

**MINUTES OF THE
SENATE SELECT COMMITTEE ON ECONOMIC GROWTH AND EMPLOYMENT**

**Seventy-sixth Session
February 23, 2011**

The Senate Select Committee on Economic Growth and Employment was called to order by Chair Ruben J. Kihuen at 1:37 p.m. on Wednesday, February 23, 2011, in Room 2134 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 Ruben J. Kihuen, Chair
Senator John J. Lee, Vice Chair
Senator Valerie Wiener
Senator Mark A. Manendo
Senator Don Gustavson
Senator Ben Kieckhefer
Senator Greg Brower

GUEST LEGISLATORS PRESENT:

Senator Steven A. Horsford, Clark County Senatorial District No. 4

STAFF MEMBERS PRESENT:

Kelly Gregory, Policy Analyst
Bryan Fernley-Gonzalez, Counsel
Debra Carmichael, Committee Secretary

OTHERS PRESENT:

Danny Thompson, Nevada State AFL-CIO
Jack Mallory, Director of Government Affairs, International Union of Painters and Allied Trades District Council 15; Southern Nevada Building and Construction Trades Council
John Seymour, International Brotherhood of Electrical Workers, Local 401
Paul McKenzie, Building & Construction Trades Council of Northern Nevada

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Randy Soltero, Sheet Metal Workers International Association, Local No. 88

Terry Savage

John Madole, Nevada Chapter Associated General Contractors; Building Jobs Coalition

Anthony Rodgers, Bricklayers and Allied Craftworkers, Local 13

Warren B. Hardy II, Former Senator; Associated Builders & Contractors of Nevada; HDR Engineering

Russell Rowe, American Council of Engineering Companies of Nevada

Tom Morley, Labors International, Local 872

Steve Holloway, Executive Vice President, Associated General Contractors, Las Vegas Chapter

Jacob Snow, General Manager, Regional Transportation Commission of Southern Nevada

Constance Brooks, Senior Management Analyst, Office of the County Manager, Clark County

John Slaughter, Director, Management Services, Washoe County

Chuck Alvey, President and CEO, Economic Development Authority of Western Nevada; Jobs Coalition

CHAIR KIHUEN:

I will open the hearing on Senate Bill (S.B.) 192.

[SENATE BILL 192](#): Makes various changes relating to job creation within the Nevada construction industry. (BDR 18-935)

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

Job 1 of the 2011 Legislature must be to create and sustain jobs. There are 200,000 unemployed Nevadans who have lost employment. Eighty-seven thousand of those workers come from the construction industry. Senate Bill 192 focuses our efforts on job creation. The economic recession we have endured for the last 3 years has forced the private sector to cut 176,500 jobs. That is a 16.2 percent reduction. One in every six private-sector workers has suffered losing a job since the recession began. Our official unemployment rate is 14.5 percent; however, if taking into account the reduced hours and pay for those still working, Nevada has an overall unemployment rate of 22 percent.

Nowhere are the impacts of this recession more apparent than in the State's construction industry. Since late 2006, six out of every ten construction jobs

have been eliminated. In the last 12 months, the industry has lost 13,400 jobs. Thousands of other jobs have been lost in design, engineering and other support businesses throughout the State. One in three unemployed Nevadans is connected, one way or another, to the construction industry.

We need to act quickly. The Nevada Jobs Initiative (NJI) is one vehicle that can respond to this need. The NJI is the next step to build upon S.B. No. 5 of the 26th Special Session, creating thousands of private sector jobs and helping to improve our roads and highways. The NJI also targets broader infrastructure needs beyond roads and highways. It is an essential element to make Nevada attractive to companies as we seek to diversify our economy. It is the responsibility of the state and local governments to make it happen. The purpose of the NJI is to get Nevadans back to work and to improve our infrastructure to move forward and create jobs in a new, sustainable economy.

