

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

**Seventy-Seventh Session
May 30, 2013**

The Assembly Committee on Ways and Means was called to order by Chair Maggie Carlton at 8:27 a.m. on Thursday, May 30, 2013, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4412E 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 nelis.leg.state.nv.us/77th2013. In addition, copies of the audio record can be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Maggie Carlton, Chair
Assemblyman William C. Horne, Vice Chair
Assemblyman Paul Aizley
Assemblyman Paul Anderson
Assemblyman David P. Bobzien
Assemblyman Andy Eisen
Assemblywoman Lucy Flores
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Crescent Hardy
Assemblyman Pat Hickey
Assemblyman Joseph M. Hogan
Assemblywoman Marilyn K. Kirkpatrick
Assemblyman Randy Kirner
Assemblyman Michael Sprinkle

STAFF MEMBERS PRESENT:

Cindy Jones, Assembly Fiscal Analyst
Michael J. Chapman, Principal Deputy Fiscal Analyst
Joi Davis, Senior Program Analyst

Minutes ID: 1318



Brody Leiser, Program Analyst
Janice Wright, Committee Secretary
Cynthia Wyett, Committee Assistant

Chair Carlton said the Assembly Committee on Ways and Means would begin its work session on several bills that she wanted to process. She had also received the Capital Improvement Program (CIP) proposed bill draft request (BDR), and it would be presented to the Committee before the formal BDR was introduced.

**Assembly Bill 360 (1st Reprint): Revises provisions relating to gaming.
(BDR 41-24)**

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said Assembly Bill 360 (1st Reprint) was originally heard by the Assembly Committee on Ways and Means on May 27, 2013. The amended bill required a person who controlled more than 500 slot machines to pay the same fee and taxes as a person who operated a nonrestricted gaming operation. The bill also required a separate license for each location of a "race book" or a "sports pool." A.B. 360 (R1) provided that the operation of a race book or sports pool include acceptance of payments of wagers. The bill clarified that the exception to the single license at one establishment only applied to those nonrestricted licenses at an establishment with 16 or more slot machines, or at an establishment with any number of slot machines together with any other game, gaming device, race book or sports pool, or a mobile gaming system. The bill could generate additional revenue for the General Fund; however, no fiscal notes had been submitted.

Chair Carlton said she believed there was a proposed amendment submitted on May 28, 2013. She asked Assemblyman Horne to explain the amendment.

Assemblyman William C. Horne, Clark County Assembly District No. 34, said Committee members had expressed concern about some provisions contained in Senate Bill 416 (2nd Reprint). In the proposed amendment, he had deleted those provisions of concern and made changes to clarify the language. He suggested that he explain each section of the amendment.

Chair Carlton agreed it would be beneficial for the Committee members to hear a complete explanation of the amendment because there had been confusion about the multiple gaming bills, and she wanted Committee members to fully understand A.B. 360 (R1).

Assemblyman Horne presented amendment 9325 (Exhibit C) to A.B. 360 (R1) and explained that the amendment was similar to some of the provisions

contained in S.B. 416 (R2). He said that the proposed amendment deleted sections 1 through 7 and included revised language. Section 1 of the amendment clarified that interactive gaming did not include a raffle, drawing, or lottery. Sections 2 through 9 were provisions also contained in Senate Bill 9 (2nd Reprint). He believed the provisions in S.B. 9 (R2) were necessary to fulfill the goals of A.B. 360 (R1) and Assembly Bill 114 (1st Reprint) that granted the Governor authority to enter into gaming agreements with other states.

Assemblyman Horne pointed out that S.B. 9 (R2) had revised the definitions, for purposes of gaming regulation, of the terms "cashless wagering systems," "gaming employee," "gross revenue," and "wagering credit." The revised definition of gross revenue specified that any compensation received in poker tournaments held by interactive gaming licensees would be defined as net profit and would be taxed. Assemblyman Horne was concerned that clarification was needed to prevent licensed interactive gaming operators from holding poker tournaments while avoiding any taxes.

Assemblyman Horne explained that section 6 of the proposed amendment ([Exhibit C](#)) transferred the responsibility from the Nevada Gaming Commission to the State Gaming Control Board for determining the annual adjustment to financial reporting thresholds for nonrestricted licensees. Section 7 required persons with more than a 5 percent interest in gaming establishments to be licensed individually. Persons seeking to hold 5 percent or less ownership in a limited ownership interest must register with the State Gaming Control Board before obtaining that interest. Section 9 provided for the registration of independent testing laboratories and each person that owned or operated independent testing laboratories.

Assemblyman Horne explained that section 10 of the proposed amendment clarified provisions of A.B. 114 (R1) and listed those entities that were exempt from the provisions of chapter 233B of the *Nevada Revised Statutes* (NRS). Section 11 of [Exhibit C](#) expanded the provisions of A.B. 114 (R1) to authorize the Governor to enter into agreements with other governments to allow Nevada to become an interactive gaming hub. Sections 12 and 13 of [Exhibit C](#) extended the effective date in S.B. 416 (R2) for new tavern restrictions to January 1, 2014. The extension would protect those establishments that had already leased property and were in the process of receiving a restricted license from having to comply with the stricter provisions of S.B. 416 (R2).

Assemblyman Horne noted that section 14 of [Exhibit C](#) required the Legislative Commission to create an interim committee to conduct a study concerning the effects of technology on the regulation of gaming and the distinction between

restricted and nonrestricted gaming licenses. Section 14 also specified that the Legislative Commission shall appoint three members from the Senate and three members from the Assembly to the committee. The committee would be comprised of six voting members and seven nonvoting members. Five nonvoting members would represent manufacturers or developers of gaming technology; entities engaged in the business of interactive gaming; restricted gaming licensees; nonrestricted gaming licensees; and operators of race books and sports pools. The Chair of the Nevada Gaming Commission and the Chair of the State Gaming Control Board would serve ex officio as nonvoting members of the committee. Assemblyman Horne urged passage of A.B. 360 (R1) and the amendment.

Chair Carlton said there was some staff confusion about the similarities of the dates of the two mock-ups, and his particular mock-up was not uploaded on the Nevada Electronic Legislative Information System (NELIS) but was being uploaded now. Copies were also being made for the members. Chair Carlton said there had been discussion about the payout provisions, and she asked Assemblyman Horne whether the payouts were addressed in his mock-up. She understood that the business of accepting wagers by race books and sports pools would continue until the study was completed.

