal year (FY) 2012.
- Section 2 identified the estimated per-pupil basic support of \$5,374 in FY 2013. That represented a \$279 per pupil reduction from the level included in [A.B. 568](#) for FY 2012 and a \$281 reduction per pupil for FY 2013. The basic support per pupil was based on an average enrollment of approximately 422,743 students each year.
- Section 3 depicted the basic support guarantee for each special education program unit, which had remained at \$39,768 for total funding of \$121.2 million in each year of the 2011-2013 biennium.
- Section 3, subsection 4, included a slight reduction of the gifted and talented pupil unit funding of approximately \$8,000 over the biennium, and that related to the 2.5 percent funding reduction for salaries.
- Section 4 depicted the appropriation from the State General Fund to the State Distributive School Account (DSA), which was \$1,088,280,727 for fiscal year (FY) 2012 and \$1,111,331,100 for FY 2013. That was a decrease of \$570 million in General Fund over the biennium.
- Section 5 depicted the non-General Fund revenues that supported the DSA. The amount had increased from \$240 million to approximately \$252 million in FY 2012 and from \$246 to approximately \$260 million in FY 2013. That increase was primarily because of the out-of-state Local School Support Tax that resulted from an increase in that tax from 2.25 percent to 2.60 percent. Additionally, there had been a reprojection

- of the Initiative Petition No. 1 of the 75th Session (2009) room tax revenues in FY 2013 that added another \$1.1 million to non-General Fund revenues.
- Section 7 depicted the funding for the adult high school diploma program, which was approximately \$891,000 less over the biennium. That was related to the approval of the 2.5 percent salary reduction.
 - Section 10 contained the funding for early childhood education, which had not changed.
 - Section 15, subsection 3, contained language similar to Assembly Bill No. 4 of the 26th Special Session (2010), to provide flexibility for the class-size reduction program. The language allowed school districts to increase class size by no more than two students to achieve a student/teacher ratio from 16:1 to 18:1 in grades 1 and 2, and from 19:1 to 21:1 in grades 3. The savings that resulted from the increased class sizes must be used to offset the effect of budget reductions in grades 4 through 12.
 - Section 16 depicted the General Fund appropriation of \$140,768,048 for the class-size reduction program in FY 2012, and section 17 depicted the General Fund appropriation of \$144,222,019 in FY 2013. That represented a decrease of approximately \$6.5 million over the biennium for the class-size reduction program, and that was related to the 2.5 percent funding reduction for salaries.
 - Section 20 contained the General Fund appropriation for the Other State Education Programs Account, and that funding had not changed.
 - Section 21 contained the appropriation from the General Fund to the Account for Programs for Innovation and the Prevention of Remediation Trust Fund, which contained the funding for regional professional development program (RPDP) and the funding for the full-day kindergarten program. The General Fund appropriation had decreased by approximately \$615,000 in FY 2012 and \$628,000 in FY 2013, for a total decrease of \$1.2 million over the biennium. That was related to the 2.5 percent funding reduction for salaries.
 - Section 23 identified the funding for each Regional Professional Development Program. Funding for administrator training remained at \$100,000 each fiscal year; however, the funding to each program had decreased by approximately \$281,000 in each fiscal year, which was related to the 2.5 percent funding reduction for salaries.
 - Section 26 identified the appropriation from the State General Fund to the Grant Fund for Incentives for Licensed Educational Personnel, and that funding had not changed.
 - Section 29 depicted funding for the Initiative Petition No. 1 of the 75th Session (2009) room tax revenue for fiscal year (FY) 2013, which had increased to \$115,121,424.

- Section 30 was a new section included in the BDR because of the budget agreement that \$20 million in local funds in each year of the 2011-2013 biennium would be available for public schools for operating purposes. The funding was for the 2011-2013 biennium only.

Ms. Waller stated that concluded her presentation.

Chairwoman Smith thanked Ms. Waller and asked her to clarify the waiver from certain minimum expenditure requirements for school districts. Chairwoman Smith believed the Committee had passed a bill pertaining to those requirements.

Ms. Waller indicated that the language regarding minimum expenditures was contained in a bill and would not affect the funding level. The language in the bill stated that school districts were not required to use spending on certain expenditure areas, but could use the funding for other purposes.

