

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-sixth Session
May 7, 2011**

The Senate Committee on Finance was called to order by Chair Steven A. Horsford at 1:18 p.m. on Saturday, May 7, 2011, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412E, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Steven A. Horsford, Chair
Senator Sheila Leslie, Vice Chair
Senator David R. Parks
Senator Moises (Mo) Denis
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Ben Kieckhefer

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Marian Williams, Committee Secretary

OTHERS PRESENT:

Andrew Clinger, Director, Department of Administration
Daniel J. Klaich, J.D., Chancellor, Nevada System of Higher Education
Jeanette Belz, Nevada Chapter, Associated General Contractors
Constance J. Brooks, Senior Management Analyst/Lobbyist, Office of the
County Manager, Clark County
Lisa A. Gianoli, Washoe County
Jeff Fontaine, Executive Director, Nevada Association of Counties
Cadence Matijevich, Legislative Relations Program Manager, Office of the City
Manager, City of Reno
Dan Musgrove, City of North Las Vegas

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David Bowers, City Engineer, City of Las Vegas
Mary Walker, Carson City; Douglas County; Lyon County; Storey County
David Frasier, Executive Director, Nevada League of Cities and Municipalities
Jim Richardson, Ph.D., Nevada Faculty Alliance
Jane A. Nichols, Ed.D. Vice Chancellor for Academic and Student Affairs,
Nevada System of Higher Education
Mark Stevens, Vice Chancellor For Finance, Nevada System of Higher Education

CHAIR HORSFORD:

We will call this meeting to order and begin with Senate Bill (S.B.) 434.

SENATE BILL 434: Makes various changes regarding funding and autonomy of Nevada System of Higher Education. (BDR 31-1175)

ANDREW CLINGER (Director, Department of Administration):

This bill does two things. First, it includes the recommendation proposed in the Governor's budget to transfer property taxes from Clark County and Washoe County to the Nevada System of Higher Education (NSHE). Second, it provides NSHE some of the autonomy they requested.

CHAIR HORSFORD:

Based on the actions of the Joint Committee, I do not think we need to go into too much detail on the 9-cent property tax portion, unless there is something in the bill that is new information beyond what we heard this morning.

MR. CLINGER:

There is no new information to present. I would point out that if the Legislature did pass S.B. 434, our recommendation would be that it be a permanent transfer. The bill is currently written as a temporary transfer for only fiscal years (FY) 2011-2012 and FY 2012-2013.

CHAIR HORSFORD:

Would we need to make an adjustment if this policy was revisited?

MR. CLINGER:

Yes.

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DANIEL J. KLAICH, J.D. (Chancellor, Nevada System of Higher Education):

We have provided a list of comments ([Exhibit C](#)) on S.B. 434. Section 2 of S.B. 434 creates a stabilization account. We note that this is consistent with another bill pending in the Assembly. We suggest using one of these bills to create this account. Section 3 of S.B. 434 is in regards to tuition and fees. This section is similar to S.B. 451 and we suggest using that bill as the vehicle for this matter. Section 5 is a carry forward. Although this is similar to the Assembly bill, the Assembly version does not have a carry forward and we strongly support this provision. Section 6 was impacted by the Joint Committee this morning. This section provides for transfer of funds between appropriation lines and budget accounts. We note that the language in section 6 is broader than the action of the Committee this morning. We endorse the action of the Committee to consolidate appropriation lines. As we move to close this budget, we can come to a decision on which of these two vehicles best puts forward what the Legislature wishes.

I will not comment on Section 8. Sections 9 through 14 deal with the State Public Works Board (SPWB). These sections take NSHE out of the SPWB process. We spoke to the Governor about this. We think it would be better if each campus could either opt-in or opt-out of the SPWB process. You have some campuses that have larger facilities and personnel that can handle things. On the other hand, a smaller campus like the Desert Research Institute or Great Basin College may wish to utilize the services of SPWB.

CHAIR HORSFORD:

Would they be expected to pay for those services?

MR. KLAICH:

Yes, they would.