In response to a question from Assemblywoman Flores about the study, Assemblyman Horne replied that section 14 of the proposed amendment ([Exhibit C](#)) contained the same requirements for conducting the study as contained in the prior mock-up amendment. He said the authority for the kiosks to accept wagers would expire in June, and the bill removed kiosks from the list of authorized gaming operations. The kiosk technology issue was one of the matters to be studied by the proposed interim committee, using the data that had been compiled over the last two years. Assemblyman Horne said Sean Higgins and Keith Lee, representing general gaming interests, proposed in their suggested amendment that kiosks remain for an additional two years. Assemblyman Horne testified he did not consider that as a friendly amendment to his bill and excluded that provision in his mock-up.

Assemblywoman Flores said her understanding was that a gambler could place a bet at a kiosk, but any payout must be transacted in a traditional race book or sports pool.

Assemblyman Horne replied Assemblywoman Flores was correct. Customers could continue to use other gaming devices and no change to those provisions would occur. The practice that allowed persons to gamble using iPads or other technology would not change. Customers must go to a traditional race book or

sports pool to receive a payout. The kiosks were being phased out in June and could not be used for payouts during the next two years.

ASSEMBLYMAN BOBZIEN MOVED TO AMEND AND DO PASS AS AMENDED ASSEMBLY BILL 360 (1ST REPRINT) WITH PROPOSED AMENDMENT 9325 DATED MAY 28, 2013.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Senate Bill 430 (1st Reprint): Revises provisions relating to motor carriers. (BDR 58-1072)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said Senate Bill 430 (1st Reprint) was originally heard by the Assembly Committee on Ways and Means on May 29, 2013. The bill required taxicab motor carriers and limousines in certain counties regulated by the Nevada Transportation Authority (NTA) to charge, collect, and remit a technology fee to the NTA. The purpose of the fee was to implement technology that would provide real-time computerized data for certain purposes. There was considerable discussion during the hearing with proponents and opponents of the bill. An unsolicited fiscal note was submitted by the NTA indicating that the bill was revenue-neutral and would generate revenue of \$460,000 a year, with a corresponding expenditure in the technology category of \$460,000. If the bill was approved, the NTA would need to complete a work program to establish the appropriate revenue and expenditure authority in its budget.

Chair Carlton said some persons had contacted Ms. Jones to discuss an Internal Revenue Service (IRS) problem related to tip revenue that was governed by federal law. The state could not do anything to address the IRS problem. Chair Carlton understood the problem because she used to work under a tip compliance agreement. Sometimes the IRS could be very inflexible, especially when things changed too quickly. There were questions and comments on some of the language in the bill and how the bill had been reprinted. The Legal Division, Legislative Counsel Bureau, had informed the bill's sponsor about the statutory construction and transitory language, and the questions were resolved. There were no proposed amendments.

Assemblyman Hogan said he was impressed by the testimony received on the bill. He was concerned that there had not been adequate testing of the equipment that would be relied upon for data: it was a gamble on the unknown.

He was contacted by a number of his constituents who were employees who had been fired by their employers and were furious. Assemblyman Hogan believed there had been inadequate preparation of the workforce to conduct the initial use of the new techniques and equipment required by the bill. He was concerned and would vote no on the bill because he needed more information.

Chair Carlton asked whether Assemblyman Hogan's concerns would be appeased if he was provided with details about the testing and reliability of the equipment, and Assemblyman Hogan agreed that would satisfy his concerns.

Chair Carlton said she believed it was inappropriate for the Assembly Committee on Ways and Means to get involved in the labor problem or for her to voice her opinions on the labor problem. There had been a labor conflict in the past that was settled, but there were still outstanding labor problems. It was inappropriate for the Legislature to get involved in an ongoing conflict over a collective bargaining agreement. She did not want anyone to testify about the labor problem, but she asked that someone address the technology concerns.

Mark A. James, Chief Executive Officer, Frias Transportation Infrastructure, LLC (FTi), testified about the testing and reliability of the equipment. He said Assemblyman Hogan's concerns could be satisfied in several different ways. Mr. James explained that a similar system to the system proposed in S.B. 430 (R1) was being demonstrated for the Taxicab Authority (TA) and the Nevada Transportation Authority (NTA). The actual testing of the system and the installation of the devices to collect real-time data from taxis and sedans would be occurring over the next two months. Both agencies had held workshops and hearings. The NTA decided to conduct a pilot program, and the TA decided to have a vendor demonstration of the equipment. The pilot program would take place over a minimum of 90 days and a maximum of one year. The pilot program and the vendor demonstration were funded by FTi at no cost to the state or other members of the industry.

Mr. James said several transportation companies had volunteered to participate in the program. The real-time data described in the bill would be extracted from vehicles and presented to the regulators, operators, and drivers. The program was not designed to allow passengers to participate in the test using a passenger application. The data would be presented to the regulators, operators, and drivers on a dashboard screen created pursuant to their directions, providing the exact type of information they wanted to see. For example, the regulator would be able to access real-time information by vehicle, driver, vehicle type, geographical location, and a number of other ways. He believed the process would adequately test the reliability of the equipment.

The pilot program would also include a vetting process for the actual selection of the vendor.

Assemblyman Hogan said he appreciated hearing that during the next several months efforts would be made to determine whether the system worked. He was unsure whether that information alone provided the level of confidence that he needed to approve a new system that would put financial burdens on others in the industry. He still had concerns about much of the information he had heard, but he appreciated the additional efforts to provide testing. He remained willing to be convinced, but was not convinced that it was a reliable or a good gamble. He had spent many years working at the United States Department of Defense and the National Aeronautics and Space Administration, which adopted technology at great expense that was thought to be good but turned out to be bad. He and the agencies learned to be cautious. Assemblyman Hogan was willing to be convinced if the test results were satisfactory.

Chair Carlton said she would see that Assemblyman Hogan received more information. The bill could move forward if it received sufficient votes today, and the Committee could report the bill out. It would take some time before the bill would be scheduled for the Assembly floor session, and there would be time for Assemblyman Hogan to get answers to any other questions he had before the bill was set for vote on the Assembly floor. Chair Carlton did not ever want to ask a Committee member to vote on something if he or she had not received sufficient information.