Joi Davis, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that Assembly Bill 493, which provided a temporary waiver from certain minimum expenditure requirements for school districts, had passed out of the Assembly Committee on Ways and Means on May 6, 2011, and had also passed out of the Senate Committee on Finance today.

Chairwoman Smith asked whether there were questions from the Committee regarding BDR S-1304.

Assemblyman Aizley asked for clarification regarding the funding for the Regional Professional Development Program (RPDP).

Ms. Waller stated the RPDP funding was included in the BDR, and the only change was a decrease of approximately \$281,000 in each year of the biennium related to the approval of the 2.5 percent reduction in funding for salaries.

Chairwoman Smith asked the Chair of the Assembly Committee on Education to update the Committee regarding the policy changes included in Senate Bill 197.

Assemblyman David P. Bobzien, Washoe County Assembly District No. 24, Chair of the Assembly Committee on Education, explained that there were policy changes in S.B. 197 regarding the funding for RPDP. Assemblyman Bobzien said it was his understanding that the two largest counties [Clark and Washoe] would be given an appropriation to act as fiscal agents that operated the regional centers to the benefit of the rural districts, in

addition to being given lump sums to buy services from the centers as well. The bill was scheduled for consideration by the Assembly Committee on Education later today.

Chairwoman Smith asked whether there were further questions or comments from the Committee regarding BDR S-1304, and there being none, the Chairwoman called for a motion.

ASSEMBLYMAN BOBZIEN MOVED FOR COMMITTEE
INTRODUCTION OF BDR S-1304.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

THE MOTION PASSED. (Assemblymen Hambrick and Hardy voted
no.) (Assemblyman Kirner was not present for the vote.)

* * * * *

Chairwoman Smith asked Fiscal Analysis Division staff to review bill draft request (BDR) S-1318.

BDR S-1318 — Makes various changes regarding state financial administration and makes appropriations for the support of the civil government of the State. (Later introduced as [Assembly Bill 580](#).)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that Mr. Chapman would explain the sections of BDR S-1318, [Exhibit G](#).

Mike Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, stated that BDR S-1218 was the Appropriations Act for the 2011 Legislative Session. Mr. Chapman reviewed the sections of the BDR for the Committee as follows:

Section 2 through Section 29:

Depicted the amounts approved by the money committees to be appropriated from the General Fund to various state agencies, as listed in the BDR.

Section 30:

Depicted the amounts approved by the money committees to be appropriated from the Highway Fund.

Section 31: Authorized that the amounts appropriated be spent in accordance with the provisions of the State Budget Act.

Section 32:

Contained standard language regarding funds appropriated to the budget accounts listed in the BDR, which could be transferred from one fiscal year to another with the approval of the Interim Finance Committee upon recommendation of the Governor.

Section 33:

Depicted appropriations that could be transferred from one fiscal year to another within the budget accounts for the various programs pursuant to sections 15 and 18, with the approval of the Interim Finance Committee upon recommendation of the Governor.

Subsection 1: Allowed for the transfer of appropriations for proficiency testing, criterion-referenced examinations in the Department of Education, and the state writing proficiency examinations.

Subsection 2: Allowed appropriations to the Division of Child and Family Services of the Department of Health and Human Services to be transferred from one fiscal year to another to support the costs for mental health placements.

Subsection 3: Allowed appropriations to the Health Division of the Department of Health and Human Services to be transferred from one fiscal year to another to support the costs of medications within the AIDS Drug Assistance Program.

Section 34:

Provided new language that allowed for amounts to be transferred between the accounts for Nevada Medicaid and Health Care Financing and Policy Administration, pursuant to section 18, to initiate a care management program with approval of the Interim Finance Committee upon recommendation of the Governor. The care management program would be designed for fee-for-service Medicaid recipients with high-cost health care needs, including, without limitations, recipients who were aged, blind, or disabled.

Section 35:

Subsection 1: Authorized the Department of Health and Human Services, to the extent approved by the Centers for Medicare and Medicaid Services and authorized by the State Plan for Medicaid, to expand the upper payment limit program to include payments to hospitals not owned by local governments.

Subsection 2: The Division of Health Care Financing and Policy of the Department could allocate money for the administrative and related costs to carry out the requirements of the provision. The amount allocated must be approved by the Interim Finance Committee upon the recommendation of the Governor.