CHAIR HORSFORD:

Do we have language to that effect? Do you have an amendment?

MR. KLAICH:

We will provide amendment language to Staff.

Section 15 relates to college readiness standards. This is a matter that the State Board of Education has recently adopted and we collaborated with them on those standards. We strongly support the provisions of this section, noting that a great deal of work has already been done.

There is a reporting provision in section 16. Much of this reporting is already done for the Board of Regents. There is a provision that provides for gathering data, particularly employment data. We would recommend and will submit an amendment to require an exchange of information between NSHE and the Department of Employment, Training and Rehabilitation (DETR). Currently, that exchange is only at the will of either party and a Legislative requirement to exchange data would serve the State well.

Section 17 provides that Higher Education Capital Construction and Special Higher Education Capital Construction Funds may be used by the Board of Regents of the University of Nevada. This should be amended to have those funds transferred to the system.

CHAIR HORSFORD:

Please provide a side-by-side comparison of the graduation goals and the outcome percentages. I would like to see how this mirrors the policy already adopted and passed by the Education Committee. I do not want to be redundant or duplicate effort. I also do not want to conflict with what they have passed.

SENATOR KIECKHEFER:

By operating outside of SPWB, would NSHE be exempt from prevailing wage requirements?

MR. KLAICH:

Not without a statutory change. That is how I understand it. It was not our intent to be exempt from prevailing wage requirements.

JEANETTE BELZ (Nevada Chapter, Associated General Contractors):

We have submitted a letter ([Exhibit D](#)) stating our opposition to sections 11, 12 and 14 of S.B. 434. We are opposed to sections 9, 10 and 13 as well. These

are the provisions that remove NSHE from SPWB. We feel that this would increase costs to NSHE and would require additional staff. The Associated General Contractors works very hard to standardize public works construction processes and documents in order to maximize construction dollars. I have worked on several bills this session on various topics related to SPWB. We feel that this would be inconsistent and counter to those efforts.

CONSTANCE J. BROOKS (Senior Management Analyst/Lobbyist, Office of the County Manager, Clark County):

In light of the discussion this morning, as well as my testimony in the Committee of the Whole, my remarks are brief. We are opposed to S.B. 434, particularly sections 8 and 18. Section 8 is in regard to the 5-cent property tax diversion to be used for capital projects. This equates to \$65 million over the course of the biennium that would be diverted from Clark County. Section 18 refers to the 4-cent property tax that we use for county-wide services. This 4 cents is part of our operating rate and equates to \$52 million diverted over the biennium. County-wide services from the operating rate include child welfare, social services and juvenile justice. Additionally, there would be an impact on unincorporated Clark County. We have over 900,000 residents, or 42 percent, who reside in unincorporated Clark County. Those residents must subsidize services that are experienced by incorporated areas of Clark County. The burden is unfairly placed upon those residents.

CHAIR HORSFORD:

Is the 4 cents specifically dedicated to those programs you listed?

MS. BROOKS:

Yes, those funds are specifically dedicated.

LISA A. GIANOLI (Washoe County):

Washoe County's budget for the past several years has been reflective of the national and local economy. Because the County relies on both property and sales tax revenues for nearly 80 percent of its total General Fund revenues, a steady and dramatic decline in both these sources has serious consequences on our budget and our ability to provide services. We have reduced spending by

\$123 million and we have eliminated 725 jobs since 2007. Overall, our budget is now 39 percent below what our budget was in 2008. General Fund expenditures are at 2005 levels. Employees gave back more than \$9.4 million in existing wages and benefits this fiscal year alone through collective bargaining. This is an average reduction of 3.44 percent of current wages and benefits. This followed a 2.55 percent reduction in wages the year before. Employees have not been given any increase since 2007 and have been asked to give an additional 13.8 percent in the current budget proposal for FY 2011-2012. In Washoe County, our wages have grown by 5.4 percent less than the Consumer Price Index over the past 10 years.