There are four key elements for NJI in S.B. 192. It would give regional transportation commissions (RTCs) in Clark and Washoe Counties new bonding capacity, totaling \$270 million over the next biennium to make road improvements. The revenue to support this new bonding capacity would come from a two-cent portion of the local four-cent operating property-tax rate that was diverted to the General Fund in 2009. This is not a new tax; it is an existing source that was intended for capital improvements and dedicated for this purpose. We would make a commitment to send that money back to the local level, in the amount of \$27 million, in the next biennium. It could be used by RTC to generate ten times that amount in bond proceeds. That will generate more money for road and highway projects than S.B. No. 5 of the 26th Special Session. That legislation created 2,500 private sector jobs, funding over 20 projects. Senate Bill 192 goes further. It encompasses the NJI that would redirect to local governments a portion of property taxes that were diverted to the General Fund in 2009. A share of the five-cent capital-projects rate in Clark and Washoe Counties would be redirected back to those counties. This will generate another \$30 million in the next biennium for local governments to bond against, resulting in \$300 million in infrastructure improvements and create jobs.

The legislation would ensure that local infrastructure projects actually occur, creating jobs now. It would require local governments to initiate projects that keep pace with the aging of their infrastructure. It would require them to invest in capital maintenance and construction projects at the same rate their capital

assets are depreciating. This puts the money out now and puts the resources towards needs identified in the local communities from where these revenues originated.

This measure would make sure local governments get the best value in infrastructure projects by requiring them to compare the cost of design and development with their own resources or by using outside firms in the private sectors. If they were to choose to outsource the work, preference would be given to Nevada-based professional firms as required in Assembly Bill (A.B.) 144, now being discussed in the Assembly. Private-sector firms believe too many services are being done through public agencies. The private-sector firms are responsible for creating jobs that will help our economy grow.

ASSEMBLY BILL 144: Makes various changes relating to bidder preferences on state and local public works projects. (BDR 28-64)

The measures within the NJI would create more than 5,500 construction jobs. Every \$500 million in expanded-bond capacity generates 4,800 jobs. The bonding capacity in S.B. 192 would expand bond capacity by \$570 million, \$270 million to be dedicated to road improvements and another \$300 million to be dedicated to local government-infrastructure improvements. Putting Nevada families back to work helps to address our budget crisis. For every percentage point we reduce unemployment in Nevada, we save \$20 million in Medicaid spending. The more we can take people off unemployment rolls and put them on payrolls, the more it helps improve our economy on the local and state level. The money spent by employed Nevadans generates sales-tax revenues that support other vital services such as education. There are people here from the business, labor and professional communities who want to speak on what this legislation will mean to them. The provisions of this bill came from stakeholders' recommendations. Thousands of Nevadans who are out of work are not here to tell us what a job would mean to them and how it would provide for their families. We have families struggling to put food on the table and a roof over their heads as well as getting medical care. By not being able to work, they are not able to meet those basic needs.

SENATOR LEE:

Can we negotiate lowering that 2 percent of the RTCs' bonding capacity? If it exceeds their need, I would like to see that money used for educational opportunities at the counties of origin.

SENATOR HORSFORD:

Yes. Additional bills will come forward providing for additional revenue, allowing the RTCs to create bonds with those revenues. If those measures pass, and the need for this money is minimized, we need to consider how best to redirect these funds. First, we need to get as many people back to work as we can. This bill allows us to do so without any new revenue. Additional revenue may be needed. Let us see what we can agree on, in order to get it moving.

Senator Kieckhefer:

Is the 4 cents in S.B. No. 5 of the 26th Special Session targeted to go to higher education? Can you explain how it fits into the big picture?

SENATOR HORSFORD:

In the *2011-2013 Executive Budget*, the Governor proposes a 9-cent redirect from Clark and Washoe Counties to the General Fund and then utilizes that General Fund money to support cuts to higher education. The RTCs' portion would take 2 cents, which is \$27 million, and the 3 cents would not be diverted but would be kept in the county of origin. No clear conditions would be put on how those \$30 million are to be spent by Clark and Washoe Counties. Of the \$121 million the Governor proposes to divert to the General Fund, \$27 million of it is for the expansion of the bonding capacity for RTCs in Washoe and Clark Counties. It allows those counties to keep the money but to spend it in appropriate ways in a short time to get people back to work. It will create a \$27-million adjustment from the Governor's recommendation. We are putting people back to work by dedicating those funds and ultimately growing our economy and addressing our budget issue.