Section 36:

Authorized amounts appropriated to finance deferred maintenance projects to be transferred from one fiscal year to another within the same agency budgets with the approval of the Interim Finance Committee upon the recommendation of the Governor.

Section 37:

Provided that the sums appropriated to the Secretary of State, HAVA Election Reform account would not lapse to the State General Fund at the end of any fiscal year.

Section 38:

Depicted the amounts appropriated to the Interim Finance Committee for allocation to the Commission on Economic Development to encourage the creation and expansion of businesses in Nevada and the relocation of businesses to Nevada. Money appropriated would be allocated by the Interim Finance Committee upon submittal by the Commission on Economic Development, or its successor organization, of a plan for the utilization of the funding, including an analysis of the effectiveness of the economic development programs within the state, the state's economic strengths and weaknesses, and a state plan for economic development.

Subsection 2: Provided provisions for reversion of those appropriations.

Section 39:

Appropriated \$3.5 million from the State General Fund to the Legislative Fund for the costs of the 76th Legislative Session.

Section 40:

Provided that the sums appropriated to the Legislative Fund were available in both fiscal years and may be transferred amongst the various divisions within the Legislative Counsel Bureau and Interim Legislative Operations with the approval of the Legislative Commission upon the recommendation of the Director of the Legislative Counsel Bureau.

Section 41:

Provided for the Administrator of the Public Works Division to assist in the relocation of the Nevada Equal Rights Commission from its office space in the Grant Sawyer State Office Building in Las Vegas to appropriate space in a state-owned or nonstate-owned building. The Legislative Counsel Bureau would move into the space that would be vacated by that move.

Section 42:

Provided that monies appropriated to the accounts of the Division of Health Care Financing and Policy and the Division of Welfare and Supportive Services of the Department of Health and Human Services would be limited and the Divisions would not request additional money for those programs. There were some exceptions to those limits, including a possible adjustment to the Federal Medical Assistance Percentage rate; additional services mandated by the federal government after October 1, 2011, that were not specifically funded in the Medicaid account; an increase in costs related to the cost-per-eligible for the Temporary Assistance for Needy Families population; and increased state costs in the event the annual allocation of federal Temporary Assistance for Needy Families block grant funds were lower than the amount approved by the Legislature.

Section 43:

Appropriated funding to the Division of Child and Family Services for the new Child Welfare Integration block grant program. The Division would not request any additional sums for those programs over the biennium.

Section 44:

Provided for the transfer of funds between the various budget accounts of the Division of Welfare and Supportive Services with approval of the Interim Finance Committee upon the recommendation of the Governor.

Section 45:

Provided for the transfer of funds between the budget accounts for Nevada Medicaid and the Nevada Check-Up Program with the approval of the Interim Finance Committee upon the recommendation of the Governor.

Section 46:

Allowed the Department of Health and Human Services during the upcoming biennium to implement a pilot project to provide therapeutic foster care for youths with serious emotional disturbance through nonprofit providers. The sums appropriated to the Division of Child and Family Services and the Division of Health Care Financing and Policy could be transferred between the various budget accounts of each Division for the purpose of implementing a pilot project

with the approval of the Interim Finance Committee upon the recommendation of the Governor.

Section 47:

Subsection 1: Provided for the transfer of any excess funds available because of not providing health and related services from the various divisions within the Department of Health and Human Services to an account hereby created within the State General Fund, including savings recognized by using a different source of funding to pay the providers of services if the persons previously serviced by a division no longer required the provisions of services from the division of the Department.

Subsection 2: Provided that any money transferred to the account created to the extent approved by the Centers for Medicare and Medicaid Services and authorized within the State Plan for Medicaid would first be used to pay administrative and related costs and the state's share of the cost of the expansion of the upper payment limit program. In fiscal year (FY) 2012, \$2.5 million of any excess money remaining after the expansion of the upper payment limit program must be reserved for reversion to the State General Fund. In FY 2013, \$7.5 million of any excess money remaining after the expansion of the upper payment limit program must be reserved for reversion to the State General Fund. After those requirements had been satisfied and if there were additional savings to be recognized, those monies would be used to restore funds for rates paid to providers of Medicaid services and restore funding for residential support services for persons suffering from mental illness who were on waiting lists.

Subsection 3:

Required the Director of the Department of Health and Human Services to administer the account created by subsection 1.