Assemblyman Anderson said he had spent time studying the bill and met with some persons involved. Senate Bill 430 (1st Reprint) did not adopt any technology, but simply built a framework. He thought the bill was too specific when it was presented to the Committee the day before. He had the opportunity to discuss S.B. 430 (R1) with entities other than FTi to determine that items of specificity were available in many different products. He had learned that the Purchasing Division, Department of Administration, would rely on the Division of Enterprise Information Technology Services (EITS), Department of Administration, to develop the request for proposal for the bill. The EITS division would go through the standard bidding process to select the vendor and technology for the framework required by the bill. The fact that FTi provided demonstrations and testing of the products for the different agencies was no particular assurance that FTi would be awarded the contract. There were other vendors vying for the contract as well. Assemblyman Anderson was comfortable with the framework of the process after meeting with everyone involved.

Assemblyman Bobzien said he had some concerns that the bill was a little too specific, but it provided sufficient flexibility to allow him his "technology agnostic beliefs."

ASSEMBLYMAN BOBZIEN MOVED TO DO PASS
SENATE BILL 430 (1ST REPRINT).

ASSEMBLYMAN HORNE SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hogan voted no.)

Chair Carlton opened the hearing on Senate Bill 485.

Senate Bill 485: Appropriates to and authorizes the expenditure of money by the Division of Welfare and Supportive Services of the Department of Health and Human Services for the integration of eligibility rules for the Temporary Assistance for Needy Families program and the Supplemental Nutrition Assistance Program into the eligibility system. (BDR S-1180)

Michael J. Willden, Director, Department of Health and Human Services, testified that Senate Bill 485 was a request for a General Fund appropriation of \$452,100 for the state's share of an \$11 million project to continue to move all welfare eligibility rules out of the Nevada Operations of Multi-Automated Data Systems (NOMADS) into the system referred to as the "eligibility engine." Because of the Affordable Care Act (ACA), the Department began the transition several years ago to move the eligibility rules to the eligibility engine for the Medicaid and Nevada Check Up healthcare programs. Senate Bill 485 represented a continuation of that effort. Mr. Willden said the federal government had sent a triagency letter in August 2011, which affected Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and Medicaid organizations. The federal government waived a one-time exemption to "OMB Circular A-87" about how the eligibility systems needed to be cost-allocated; the exemption was limited and would benefit the state. He requested the appropriation of \$452,100 to continue development of the Department's information technology.

Chair Carlton said the Committee must hear Senate Bill 485 to make everyone aware of the bill, but the bill would be held and moved as part of a package at the end of the Legislative Session. She understood the bill was part of the ACA eligibility system.

Mr. Willden noted that the modified adjusted gross income (MAGI) system related to healthcare eligibility. The bill provided funding to move all of the eligibility rules for TANF, SNAP, and Medicaid to the new eligibility engine.

Hearing no response to her request for testimony in support of or in opposition to the bill, Chair Carlton called for public testimony. There being no public testimony, she closed the hearing on Senate Bill 485 and opened the hearing on Senate Bill 481 (1st Reprint).

Senate Bill 481 (1st Reprint): Extends the temporary waiver from certain minimum expenditure requirements for textbooks for school districts. (BDR S-1132)

Julia Teska, Director of Finance and Planning, Department of Education, testified Senate Bill 481 (1st Reprint) originally contained an extension of the waiver for the minimum textbook expenditure. Section 3 of the original bill authorized school districts to increase class sizes by two pupils for grades 1 through 3 for the 2013-2015 biennium. That portion of the bill was amended out by the Senate Committee on Finance. The bill now just included extending the flexibility on the textbook waiver for another two years.

Chair Carlton said she hoped the Legislature would not need to extend the waiver again during the 78th Session (2015). She recalled sitting through many hearings about textbooks in the past.

Nicole Rourke, Executive Director, Community and Government Relations, Clark County School District, testified that she hoped the school districts would not need to continue to use the waiver, but the districts appreciated the flexibility that the waiver provided as they tried to balance their budgets. The school districts looked forward to filling the budget holes created over the last few years by the budget cuts. There were many goals on their list to be pursued: class-size reduction was the top priority for the districts, and they looked forward to decreasing class sizes.

Mary Pierczynski, representing the Nevada Association of School Superintendents, testified in support of S.B. 481 (R1).

Dotty Merrill, Ph.D., Executive Director, Nevada Association of School Boards, testified in support of S.B. 481 (R1).

Lindsay Anderson, Government Affairs Director, Washoe County School District, testified in support of S.B. 481 (R1).

Hearing no response to her request for further testimony in support of or in opposition to the bill, Chair Carlton called for public testimony. There being no public testimony, she called for a motion on S.B. 481 (R1).

ASSEMBLYMAN SPRINKLE MOVED TO DO PASS
SENATE BILL 481 (1ST REPRINT).

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

THE MOTION PASSED. (Assemblymen Hickey and Kirkpatrick were not present for the vote.)

BDR S-1240—Authorizes and provides funding for certain projects of capital improvement. (Later introduced as [Assembly Bill 505](#).)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that the three major fiscal bills were handled a little differently than most bills presented to the Committee on Ways and Means. The Fiscal Analysis Division staff would explain each section of the proposed bill draft request (BDR) and the Committee could ask questions, after which the Committee could vote to introduce the BDR. The BDR would then be sent to the Assembly floor session for action and referral back to the Committee.

Brody Leiser, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that the Assembly Committee on Ways and Means and the Senate Committee on Finance approved the 2013-2015 Capital Improvement Program (CIP) on May 24, 2013. He proceeded to explain each section and provide a brief summary of BDR S-1240, which included funding for the 2013-2015 CIP.

- Section 1 appropriated \$3.5 million from State General Funds to support a portion of funding for certain projects identified in section 1.
- Section 2 limited the authority for expenditure of funds in section 1 through June 30, 2017, and established a reversion date of September 15, 2017, of any remaining funds for the projects identified in section 1. Mr. Leiser noted that similar reversion language existed throughout the bill following each section that identified a number of specific funding sources. [Note: The sections not listed contain the standard reversion language.]