The sheet in front of you ([Exhibit C](#)) shows the breakdown of the \$27 million from the 2-cent operating rate for fiscal year (FY) 2012 and FY 2013. It shows the 5-cent ongoing capital projects rate. We cannot touch that money because it is dedicated for bonding. The yellow portion shows the remaining 2-cent operating rate dedicated to the RTCs.

SENATOR WIENER:

Did you say for every 1 percent we reduce unemployment, we would save \$20 million in Medicaid?

SENATOR HORSFORD:

Yes, that is one piece of it. "We have been drilling down on the budget implications and increased utilization in the budget hearings." Because of the high rate of unemployment, our Medicaid and other social services are costly. Money is saved through Temporary Aid for Needy Families (TANF), because not every family is in Medicaid or TANF. It depends on which families we are moving off the rolls.

SENATOR WIENER:

Have you learned how many people on Medicaid we could shift back to Nevada Checkup?

SENATOR HORSFORD:

Not yet, but that is a personal commitment of mine.

SENATOR WIENER:

That is my commitment also.

SENATOR HORSFORD:

If we can put people back into good-paying jobs with health-care benefits, they will not need a subsidy.

SENATOR WIENER:

As you learn more about those percentages and how they translate into other savings for the State, could you provide that to us?

SENATOR GUSTAVSON:

Are we taking this money away from the counties? Is this property-tax revenue?

SENATOR HORSFORD:

These funds were diverted to the General Fund in the 2009 Session. There was a sunset to that policy. The Governor is recommending a continuation of that policy, dedicating the \$121 million in proceeds to higher education. I am suggesting in S.B. 192 that we use \$27 million for the RTCs in the north and in the south. The other \$30 million should be kept in the Washoe County and

Clark County budgets, and spent in ways outlined in S.B. 192, making sure it gets to the private sector and that they are addressing their infrastructure needs in an expeditious way so there is a maximum short-term benefit.

Section 1 of S.B. 192 sets forth the legislative declaration on the primary purpose of the bill, which is to reduce the unemployment rate in Nevada and to stimulate economic development. Section 2 requires the Commission on Economic Development (CED) to compile reports submitted by local governments, the State Public Works Board (SPWB) and the Nevada Department of Transportation (NDOT). These reports would be required to address the percentage of contracts for the design and construction of their public works that were awarded during a fiscal year. This will ensure the projects will be registered or licensed by businesses in Nevada, or contracted by businesses operating in Nevada, so we can show accountability. The CED is then required to transmit the compilation of these reports to the Legislature for accountability.

Sections 3 and 5 of S.B. 192 speak to the measure that was passed in 2007, and A.B. No. 595 of the 74th Session, which redirected a portion of the 5-cent property tax imposed for capital projects in Clark and Washoe Counties to the State Highway Fund (SHF). Also, A.B. No. 543 of the 75th Session redirected the remainder of that tax, which would otherwise have been distributed to those counties, to the General Fund. Sections 3 and 5 also authorize Clark and Washoe Counties to use the portion of those proceeds not already allocated to the SHF for projects to maintain, renovate and replace governmental buildings in those counties. Section 3 also requires local governments receiving those proceeds to include in their annual budgets an amount for the projects that is equal to or greater than the amount of depreciation. This is to assure the dollars they are holding for this purpose are actually being put to use in the renovation of those facilities.

Section 6 of S.B. 192 requires local governments to submit the percentage of contracts for the design or construction of local government work projects awarded during the fiscal year, to be included in their annual fiscal report to NDOT. This will make sure they are pushing these projects to the private sector and have accountability for it.

Section 7 of S.B. 192 requires the Clark and Washoe County treasurers to distribute to their respective RTCs, half of the proceeds from the 4-cent portion of the property tax levied for the operating expenses of those counties. Those

proceeds were previously redirected to the General Fund in A.B. No. 543 of the 75th Session. Instead of it going directly to the General Fund, it will go straight to the RTCs, and the RTCs can bond against it.