If this 9-cent diversion were to occur, a number of things would happen. In our Elections Division, we would have to lay off 16 percent of our staff. The presidential election in 2012 would be conducted with only four full-time equivalent (FTE) staff under the supervision of the Registrar of Voters. The Sheriff's Office will eliminate an additional 14 positions. If we see a 25 percent reduction, it will mean the elimination of 97 to 207 FTEs. Service reductions will occur in calls for service, jail detention areas, records, processing, front desk training, background investigations and others. We will also see cutbacks in Parks and Recreation, in which we are already doing a lot of creative things to save money. We use volunteers and have shut down restrooms because we cannot maintain them.

JEFF FONTAINE (Executive Director, Nevada Association of Counties):

We support both Clark County and Washoe County in their opposition to sections 8 and 18. As you have heard, this is about services to seniors, families and the indigent. Many of these county services are mandated by the Legislature. This is also about people being able to go to parks and libraries and rely on those services continuing to be provided.

CADENCE MATIJEVICH (Legislative Relations Program Manager, Office of the City Manager, City of Reno):

We frequently refer to this 9 cents as coming from Clark and Washoe Counties, but it is important to note that cities in those counties also receive a distribution of those funds. Because of this, we are also in opposition to this bill.

DAN MUSGROVE (City of North Las Vegas):

We appreciate the remarks of the Chair in this morning's hearing. As a representative of North Las Vegas, we think you were correct in saying that this is a partnership. A resident of North Las Vegas is a resident of Clark County and is a resident of the State of Nevada. The residents of the City of North Las Vegas pay a county-wide tax rate. We rely on the County to help us when it comes to social services, juvenile justice and child welfare. We need those services performed for the citizens of North Las Vegas, just as we provide parks, recreation, drainage, police and firefighters for our residents. At the same time, we ask the State to incarcerate, to medicate and to educate our citizens. This is a partnership and any redirection of these funds impacts our residents.

DAVID BOWERS (City Engineer, City of Las Vegas):

We are neutral on S.B. 434, but we would like to remind the Committee that this bill takes the same funds generated by the County's 5-cent ad valorem tax that was allocated to the construction of F Street in Assembly Bill (A.B.) No. 304 of the 75th Legislative Session. Section 32 of A.B. No. 304 of the 75th Legislative Session reads, "The City of Las Vegas shall provide \$20 million of the funding for the project to reopen F Street by leveraging its share of the County's special 5-cent ad valorem capital project tax to issue medium-term obligations after July 1, 2011."

CHAIR HORSFORD:

Just to be clear, the budget to reopen F Street is around \$17 million. The last time we discussed this, people walked away thinking that the \$120 million from the 9 cents we are talking about here was going to be used to reopen F Street.

MR. BOWERS:

Yes, that is correct. If there is a chance to carve out funding for F Street, we would appreciate that.

MARY WALKER (Carson City; Douglas County; Lyon County; Storey County):

We support Clark and Washoe Counties in their opposition of the property tax redirection. Over the last several months, our counties have researched areas in which they can help the State. The Board of County Commissioners in each of our four counties have unanimously supported offering the State various areas that we can take on services. It amounts to approximately \$3.5 million a year, \$7 million over the biennium. While we are not a part of this property tax

redirection, we recognize that we have a responsibility to our State and to our constituents. We are trying to step forward and help, even though it is not the 9 cents, it is a lot in other areas.

CHAIR HORSFORD:

Those are different decisions. That decision is based on the service component of the Governor's plan to push down and redirect services to the counties. There will be an opportunity for you and those counties to present your proposal on those issues later.

DAVID FRASIER (Executive Director, Nevada League of Cities and Municipalities):
We are in opposition to S.B. 434 for the reasons that my colleagues have previously stated. We are specifically opposed because our city residents rely on county services. We recognize the difficulties faced by those counties.

JIM RICHARDSON, PH.D. (Nevada Faculty Alliance):

This bill contains a number of provisions that we have worked very hard for over the years. I echo Chancellor Klaich's remarks and we are in support of this bill.

CHAIR HORSFORD:

We will close the hearing on S.B. 434 and open the hearing on S.B. 449.