- Section 3 appropriated \$7,370,471 of State Highway Funds to support a portion of the funding for the 2013 CIP for four Department of Motor Vehicles (DMV) projects identified in that section.
- Section 5 restricted the transfer of funds from the State Highway Fund for projects identified in section 3 until contract payments were required to be made.
- Section 6 established an annual 20 percent payback to the State Highway Fund, commencing on July 1, 2014, over a five-year period, from license plate fee revenues for the cost of Project 13-C03 to construct a new license plate factory.
- Section 7 authorized \$55,505,257 in general obligation bonds for several maintenance, planning, and statewide projects.
- Section 9 authorized the State Board of Finance to issue general obligation bonds for the 2013 CIP when it was deemed appropriate. Subsection 2 allowed the State Controller to advance necessary funds from the General Fund temporarily until bonds were sold to finance projects approved in the 2013 CIP. The advanced funds must be immediately repaid to the General Fund upon the sale of the bonds.
- Section 10 required transfer of \$10,638,165 from the Bond Interest and Redemption Account in the Bond Interest and Redemption Fund to the State Public Works Division to support a portion of the funding for the 2013 CIP projects identified in the section.
- Section 12 reallocated \$407,009 from CIP Project 01-C25, Academic and Student Services Building at the Nevada State College, to fund a portion of CIP Project 13-P05, Planning through Construction Documents for the University of Nevada, Las Vegas (UNLV) Hotel College Academic Building.
- Section 14 transferred \$1,136,031 from the 2005 CIP projects identified in subsection 1 to the Bond Interest and Redemption Account in the Consolidated Bond Interest and Redemption Fund. The \$1,136,031 would subsequently be transferred from the Bond Interest and Redemption Account to support the costs of the 2013 CIP projects identified in subsection 2.
- Section 16 reallocated \$92,000 of General Funds from CIP Project 05-C16, Greenspun College of Urban Affairs building

at UNLV, to fund a portion of Project 13-P05, the Planning through Construction Documents, UNLV Hotel College Academic Building.

- Section 18 transferred \$4,189,465 from the 2007 CIP projects identified in subsection 1 to the Bond Interest and Redemption Account in the Consolidated Bond Interest and Redemption Fund. The \$4,189,465 was transferred from that account to support the costs for the 2013-2015 CIP projects identified in subsection 2.
- Section 20 transferred \$4,060,980 from the 2009 CIP projects identified in subsection 1 to the Bond Interest and Redemption Account in the Consolidated Bond Interest and Redemption Fund. The \$4,060,980 was transferred from that account to support the costs for the 2013 CIP projects identified in subsection 2.
- Section 22 transferred \$2,365,612 from the 2011 CIP projects identified in subsection 1 to the Bond Interest and Redemption Account in the Consolidated Bond Interest and Redemption Fund. The \$2,365,612 was transferred from that account to support the costs for the 2013 CIP projects identified in subsection 2.
- Section 24 authorized approximately \$8.4 million from funding sources other than the General Fund or the State Highway Fund for projects identified in that section. Section 24, subsection 2, also required that the State Public Works Division, Department of Administration, shall not execute a contract for construction of a project listed in subsection 1 that included federal funding until the Division had determined that the federal funding for the project had been received and was available for expenditure for the project.
- Section 25 required that the State Public Works Division of the Department of Administration use only qualified personnel to carry out the provisions of the 2013-2015 CIP.
- Section 26 required state and local government entities to cooperate with the State Public Works Division of the Department of Administration to expedite completion of 2013-2015 CIP projects.
- Section 27 authorized issuance of up to \$1 million in general obligation bonds for preservation or protection of historical buildings to develop a network of cultural centers and activities.

- Section 28 approved \$2.5 million for the Question 1 (Q1) bond program authorized in chapter 6, *Statutes of Nevada 2001*, 17th Special Session (2001), at page 104.
- Section 29 authorized issuance of \$1.5 million in general obligation bonds for the Tahoe Environmental Protection Program.
- Section 30 approved ad valorem taxes for the Question 1 (Q1) bond program and the 2013-2015 CIP. For the 2013-2015 CIP, 15.55 cents on each \$100 of assessed valuation would be used to support bonds sold. For the Q1 bond program, 1.45 cents on each \$100 of assessed valuation would be used to support bonds sold (the same tax rates that were levied during the 2011-2013 biennium).
- Section 31 required the State Treasurer to estimate the amount of proceeds of the taxes levied in section 30 and determine whether that amount existed in the Consolidated Bond Interest and Redemption Fund to pay the principal and interest on CIP bonds. If insufficient funds were available in the Consolidated Bond Interest and Redemption Fund, the State Treasurer could request the State Controller to reserve money in the General Fund to pay the remainder of the obligation.
- Section 32 authorized the State Board of Finance to pay expenses related to the issuance of general obligation bonds approved by the 77th Legislature (2013).
- Section 33 authorized funds to pay for bonds from the Consolidated Bond Interest and Redemption Fund in the amount of \$157,758,106 in fiscal year (FY) 2014 and \$152,830,221 in FY 2015.
- Section 34 authorized the State Public Works Division and the Nevada System of Higher Education (NSHE), with the approval of the Interim Finance Committee (IFC), to transfer money from one project to another within the same agency or within NSHE.
- Section 35 approved \$5 million from the Special Capital Construction Fund for Higher Education for allocation to NSHE for Project 13-M57, Deferred Maintenance.
- Sections 37 through 39 extended the reversion date for 14 prior-year CIP projects. Section 37 included one project extension from the 2005 CIP. Section 38 included three project extensions from

the 2007 CIP. Section 39 included ten project extensions from the 2009 CIP.

- Section 40 provided that the bill would become effective upon passage and approval.

Chair Carlton asked whether the members had any questions; there were none. She asked for a motion for Committee introduction of BDR S-1240.

ASSEMBLYMAN HORNE MOVED FOR COMMITTEE INTRODUCTION OF BDR S-1240.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

THE MOTION PASSED. (Assemblymen Hickey and Kirkpatrick were not present for the vote.)

Chair Carlton opened the hearing on Senate Bill 515.