Section 15 of S.B. 192 amends *Nevada Revised Statutes* (NRS) 373, which authorizes the issuance of revenue bonds, secured by the proceeds of county fuel taxes, to fund our regional transportation projects. It also allows the use of that funding mechanism of the portion of the property tax proceeds distributed to the RTCs.

Currently state and local governments are allowed to award public works contracts under \$100,000 to a contractor or to perform that work with their own employees. A legislative declaration in sections 8 and 11 of S.B. 192 is added, requiring that whenever possible, services on public works should be performed by the private sector instead of by a governmental agency.

Sections 9, 10, 12 and 13 are included in the bill to fix some internal references, according to the Legal Division.

Section 14 of S.B. 192 requires the SPWB to submit various reports to the Governor and Legislature relating to capital improvements. This section requires the SPWB to submit an annual report to the CED specifying the percentages of contracts for the design or construction of the SPWB that were awarded. The report is due not later than December 31.

Section 16 of S.B. 192 requires NDOT to submit reports on contracts awarded.

Section 17 of S.B. 192 requires the public sector to perform work for NDOT whenever it is justified economically or otherwise possible. It is not legislative intent for governmental agencies to maintain contracts when they can be awarded to the private sector. We need to get the private sector going to get people back to work.

Section 18 of S.B. 192 adds a legislative declaration stating whenever possible the design service on public works should be performed by the private sector instead of by the State or its political subdivisions. The unemployment rate in architecture and engineering is 60 percent to 70 percent. Firms have gone from 300 employees down to a skeleton crew. I have heard from principals of those firms who are not taking pay, and have not been for several years, simply to

keep some of their professional staff at work. These are professional people—engineers, people with high-paying jobs—who need to get back to work. Section 19 of the bill is effective upon passage and approval, for the performance of any preparatory administrative tasks; otherwise, the measure is effective July 1, 2011.

SENATOR BROWER:

This bill sounds good. Will you be willing to entertain additional sponsors for this bill?

SENATOR HORSFORD:

I absolutely would be willing to have more sponsors. Putting people back to work is not a partisan issue. If we agree on S.B. 192, let us work on it together and get it done. Let us move it to the Governor's desk and get it signed, so people can get to work.

SENATOR BROWER:

We need bipartisan support to get Nevadans back to work.

DANNY THOMPSON (Nevada State AFL-CIO):

Construction in Nevada has stopped. Many people who are out of work have drawn out all their unemployment benefits, and most of those people have also lost their insurance. If unemployment is reduced by 1 percent, you will save \$20 million in Medicaid funding. When most people are reinsured they will have preexisting conditions. If they can be removed from their burden, it will also benefit the State. Sales tax payments will increase, and people will be taken off the Medicaid rolls. It is important this bill send the money back to the county of origin. This is a great start to put Nevadans back to work. We should move this bill today. The 22 percent number on unemployment is accurate. The percentage of unemployment may be higher, because people who have drawn out all their benefits are not being counted. They are still here, they have lost their home, they have lost their insurance and they are all depending on the State. We support this bill.

JACK MALLORY (Director of Government Affairs, International Union of Painters and Allied Trades District Council 15; Southern Nevada Building and Construction Trades Council):

Construction was the second-largest employment sector in Nevada not too long ago. Over 11 percent of individuals in the labor force were employed by the

construction industry, directly or indirectly. Today, 50 percent of those people are unemployed. This is not a recession; this is a depression. A glazier I spoke with estimated three to five years before the economy will improve. We support this bill.

JOHN SEYMOUR (International Brotherhood of Electrical Workers Local 401):
We support this bill. In the electrical industry, 33 percent of our membership is out of work, and many are only working part-time. A lot of members have been out of work two years. Many members have lost their health insurance, their homes and their dignity, and some have lost their families.