Section 48:

Allowed the sums appropriated to the Department of Corrections to be transferred among the various budget accounts of the Department.

Section 49:

Provided that sums appropriated for the support of salaries and payroll costs could be transferred to any other division or agency within the same department with the approval of the Interim Finance Committee upon the recommendation of the Governor.

Section 50:

Provided that the sums appropriated to the Nevada System of Higher Education could be transferred among the various budgets of the Nevada System of Higher Education with the approval of the Interim Finance Committee upon the recommendation of the Governor.

Section 51:

Provided for the transfer of appropriations from the Nevada System of Higher Education to the Office of the Military should Congress approve the relocation of the Nevada Armory-Readiness Center in Elko to the Nevada Fire Science Academy in Carlin.

Section 52:

Required the Board of Regents of the University of Nevada to comply with any request by the Governor to set aside money from the appropriations made by the act in any specified amount.

Section 53:

Allowed sums appropriated to the Nevada System of Higher Education that were used as match for research grants and were not committed for expenditure by June 30 of each fiscal year to be carried forward for a maximum of two fiscal years after which time any unexpended amounts would revert to the State General Fund.

Section 54:

Addressed amounts appropriated to the Nevada System of Higher Education to cover payroll funding issues. That would allow the Nevada System of Higher Education to pay the salaries on the first business day of the month immediately following the month in which the salary was earned for the fiscal year ending on June 30, 2012. It would also allow the Nevada System of Higher Education to pay the salaries of the professional and classified employees from money appropriated or otherwise available for the fiscal year in which such payments were made.

Section 55:

Appropriated money from the State General Fund to the Public Employees' Retirement Board to be expended for the administration of the Legislators' Retirement System for the biennium.

Section 56:

Provided for the reversion of unspent appropriations, except for section 37, the Secretary of State HAVA account; section 53, the research grant funding for the Nevada System of Higher Education; and section 55, the administration of the Legislator's Retirement System.

Sections 57, 58, and 59:

Directed the State Controller to pay the claims associated with the appropriations included in the Act, carry out the budget approved by the Legislature, and pay the annual salaries for the various elected officials in biweekly installments.

Section 60:

Contained language allowing for a General Fund advance to be made to the Department of Conservation and Natural Resources because of delays in the receipt of revenue for services billed to the federal government for the cost of fire suppression.

Section 61:

Provided for an advance to the Nevada National Guard should the Governor order the Guard into active duty. The advance was limited to \$25,000 per activation.

Section 62:

Provided that if the ending balance of the State General Fund fell below the amount estimated by the 2011 Legislature, the Director of the Department of Administration would report that information to the State Board of Examiners. If that amount was projected to be less than \$80 million in either fiscal year, the Director of the Department of Administration would require the State Controller or the head of each department to set aside a reserve. The reserve must not be set aside unless the Governor submitted a report to the Legislature or to the Interim Finance Committee stating why the reserve was needed. The Legislature or the Interim Finance Committee would approve the setting aside of the reserve.

Section 64:

Appropriated General Funds to the Interim Finance Committee of \$138,000 in fiscal year (FY) 2012 and \$6.8 million in FY 2013 to pay any principal and interest that was payable for the line of credit.

Section 65:

Changed the name of the account from which the salaries of district judges were paid from the District Judges' Salary account to the State Judicial Elected Officials account.

Section 66:

Depicted the provisions under which the State Treasurer was authorized to borrow money from the Local Government Pooled Investment Fund in an amount not to exceed \$160 million. The authorization was an agreed upon budget-balancing mechanism, and the section delineated the provisions regarding how the notes would be issued.

Subsection 3: Provided for the rate of interest that would be paid on the line of credit and the repayment provisions over a four-year period of the principal and interest on the line of credit.

Section 67:

Amended Chapter 353 of the *Nevada Revised Statutes* (NRS) to require that the Director of the Department of Administration identify the repayment of the debt service on the line of credit for purposes of the minimum reserve requirements.

Section 68:

Revised Chapter 355 of NRS that authorized the issuance of the line of credit by the State Treasurer.

Section 69:

Repealed the line of credit provisions that had been approved by the 25th Special Session (2008).