Senate Bill 515: Provides for the issuance of bonds to repay loans from the Federal Government related to unemployment benefits and to establish adequate balances in the State's account in the Unemployment Trust Fund and for the temporary imposition of an assessment on employers to pay such bonds and related costs. (BDR 53-1214)

Frank Woodbeck, Director, Department of Employment, Training and Rehabilitation, testified that Senate Bill 515 represented a plan to address and resolve a challenge for one of the most important primary responsibilities of the Department that provided a safety net for Nevada workers. He thanked the Office of the State Treasurer for working with the Department to craft a potential solution to the outstanding Unemployment Trust Fund obligation to the federal government, as well as the continued solvency of the Trust Fund.

Mr. Woodbeck said the six goals for successful implementation of Senate Bill 515 were to:

1. Eliminate the current debt to the federal government.
2. Eliminate the increasing Federal Unemployment Tax Act (FUTA) taxes to employers, based on the outstanding taxes owed.
3. Provide stability and predictability of the tax rate for employers for a period of years.
4. Protect the General Fund from interest payments on the bonds.

5. Take advantage of potentially lower payments (including principal and interest) available in the bond market versus interest rates currently paid to the federal government.
6. Restore solvency to the Trust Fund.

Renee Olson, Administrator, Employment Security Division (ESD), Department of Employment, Training and Rehabilitation, presented [Exhibit D](#), a document explaining the process of issuing Unemployment Insurance (UI) bonds, and testified that Senate Bill 515 would establish authority for the ESD Administrator to request bonds to be issued to refinance the current federal debt that the state owed on the Unemployment Trust Fund. The bill would establish an unemployment compensation bond fund and require employers to pay a special bond contribution. The bill would create a special source of revenue, and the bonds could be issued as special revenue bonds, which would not affect the state's general obligation bond authority.

Ms. Olson stated that many states had high unemployment rates and insolvent trust funds in the unemployment insurance (UI) programs. Nevada was hard hit by the recession, and the state reached unemployment rates of over 14 percent. Nevada began the recession with \$800 million in reserves in the Trust Fund. She said that in fiscal year (FY) 2009 and FY 2010, ESD paid almost \$1 billion in UI benefit payments each year, and after the Trust Fund reserves were depleted, the state was forced to borrow money from the federal government to pay benefits. Other states had experienced similar situations. Nevada's highest borrowing level was \$836 million in April 2012. Ms. Olson said that as of May 20, 2013, there were 22 states with outstanding Title XII federal loans totaling \$21.4 billion. Nevada's loan amount was \$537.2 million as of May 20, 2013, and \$548 million as of this date.

Ms. Olson said that over the course of five years, the state had paid out over \$7 billion in UI benefit payments, which went back into the state's economy. About \$3.4 billion of the \$7 billion was the state portion and \$3.6 billion was the federal portion. The ESD estimated that the economic effect of those benefit payments was \$2 worth of economic activity for every \$1 paid out in UI benefits.

Ms. Olson pointed out that one effect of having federal loans outstanding for more than two years was that Federal Unemployment Tax Act (FUTA) taxes increased for employers. The lowest tax rate employers could pay was 0.6 percent. The FUTA tax rate increased by 0.3 percent for every year a state had an outstanding balance on its loan. If Nevada finished the year with an outstanding federal loan balance, the FUTA tax rate would increase to 1.5 percent for employers. The interest rate the state paid on the federal

advances now was about 2.6 percent, but those rates were variable and changed each year. Nevada started the borrowing process paying an interest rate of over 4 percent, and Ms. Olson believed those rates were as low as they would get. She believed the economy was entering a phase when interest rates would begin to rise.

Ms. Olson had introduced the option of bonding the debt as an alternative to increased FUTA tax rates and increased variable interest rates paid on the debt. Seven other states had bonded their debt, including Colorado, Connecticut, Idaho, Illinois, Michigan, Pennsylvania, and Texas. Senate Bill 515 would give Nevada the option to bond the debt in a tax-exempt issuance by refinancing the existing debt. If the state refinanced the existing debt by the end of the year, the FUTA tax rate would be reset to 0.6 percent. The bonds would be secured by a special revenue assessment on employers: they would not be general obligations of the state. The ESD believed it could reduce financing costs by locking in a lower fixed interest rate through the bond market than the rate offered by the federal government.

Ms. Olson referred to page 5 of [Exhibit D](#) that reflected a projection of interest rates on the federal loan compared to the rate that could be achieved in the bond market. The comparison demonstrated that about a 2 percent savings on the interest rate could be achieved in the market. She believed that through bonding, the state would achieve significant savings on the repayment of the debt owed to the federal government. The state would study the structure of the bond—the length, term, amount, and all variables that played into the economics of the bond. She believed that if the state could achieve significant savings, then ESD would make a request to issue bonds.

Ms. Olson noted that in addition to being able to refinance the debt through a bond issuance, ESD would also have the option to restore the reserves in the Unemployment Trust Fund account. Replenishing the reserves would be accomplished through a taxable issue of bonds in the market. Page 7 of [Exhibit D](#) listed some of the incentives that were important to restoring those reserves. Ms. Olson said she was unsure how soon Nevada might face another recession. Putting reserves back into the Trust Fund would ensure that a cushion would be available to use in place of increased taxes to employers to fund benefit payments during another recession. The other benefit was that the interest rate paid on loans would be the same interest rate earned from the federal government on the balance in the Trust Fund. The spread [or difference] of what the state would pay in interest rates on bonds versus what the state would earn if it funded the reserves and put money into its Trust Fund was positive.

Assemblyman Eisen said he appreciated the comparison of the interest that was being paid on the loans versus the interest that would have to be paid on the repayment of the bonds. What he lacked was a sense of how the term over which the state must repay the loans compared to the term over which the state must repay the bonds. Without that understanding, he lacked a sense of the long-term cost comparison between the two options of either leaving the debt under the current system or issuing bonds to pay off the federal loan debt.

Ms. Olson replied that ESD's initial projections showed that the federal loan would be paid off by 2016 if the state maintained the current tax rate and increases in the FUTA taxes, because FUTA tax receipts went directly toward paying down the federal loan. If the state wanted to raise its reserves up to the level that ESD believed equaled solvency, which was approximately \$800 million, then it would require a few years, until 2018, to achieve solvency through the regular taxing process.

Ms. Olson noted that the ESD would select a term on the bonds based on a projected timeline. The Division projected that employers would pay an average combined tax rate, including the FUTA and the state tax, of about 2.4 percent over the term of the bonds. If the state were to bond the current debt plus the reserves over that same time frame ending in 2018, the state might achieve a tax rate of 2.3 percent, which was a combination of the regular tax rate plus the assessment on the bonds.