PAUL MCKENZIE (Building & Construction Trades Council of Northern Nevada):
We have 52 percent unemployment in 18 affiliates in northern Nevada. That percentage of unemployment was not reached during the Great Depression of 1929. Unemployment has never reached this level in the history of Nevada. Anything that can be done to create construction jobs will help. These people have never asked for anything except an honest days' pay for an honest days' work. It is hard on them to have to take food stamps and welfare. We support this bill.

RANDY SOLTERO (Sheet Metal Workers International Association, Local No. 88):
This bill is a movement to put people back to work. The most important part of this bill extends to infrastructure work. More people in the building crafts will have opportunities to become employed. We support this bill.

TERRY SAVAGE:

Until the last four years, I was never intentionally unemployed in my life. During the last four years, I have been taking contracts in Arizona and California and raiding my retirement fund. I have barely been able to keep things afloat. We need to find jobs in Nevada. I do not have a strong position on this bill; however, I have heard a sense of urgency. We need to address long-term issues, but we need to come up with solutions that work quickly. I encourage that approach. A solution should be something measurable before the next Session. The right questions are being asked, but we need to focus beyond discussion for the people needing jobs right now.

JOHN MADOLE (Nevada Chapter Associated General Contractors; Building Jobs Coalition):

We support S.B. 192. This bill is investing in Nevada's future. We are not talking about "make-work jobs." We are talking about repairing facilities that are not properly funded now. Buildings have depreciated because money was not spent on repairs. If we do not take care of these things now, our children and grandchildren will have to take care of them. We support this bill and hope you can move it forward so these people can get back to work.

ANTHONY ROGERS (Bricklayers and Allied Craftworkers, Local 13):

We support S.B. 192. Half of the 1,100 people I represent are out of work.

SENATOR WARREN B. HARDY, II (Ex Senator; Associated Builders & Contractors of Nevada; HDR Engineering):

We are not going to get our State on track until the construction industry is back on track. In some categories, 80 percent of people are unemployed. The intent of the legislative declaration is to employ the private sector first.

SENATOR LEE:

We could create jobs by repairing buildings; however, we could repair more buildings and create more jobs if we incorporated "value engineering." Has any one thought about "value engineering" in local remediation projects for the governments?

SENATOR HARDY:

I do not know if there is any discussion on "value engineering" in this bill. There are other procurement bills being discussed on how best to create jobs. We would support that kind of energy.

SENATOR LEE:

We can have a lot of projects, but if we can get everybody involved to say, before we let this go out to bid, let's all look at the plan to see what we can do to make it expressing more important for additional work we can get if we can do it for cheaper, because the way that architect has submitted his information, it's not functionally the best way to do it.

SENATOR HARDY:

We have done work for several sessions on procurement concepts when everyone is on the same page. There are cost savings going forward. Those kinds of discussions are useful.

SENATOR LEE:

What I said is not directed to anyone here.

RUSSELL ROWE (American Council of Engineering Companies of Nevada):

Engineering companies have over 60 percent unemployment. We are on life-support. The private sector dried up overnight when the depression hit. The public sector has been struggling under budget constraints. The private sector and the public sector are the two markets for the design community. It is critical to get the jobs out on the street for the design community. Senate Bill 192 is similar to S.B. No. 5 of the 26th Special Session. A number of design projects did not get out to the design community in the private sector, but we are willing and able to do better. We are short of design professionals in Nevada. We are going to lose specialties in the engineering community. We will have to go out of state for these engineers. We do not want that to happen. We want to provide those services by Nevadans for Nevada projects.

This is not just a jobs bill. The projects funded do not raise taxes. These projects are not just for creating jobs; they are providing the infrastructure for commerce. Long-term sustainability of our economy is at stake. We support passage of this legislation.

TOM MORLEY (Labors International, Local 872):

We support S.B. 192. We are part of the originators with Mr. Holloway and Senator Horsford.

STEVE HOLLOWAY (Executive Vice President, Associated General Contractors, Las Vegas Chapter):

I am in favor of Nevada Jobs Initiative, S.B. 192. The second largest industry in Nevada is construction. It has been forced to lay off half its workforce. In 2007, \$9.3 billion in taxable retail sales were generated by the construction industry. We estimate only \$2.4 million in taxable retail sales will be generated by the construction industry this year. In 2007, \$39 million in modified business taxes were paid by the construction industry, but only \$11.1 million in modified business taxes will be generated by construction in 2011.