SENATE BILL 449 (1st Reprint): Revises provisions governing tuition charges, registration fees and other fees assessed against students in the Nevada System of Higher Education. (BDR 34-932)

JANE A. NICHOLS, ED.D. (Vice Chancellor for Academic and Student Affairs, Nevada System of Higher Education):

We support S.B. 449. The primary portion of this bill addresses differential fees for high cost, high demand programs within NSHE. This is a market driven approach. Through the Board of Regents, we have put in place a differential fee policy. This bill mirrors that policy and the Board has already approved differential fees in a number of areas at the University of Nevada, Reno (UNR) and the University of Nevada, Las Vegas.

We have submitted a proposed amendment ([Exhibit E](#)) for section 3, subsection 4. This amendment asks us to provide data to you for the purpose of collecting job placement and salary data. We would love to do this. We have been trying to get this information for a number of years and it would give us the opportunity to match up with State economic needs and growth. We will then be able to match programs and graduates to the State's needs. In order to do this, we do not have the confidence in or the resources to rely on surveys of graduates. These surveys have a notoriously low return rate. The data is self-reported and not accurate. We would like to add a sentence to the end of section 3, subsection 4 that reads, "For the purposes of this subsection, the Department of Employment, Training and Rehabilitation shall provide employment and wage data to the System." This is permissible under the Federal Department of Education Federal Educational Rights and Privacy Act (FERPA) rules. There are new FERPA amendments that make it very clear that the exchange of this data is possible.

We have had a memorandum of understanding with DETR for some time, but it has not resulted in the exchange of data. This would help us a great deal in making this a high priority for both NSHE and DETR.

CHAIR HORSFORD:

I would like Staff to compare this bill to the bill in the Senate Committee on Education. These bills have similar language and provisions. We will close the hearing on S.B. 449 and open the hearing on S.B. 451.

SENATE BILL 451 (1st Reprint): Revises provisions governing tuition charges, registration fees and other fees assessed against students enrolled in institutions of the Nevada System of Higher Education. (BDR 34-933)

MR. KLAICH:

We request that you process S.B. 451. You have already discussed an amendment with us. We are happy with the status of the bill as it is.

CHAIR HORSFORD:

We will close the hearing on S.B. 451 and open the hearing on A.B. 478.

ASSEMBLY BILL 478 (1st Reprint): Revises the limitation on the principal amount of bonds and other securities that may be issued by the Board of Regents of the University of Nevada to finance certain projects. (BDR S-887)

MARK STEVENS (Vice Chancellor For Finance, Nevada System of Higher Education):

This bill increases the total amount of bonds that can be issued by the Board of Regents for UNR from \$312.7 million to \$348.4 million. This represents the authority to issue revenue bonds which are financed through non-General Fund resources. The additional \$35.7 million in bonding authority would allow for the following projects:

- Renovation of the Getchell Library.
- Acquisition and renovation of a medical school building in southern Nevada.
- Addition and expansion of the Lombardi Recreation Center at UNR.
- Potential bond refinancing for interest savings if those opportunities present themselves during the upcoming biennium.

SENATOR CEGAVSKE:

Are all the other NSHE bonds paid off?

MR. STEVENS:

There are bonds that have been issued that have not yet been paid off, but they are currently being paid.

SENATOR CEGAVSKE:

You want to raise your bonding capacity, but you have not paid off your other bonds yet.

MR. STEVENS:

We have current bond issues that have not yet been completely redeemed. These bonds are for additional projects that may develop during the upcoming biennium. In this case, the new bond issue would be provided for if the authority from the Legislature were provided.

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CHAIR HORSFORD:

We will close the hearing on A.B. 478. With no further business before the Committee, we are adjourned at 1:46 p.m.

RESPECTFULLY SUBMITTED:

Marian Williams,
Committee Secretary

APPROVED BY:

Senator Steven A. Horsford, Chair

DATE: _____

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
SB 434	C	Daniel Klaich	Comments on the bill
SB 434	D	Jeanette Belz	Letter from AGC
SB 449	E	Jane A. Nichols	Proposed Amendment