Ms. Olson pointed out that interest rates increased as the term of the bonds lengthened. When ESD completed its final analysis of different bonding scenarios, many variables would be considered for the structure of the bonds, the economics, and the savings that might be achieved. The Division believed that it made no economic sense to issue bonds without bonding for the reserves.

Assemblyman Anderson said Ms. Olson had mentioned that the reserve level was \$800 million, and he asked what the balance of the reserves was currently.

Ms. Olson replied the state had no reserves. Nevada was in a borrowing situation and its reserves were zero.

Assemblyman Anderson wondered about a possible cost savings if the state pursued bonding for the debt and the reserves, noting that Ms. Olson had mentioned a 2.4 percent average versus a 2.3 percent average for the FUTA rate charged to employers. He asked about the effect on employers and how much employers would pay into the system.

Ms. Olson replied the 2.4 percent was a projection from ESD based on data over the course of several years during which the combined FUTA rate increased. The projected combined state unemployment tax act (SUTA) and the FUTA was 2.4 percent. The bonding proposal would decrease the FUTA rate to 0.6 percent and decrease the cost of the state's financing. The ESD projected the 2.4 percent would be sufficient to pay the UI benefits during the year and the assessment to repay the bonds.

Assemblyman Anderson questioned the 0.1 percentage point savings to the employer and the long-term savings to the state on large amounts of money.

Ms. Olson replied that ESD projected there would be potential savings for the employer and long-term savings for the state. She said she would have to wait to see what rates were offered in the bond market before she could make promises about the savings to employers.

Assemblyman Hardy asked whether Senate Bill 515 required ESD to report the results of all the data gathered to IFC prior to issuing the bonds.

Ms. Olson replied S.B. 515 did not require ESD to report to IFC. The bill authorized the Administrator of ESD to request bonds to repay the debt and replenish the reserves. The request to issue bonds would be presented to the State Board of Finance. If the State Board of Finance approved the issuance of those bonds, Ms. Olson believed the Office of the State Treasurer would issue the bonds.

Chair Carlton said she shared Assemblyman Hardy's concerns. She did not want to amend the bill at this late date, but she wanted to make it clear that the Legislature was interested in the process and wanted to be kept informed of every step: conversations must be held on a regular basis. The language in the bill was permissive, and a judgment call would be made when the time arrived to request bonds. Chair Carlton was certain a group of knowledgeable persons would make that decision, but she wanted the Legislature to be kept informed of the progress.

Mr. Woodbeck explained that timing was of the essence when agencies issued bonds in the market: any delay could cause ESD to miss a window of opportunity for better rates. The agency had sufficient staff to administer the process, and he agreed to keep the Legislature informed. He added that ESD's goals were to stabilize and lower the tax rates for employers, and ESD could achieve both goals through the bonding process.

Continuing, Mr. Woodbeck said there was a significant difference, approximately \$23 million per year, between a 2.3 percent rate and a 2.4 percent rate for a bond. He had discussed the proposal to bond the UI debt and reserves with several investment banks over the past year. Several states had bonded to pay off their debt; Colorado discovered that bonding to solvency made sense because the state could earn interest from the federal government on any amount in the UI reserve when the state was solvent. Nevada learned there was a considerable advantage in repaying the debt and creating a reserve, and those assumptions were included in Senate Bill 515.

Assemblyman Kirner commented that Nevada's economy was improving. The state's unemployment rates were decreasing now, but he wondered what would happen to the bonding if the economy worsened again. If a downturn occurred, the state would still have to repay the bonds but also draw against the reserves, and he was concerned that the state would once again see unemployment rates and employer taxes increase, thereby returning the state to another bad situation. He thought that the unemployment rate would begin to increase for employers.

Ms. Olson replied that she believed that bonding for the reserves would provide some cushion in case another recession occurred. She could not predict whether the state would pay out more than \$800 million in UI benefits if a recession was severe. The purpose of having the reserves was that when there was a downturn in the economy, the state could use the reserves as a cushion, and the employers' tax rates would not immediately be increased. The ESD goal was to save during the good economic periods and create a reserve for the bad economic periods. It was hard to predict future recessions and effects on unemployment. The ESD believed that bonding for the UI debt and bonding for the reserves provided the stability to allow ESD to even out the "peaks and valleys" should the state experience a recession.

Assemblyman Kirner said he was comfortable with the strategy of bonding to repay the debt and establishing a reserve for the state in the event of a recession.

Mr. Woodbeck added that the reason for the bonding proposal to solvency was that Nevada lacked any reserves. If the state experienced another recession, Nevada would certainly need to increase the unemployment rates to employers to pay UI benefits. He hoped the state would not have a recession as severe as the one that just occurred. The ESD studied the bonding proposal and the various scenarios and found the "sweet spot" was in 2018, when Nevada would have a short repayment period and would maintain a lower tax rate than

the current rate paid by employers. The state could repay the bonds, achieve full solvency, and create the reserves needed to pay benefits during a future recession.

Assemblyman Eisen said his understanding of the proposal was that the state would use bond funds to replenish reserves and would pay interest on the bond repayments using the reserve dollars. One of the advantages was that the interest earned on the reserves would exceed the interest to be paid on the bonds. He wondered whether ESD was certain that the federal government had no problem with Nevada earning interest on borrowed money. He thought there might be a conflict because Nevada would have a reduction in the interest rate paid to the federal government.

Ms. Olson replied that she had been told that there was no conflict. Colorado had developed a similar structure, and she had not heard of any problems and was informed that it was a legal structure.

Mr. Woodbeck added that the bonds to pay off the debt of the Trust Fund were nontaxable bonds. The bonds to replenish the reserves were taxable bonds, and taxes would be owed on the interest earned. The federal government recognized that the bonds to solvency could earn interest.

Chair Carlton said the proposal was a complicated matter, and Committee members would need time to ponder the bill overnight; the bill could not be processed at this meeting.