Section 70:

Amended the Statutes of Nevada 2009 that appropriated funds to the Interim Finance Committee to be allocated to the Secretary of State for the design and implementation of the State Business Portal. The section extended the reversion date for unexpended funds from the end of fiscal year (FY) 2011 to the end of FY 2012.

Section 71:

Repealed the line of credit provisions approved by the 25th Special Session (2008).

Section 72:

Delineated the effective dates for the Appropriations Act.

That concluded Mr. Chapman's presentation of the Appropriations Act for the 2011 Legislature.

Chairwoman Smith asked whether there were questions or comments from the Committee. The Chairwoman thanked the staff of the Fiscal Analysis Division and the Legal Division for their diligent work in preparing the BDR for review by the Committee today. Chairwoman Smith and Assemblyman Conklin explained the process for the Appropriations Act, after which the Chairwoman called for a motion.

ASSEMBLYMAN CONKLIN MOVED FOR COMMITTEE
INTRODUCTION OF BDR S-1318.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

THE MOTION PASSED. (Assemblymen Hambrick and Hardy voted
no.) (Assemblyman Kirner was not present for the vote.)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that he wanted to thank Mr. Chapman for his effort in completing the Appropriations Act after the budget agreement had been finalized. There had been a great deal of work involved in reopening budgets and preparing the Appropriations Act during the past week. Mr. Combs also thanked the staff of the Fiscal Analysis Division for their hard work in the preparation of the Act. He also thanked staff of the Legal Division for their efforts in processing the bill within such a short time frame.

With no further business or public comment to come before the Committee, Chairwoman Smith declared the Committee in recess until the call of the Chair.

Chairwoman Smith reconvened the hearing at 5:02 p.m. and opened the work session regarding Assembly Bill 527.

Assembly Bill 527: Makes an appropriation for the implementation and operation of a principal leadership training program. (BDR S-1154)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that the Committee had previously reviewed A.B. 527 on April 19, 2011, and the bill would make an appropriation of \$500,000 for the implementation and operation of a principal leadership training program.

The bill was not included in The Executive Budget, but had been submitted by the Office of the Governor.

Chairwoman Smith stated that the Committee had heard a presentation from the Clark County Public Education Foundation at the April 19, 2011, meeting regarding the establishment of a new principal leadership training program. The Budget Division had submitted the bill with the request for an appropriation of \$500,000. Chairwoman Smith recommended amending the amount included in the bill to \$100,000 for the implementation and operation of a principal leadership training program.

Chairwoman Smith asked whether there was further comment or discussion, and there being none, the Chairwoman called for a motion.

ASSEMBLYMAN OCEGUERA MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 527.

ASSEMBLYMAN AIZLEY SECONDED THE MOTION.

Assemblyman Hickey asked why the amount of the appropriation was recommended for reduction. Chairwoman Smith explained that she had discussed the bill with the Budget Division and because of budget constraints, it had been agreed upon that the amount would be reduced to \$100,000 to get the program up and running.

Assemblyman Hardy asked whether the \$100,000 would be over a five-year period, or whether the appropriation would be for \$100,000 in each fiscal year. Chairwoman Smith said the appropriation would be for \$100,000 over the 2011-2013 biennium.

THE MOTION PASSED. (Assemblymen Bobzien, Conklin, Grady, and Kirner were not present for the vote.)

Chairwoman Smith opened the work session regarding Assembly Bill 279 (R1).

Assembly Bill 279 (1st Reprint): Authorizes independent testing laboratories to inspect and certify gaming devices, equipment and systems.
(BDR 41-570)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that the Committee had reviewed A.B. 279 (R1) on

May 6, 2011, as presented by Assemblyman James Ohrenschall, Clark County Assembly District No. 12. The bill would require the Nevada Gaming Commission to adopt regulations pertaining to independent testing laboratories (labs) and authorizing those independent testing labs to inspect and certify gaming devices, equipment, and systems.

The bill had been discussed earlier today by the Committee, and passage would result in the elimination of 12 full-time equivalent (FTE) positions at the State Gaming Control Board. Mr. Combs said the Fiscal Analysis Division had received a request to move the date for adoption of the regulations to May 1, 2012. The Gaming Commission indicated that it had several regulations with an implementation date of January 1, 2012, and it would be helpful in the Commission's regulatory process if the date for adoption for A.B. 279 (R1) was moved to May 1, 2012.