The cost of unemployment benefits in 2010 was \$750 million. The bulk of the unemployment-compensation payments will be repaid to the federal government through increases in the unemployment-tax rate. The \$750 million is only the tip of the iceberg. The Department of Health and Human Services is the largest portion of the State's budget, accounting for \$1 of every \$3 spent during the 2010-2011 biennium. An average of 3,000 Nevadans have been enrolling in Medicaid each month in the past several years, and another 3,000 Nevadans have been enrolling each month in the food-stamp program. Today, 12 percent of our population relies on food stamps for their next meal. This bill is the first step in addressing the economic downtrend in the last three years. This bill will put a significant number of the 200,000 currently unemployed Nevadans back to work.

JACOB SNOW (General Manager, Regional Transportation Commission of Southern Nevada):

Since the Legislature passed S.B. No. 5 of the 26th Special Session, we have been working to have 38 construction contracts going. They are all obligated. Some of the construction projects are already completed. Combining those funds and what we received from the federal government with the American Recovery and Reinvestment Act of 2009 (stimulus bill), and other comparative grants, we have created 5,800 construction-related jobs. These involve buildings needing plumbing jobs and electrical jobs as well as carpentry skills and other trades. Together we have an excellent track record showing we can provide for private-sector related jobs. From all the money we received from the State Legislature and the stimulus bill, we have created zero government jobs. The RTC is not creating any new government jobs. We never design any of the in-house projects; they go to the private sector. We are creating thousands of jobs. We could continue to do so because we have \$10 billion worth of projects for which we do not have the revenue. If we had the resources, we could create the jobs. We support this legislation.

SENATOR BROWER:

Do you mean you have the capacity to design in-house projects? If you do, what are those people doing if those jobs go to the private sector?

MR. SNOW:

We have never had the ability to design in-house. We have always contracted with the private sector for the design and the construction management of the projects. Three percent of our budget goes to salaries for RTC employees. We

are a job-creating machine for the private sector. It is faster and more efficient that way.

CONSTANCE BROOKS (Senior Management Analyst, Office of the County Manager, Clark County):

We have concerns about continuing to divert funds that are now dedicated to serving the abused and neglected children, courts and social services. We would like to identify another appropriate source of funding.

CHAIR KIHUEN:

Would your position be in support or opposition to the bill?

MS. BROOKS:

We do not have an official position at this time. We are in the process of providing an in-depth analysis. We have a concern related to the continuation of the diversion of funds.

JOHN SLAUGHTER (Director, Management Services, Washoe County):

We are neutral on S.B. 192. We just received the bill today, and have sent it to all appropriate parties at Washoe County. We will study the impact of this bill to the County.

CHUCK ALVEY (President and CEO, Economic Development Authority of Western Nevada; Jobs Coalition):

I am in favor of S.B. 192. There is a ripple effect of unemployment because 44 percent of our resources to do the job, to build the economy, come from the private sector. Anything we can do to help them go to work is going to help the economic-development effort. The question was asked why people were not going to other states to find a job. There are no jobs in other states. If people leave the State, we will not have people available when the jobs open up.

CHAIR KIHUEN:

A written testimony has been submitted by David Kersh with Carpenters/Contractors Cooperation Committee and Jim Sala with Southwest Regional Council of Carpenters ([Exhibit D](#)). I will close the hearing on S.B. 192.

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The Senate Select Committee on Economic Growth and Employment is
adjourned at 2:39 p.m.

RESPECTFULLY SUBMITTED:

Sandra Hudgens
Committee Secretary

APPROVED BY:

Senator Ruben J. Kihuen, Chair

DATE: _____

EXHIBITS

Date: February 23, 2011

Time of Meeting: 1:30 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Senator Steven A. Horsford	Property Tax Revenue Estimate
	D	David Kersh and Jim Sala	Written testimony