Brian McAnallen, Vice President, Government Affairs, Las Vegas Metro Chamber of Commerce, testified in support of Senate Bill 515. When Mr. Woodbeck discussed the proposal with him earlier, Mr. McAnallen thought the proposal sounded too good to be true. It was a phenomenal opportunity, and he encouraged the Legislature to swiftly pass the bill. The ESD had conducted considerable research and studied the bonding options to develop a solution to improve the future. Senate Bill 515 had multiple positive effects for the business community and the labor force. The stabilization of the payments for employer rates was vital to the state's businesses. Increases in the rates to repay the federal obligations were challenging for many because the businesses were struggling; employers were paying more because they had to lay off employees. Stabilizing the rate for employers was beneficial, especially as the state emerged from the poor economy, and bonding to rebuild the state's reserves was even more important.

Mr. McAnallen said the state must prepare for a future recession that could hit, but he hoped it would not be as damaging as the last recession. He thanked

the ESD for its future planning and stated Senate Bill 515 was important for the state.

Tray Abney, representing The Chamber [Reno-Sparks-Northern Nevada], testified in support of Senate Bill 515. He echoed the comments of Mr. McAnallen. He said the proposal was a method to pay off the debt, replenish the Trust Fund, and earn interest. He suggested that the state did not want a Trust Fund with a zero balance when another recession occurred. He believed Senate Bill 515 was the best way to achieve the state's goals. Mr. Abney testified in support of increases to the employer tax rates to help improve the state's fiscal situation. Senate Bill 515 would lower the employer's rates in the long term.

Hearing no response to her request for further testimony in support of or in opposition to the bill, Chair Carlton called for public testimony. There being no public testimony, she closed the hearing on Senate Bill 515 and opened the hearing on Assembly Bill 502.

Assembly Bill 502: Authorizes an expenditure from the Estate Tax Account in the Endowment Fund of the Nevada System of Higher Education for the design and construction of buildings on the principal campus of the Nevada State College. (BDR S-1239)

Bart Patterson, President, Nevada State College (NSC), presented "The Nevada State College Estate Tax Expenditure Request" ([Exhibit E](#)) and testified that Assembly Bill 502 related to some remaining money in the Nevada System of Higher Education's (NSHE's) Estate Tax Account. The bill authorized expenditure of \$1,262,000 from the Estate Tax Account for construction of buildings on the principal campus of NSC. Nevada State College had received Interim Finance Committee (IFC) approval to proceed with long-term financing of a lease-purchase agreement to build two new buildings. The College's facilities currently included one permanent building on its 510 acres, a nearby building leased from the City of Henderson for \$10 per year, and two leased buildings five miles from the campus in the City of Henderson.

Mr. Patterson explained that Nevada State College planned to build two new buildings. The first building was a nursing and education building, for which NSC had received planning money from the Legislature and had been waiting for construction funding for the last two legislative sessions. There had been no money for capital improvements, which was why the College was now proceeding with plans to self-finance the construction. The second building was a student center that was needed because the College had no student activity space on campus.

Mr. Patterson said that Nevada State College would impose a special student fee of approximately \$150 per semester on students who enrolled for four or more credits. Assembly Bill 502 would allow the College to substantially reduce or defer the \$150 fee over the next two to four years, particularly for students who would not get the full benefit of the new buildings. According to the College's projected construction timeline, it expected to have the financing approved during fall 2013, with construction to begin in January 2014 and a completion date of fall 2015,

Mr. Patterson explained that NSC needed space because it was the fastest growing college in the state and had grown over 50 percent in student enrollment in the last five years. The \$1,262,000 would be used to reduce student fees associated with the construction project.

Assemblyman Hickey asked whether the financing plan was comparable to the financing used by the University of Nevada, Reno (UNR) or the University of Nevada, Las Vegas (UNLV) to combine student fees and available funding to build student centers.

Mr. Patterson replied the proposal was comparable to the financing of the other schools. The facilities at Nevada State College were not as robust as the facilities at UNLV or UNR, but the \$150 fee was in the mid-range of the fees charged to students at UNLV and UNR for their student centers.

Deuvall Dorsey, President, Nevada State Student Alliance (NSSA), testified that he had spoken with NSC students and that the students supported the assessment of the building fee of \$150 for construction of new buildings. He added that the students would also welcome any possible reductions to the \$150 fee that could be offered now or in the future.

Hearing no response to her request for further testimony in support of or in opposition to the bill, Chair Carlton called for public testimony. There being no public testimony, she closed the hearing on Assembly Bill 502 and opened the hearing on proposed bill draft request (BDR) S-1241.

BDR S-1241—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 507](#).)

Chair Carlton said the approval process for proposed bill draft request (BDR) S-1241 was different from the process for other bills that had come before the Assembly Committee on Ways and Means. First, the Committee would discuss the bill draft as a proposed BDR, and the

Senate Committee on Finance would discuss the bill draft as a proposed BDR. Next, the Committees would meet jointly to discuss the proposed BDR and reach agreement on the basic proposals to fund state government with General Funds. The proposed BDR would then be introduced in the Ways and Means Committee and sent to the Assembly floor to be referred back to the Committee for a hearing.

Michael J. Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented the proposed BDR S-1241. He explained that after the Senate Committee on Finance had the opportunity to hear the proposed BDR, the Assembly Committee on Ways and Means and the Senate Committee on Finance could discuss any major conflicts. Upon resolution of major conflicts, the proposed BDR would be introduced. When the proposed BDR S-1241 was introduced, a 24-hour time limit would begin for the Ways and Means Committee to take action on it.

Mr. Chapman said the purpose of the Appropriations Act was to appropriate funds from the State General Fund for expenditures that had been approved by the Assembly Committee on Ways and Means and the Senate Committee on Finance during the course of the legislative session to support state government. All state agencies were included in proposed BDR S-1241, except for the kindergarten-12th grade (K-12) Distributive School Account (DSA). The DSA would be included in the "Education First" bill, and that proposed BDR would be presented to the Committee on Ways and Means as well.

Mr. Chapman explained that the appropriations included in sections 2 through 31 of the proposed BDR S-1241 totaled approximately \$1.98 billion for fiscal year (FY) 2014 and slightly over \$2.03 billion for FY 2015, based on the closing actions of the Assembly Committee on Ways and Means and the Senate Committee on Finance.