Chairwoman Smith noted that the Committee had discussed an amendment to the bill ([Exhibit D](#)) earlier today; it appeared there was some concern regarding the language that required the independent testing lab to have an in-state facility. Chairwoman Smith said if there was an interest on the part of the Committee in processing the bill, she would suggest a motion to amend and do pass with a change in the effective date.

Mr. Combs explained that the provisions of the bill would become effective upon passage and approval for the purposes of adopting regulations and on October 1, 2011, for all other purposes.

Chairwoman Smith said the crux of the bill was the adoption of the regulations.

Assemblyman Hambrick asked whether the bill could be passed in a manner that provided some latitude to the Gaming Commission in adopting the regulations.

Mr. Combs suggested that the bill be passed with the effective date of the bill moved to May 1, 2012. That would allow the Gaming Commission sufficient time to adopt the regulations. Mr. Combs agreed with Chairwoman Smith that the crux of the bill was the adoption of the regulations. The fiscal note had been based on implementation on October 1, 2011, and he did not believe that changing the effective date to May 1, 2012, would create a problem.

Chairwoman Smith stated that if the Committee had an interest in moving the bill, she would suggest a motion to amend and do pass with an effective date of May 1, 2012.

After further review, Mr. Combs suggested that the Committee retain the language in the bill that the provisions would be effective upon passage and approval for the purpose of adopting the regulations necessary to carry out the provisions of the bill, and that the provisions would become effective on May 1, 2012, and regulations had to be adopted by that date.

Chairwoman Smith agreed and stated that the motion would be to amend and do pass with the language suggested by Mr. Combs.

ASSEMBLYMAN GOICOECHEA MOVED TO AMEND AND DO PASS ASSEMBLY BILL 279 (R1) WITH AN EFFECTIVE DATE OF MAY 1, 2012, FOR THE ADOPTION OF REGULATIONS.

ASSEMBLYMAN OCEGUERA SECONDED THE MOTION.

THE MOTION PASSED. (Assemblywoman Carlton voted no.) (Assemblymen Bobzien, Grady, and Kirner were not present for the vote.)

* * * * *

Chairwoman Smith opened the work session on Senate Bill 159 (R2).

Senate Bill 159 (2nd Reprint): Makes various changes governing offenders.
(BDR 16-74)

Chairwoman Smith indicated that the Committee had heard testimony from Senator Don Gustavson, Washoe County Senatorial District No. 2, regarding S.B. 159 (R2) earlier today. An amendment had been submitted by Assemblywoman Lucy Flores, Clark County Assembly District No. 28, ([Exhibit H](#)), which would combine the language of A.B. 92 (R1) with the language of S.B. 159 (R2). The amendment was available for review on the Nevada Electronic Legislative Information System (NELIS).

Chairwoman Smith said the Committee had heard testimony today that the language of the two bills were closely related and complimented each other, and in the essence of time, combining the two bills would allow the program to develop.

Chairwoman Smith said she would entertain a motion to amend the language in A.B. 92 (R1) into S.B. 159 (R2) as depicted in [Exhibit H](#).

ASSEMBLYMAN HICKEY MOVED TO AMEND AND DO PASS
SENATE BILL 159 (R2).

ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.

THE MOTION PASSED. (Assemblymen Bobzien, Grady, and Kirner were not present for the vote.)

* * * * *

Chairwoman Smith opened the hearing regarding Assembly Bill 579.

Assembly Bill 579: Ensures sufficient funding for K-12 public education for the 2011-2013 Biennium. (BDR S-1304)

Chairwoman Smith pointed out that the Committee had discussed and moved Committee introduction of Bill Draft Request (BDR) S-1304 earlier today. She asked whether there was further discussion or questions regarding the bill prior to public comment.

Chairwoman Smith opened public comment regarding A.B. 579, and there being none, the Chairwoman called for a motion.

ASSEMBLYMAN ATKINSON MOVED TO DO PASS
ASSEMBLY BILL 579.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

THE MOTION PASSED. (Assemblymen Hambrick and Hardy voted no.) (Assemblymen Bobzien, Grady, and Kirner were not present for the vote.)

* * * * *

Chairwoman Smith opened the hearing on Assembly Bill 580.

Assembly Bill 580: Makes various changes regarding state financial administration and makes appropriations for the support of the civil government of the State. (BDR S-1318)

Chairwoman Smith pointed out that the Committee had discussed and moved for Committee introduction of Bill Draft Request (BDR) S-1318 earlier today. She asked whether there was further discussion or questions regarding the bill prior to public comment.

Chairwoman Smith opened public comment regarding A.B. 580, and there being none, the Chairwoman called for a motion.

ASSEMBLYMAN CONKLIN MOVED TO DO PASS
ASSEMBLY BILL 580.

ASSEMBLYMAN ATKINSON SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hambrick and Hardy voted no.) (Assemblymen Bobzien, Grady, and Kirner were not present for the vote.)

* * * * *

Chairwoman Smith opened the hearing on Assembly Bill 405.

Assembly Bill 405: Revises provisions governing the Public Employees' Retirement System. (BDR 23-964)

Chairwoman Smith noted that proposed amendment 7359 to A.B. 405 had been submitted ([Exhibit I](#)), which was available for review on the Nevada Electronic Legislative Information System (NELIS). Chairwoman Smith indicated that the Committee had not previously considered Assemblyman Ocegüera's bill.

Assemblyman John Ocegüera, Clark County Assembly District No. 16, explained that A.B. 405 would provide for a study of the Public Employees' Retirement System (PERS) that would review the short-term volatility, the long-term financial stability, and a comparison of the costs, supportability, and the security of the system. The funding for the study would be through an appropriation from the State General Fund to the Legislative Fund in the sum of \$250,000 with a match of \$250,000 from private businesses.

Assemblyman Hickey asked whether further action regarding the bill could be postponed so that Assemblyman Kirner could be present to present his concerns regarding the bill. Assemblyman Ocegüera indicated that the bill would require amendment, as depicted in [Exhibit I](#), but he had delivered the amendment to Assemblyman Kirner today. Assemblyman Kirner had questioned the matching

funds from private businesses, which Assemblyman Ocegüera had addressed. Assemblyman Ocegüera said he would be happy to hold the bill for further review on June 5, 2011.

Chairwoman Smith asked whether there were further comments or concerns regarding A.B. 405, and there being none, the Chairwoman indicated that the bill was part of the overall budget agreement and she believed the Committee should take action today.

Chairwoman Smith opened public testimony.

Ron Dreher, representing the Peace Officers' Research Association of Nevada, Washoe County Public Attorney's Association, and Washoe School Principals' Association, understood that the study needed to be done, and he would support A.B. 405. He hoped the study would provide answers to many of the questions that had been raised regarding PERS.

Martin Bibb, representing the Retired Public Employees of Nevada (RPEN), said RPEN was neutral regarding A.B. 405, but having worked closely with PERS and its executives for many years and after reviewing the study conducted through PERS's actuary, RPEN believed the study proposed in A.B. 405 was a good idea. Mr. Bibb opined that PERS worked quite well, but it appeared that the study would provide a good opportunity for debate from all sides.

Chairwoman Smith asked whether there was further public comment regarding A.B. 405, and there being none, the Chairwoman said she would entertain a motion to amend and do pass.

ASSEMBLYMAN CONKLIN MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 405.

ASSEMBLYMAN ATKINSON SECONDED THE MOTION.

THE MOTION PASSED. (Assemblymen Grady and Kirner were not present for the vote.)

With no further business to come before the Committee, Chairwoman Smith adjourned the hearing at 5:30 p.m.

RESPECTFULLY SUBMITTED:

Carol Thomsen
Committee Secretary

APPROVED BY:

A handwritten signature in cursive script that reads "Debbie Smith".

Assemblywoman Debbie Smith, Chairwoman

DATE: _____

EXHIBITS

Committee Name: Committee on Ways and Means

Date: June 4, 2011

Time of Meeting: 8:49 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
S.B. 159 (R2)	C	Larry Struve, RAIN	Letter of Support
A.B. 279	D	Chairwoman Smith	Amendment to A.B. 279
A.B. 561	E	Rick Combs, Fiscal Analysis Division	Amendment to A.B. 561
A.B. 579	F	Julie Waller, Fiscal Analysis Division	BDR S-1304
A.B. 580	G	Mike Chapman, Fiscal Analysis Division	BDR S-1318
S.B. 159 (R2)	H	Chairwoman Smith	Amendment
A.B. 405	I	Chairwoman Smith	Amendment