Mr. Chapman reviewed the sections of the 2013-2015 Appropriations Act included in BDR S-1241:

- Sections 2 through 31 listed all appropriations by budget account; individual amounts for FY 2014 and FY 2015 were listed for every account that received a General Fund appropriation.
- Section 32 authorized the State Highway Fund appropriations approved by the Committee on Ways and Means and the Committee on Finance.
- Section 33 included certain sums in the appropriations noted in sections 2 through 32 that were allowed to be work-programmed

between the two fiscal years of the 2013-2015 biennium. Those sums could be work programmed upon approval of the Governor through the Department of Administration in accordance with the State Budget Act.

- Section 34 was a list of accounts that were authorized to transfer funds from one fiscal year to another with the approval of the Interim Finance Committee (IFC) and upon recommendation of the Governor. Those accounts were standard from one biennium to the next, but there were a few new ones including 22, Fleet Services Capital Purchase, and 23, Educator Effectiveness.
- Section 35 included amounts appropriated for specific purposes that might be transferred from one fiscal year to another with the approval of IFC and upon recommendation of the Governor. Those amounts were outlined in subsection 1 and included the Department of Education for proficiency examinations and other assessments in high school required by statute. Paragraph (b) referred to funds set aside for state writing proficiency examinations. Paragraph (c) referred to funds set aside for enhancement and maintenance related to the System for Accountability Information in Nevada. Subsection 2 referred to amounts totaling \$1,817,970 in FY 2014 and \$1,816,484 in FY 2015 set aside for the Department of Health and Human Services costs of the HIV/AIDS Drug Assistance Program.
- Section 36 authorized the transfer of funds for Nevada Medicaid in the Division of Health Care Financing and Policy for the purpose of implementing a care management program, with approval of IFC upon recommendation of the Governor.
- Section 37 authorized the transfer of deferred maintenance funding from one fiscal year to another within the 2013-2015 biennium that had been approved by the Committee on Ways and Means and the Committee on Finance. The funds could be used for deferred maintenance and could not be used for any other purpose.
- Section 38 provided that funds in either the Catalyst Fund or the Knowledge Fund at the end of FY 2013 could be balanced forward from one year to the next in the 2013-2015 biennium, and the funds would not revert to the General Fund.
- Section 39 was a new General Fund appropriation in FY 2014 of \$4 million to IFC for allocation to the Governor's Office of Economic Development (GOED) for the Unmanned Aerial Vehicle

(UAV) program. During the closing of the GOED budget and the Catalyst Fund, a General Fund appropriation of \$2 million in FY 2015 was removed, \$1 million of which was transferred to the GOED account from the Catalyst Fund for the purpose of funding the UAV program. The \$4 million in Section 39 would supplement the \$1 million appropriation for the UAV program. The GOED must request approval from IFC, based upon the recommendation of the Governor, on how the \$4 million would be spent.

- Section 40 included a \$3 million appropriation to the Legislative Fund for the costs of the 77th Legislative Session (2013). Senate Bill 1 was approved, which appropriated \$15 million for the costs of the session. However, there had been some cost overruns, and the Legislative Fund needed additional funds.
- Section 41 was standard language to permit transfers of funds in the Legislative Fund from one legislative session to the next. Funds could also be transferred among the various divisions of the Legislative Counsel Bureau, subject to approval by the Legislative Commission and upon recommendation of the Director of the Legislative Counsel Bureau.
- Section 42 included an \$800,000 appropriation for allocation to officers, departments, boards, agencies, commissions, and institutions of the state government for costs associated with connecting to the state telephone system. Mr. Chapman recalled that during the budget hearings, the Governor recommended approximately \$2 million for the Division of Enterprise Information Technology Services (EITS), Department of Administration, for connectivity to the state telephone system. However, that \$2 million was eliminated and there were other cost adjustments that reduced the funding to \$800,000, which was set aside in the IFC Contingency Account subject to IFC approval. The appropriation would allow state agencies with insufficient funds to request EITS to approach IFC for an allocation to connect to the state telephone system.
- Section 43 set limits on the funds in 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. The Divisions could not request additional money for the programs, except for the following accounts: Health Care Financing and Policy Administration, Assistance to the Aged and Blind, Welfare Administration, and Welfare Field Services account. The exceptions listed in subsections 1 through 4 permitted requests for

additional funds for the following reasons: decreases in the Federal Medical Assistance Percentage (FMAP) rate to less than what was legislatively approved; costs related to the unfunded mandates by the federal government that would come into effect after October 1, 2013; costs related to increases in the cost-per-eligible for the Temporary Assistance for Needy Families (TANF) population; and funding if the annual TANF block grant award was less than the amount approved for either fiscal year of the 2013-2015 biennium.

- Section 44 specified that the amounts appropriated to the Division of Child and Family Services of the Department of Health and Human Services, Clark County Child Welfare, and Washoe County Child Welfare accounts were limits. The Division could not request additional funds for those programs, except that the Division could request additional sums for the adoption assistance programs established in *Nevada Revised Statutes* (NRS) 432B.219.
- Section 45 provided that the sums appropriated to the Division of Welfare and Supportive Services, Department of Health and Human Services, could be transferred among the various budget accounts within that Division with the approval of IFC upon recommendation of the Governor. That standard language was included every legislative session.
- Section 46 related to funds appropriated in the 2011-2013 biennium for the eligibility engine of the Division of Welfare and Supportive Services, Department of Health and Human Services. Mr. Chapman understood that those funds had not been completely exhausted, and subsection 1 allowed the Division to balance forward the 2011-2013 biennium appropriations to FY 2014 for the eligibility engine.
- Section 47 authorized the transfer of sums appropriated to the Nevada Medicaid and Nevada Check-Up programs between each budget account with approval of IFC upon recommendation of the Governor.
- Section 48 allowed sums appropriated to Nevada Medicaid and the three mental health agencies, the Southern Nevada Adult Mental Health Services, Northern Nevada Adult Mental Health Services, and Rural Clinics, within the Division of Public and Behavioral Health of the Department of Health and Human Services, to be transferred among budget accounts. The transfers would ensure that appropriate services were provided as a result of the implementation of the Affordable Care Act, subject to approval of IFC upon recommendation of the Governor.

- Section 49 was a continuation of a pilot project approved by the Legislature during the 76th Session (2011). The funds were appropriated to either the Division of Child and Family Services or the Division of Health Care Financing and Policy of the Department of Health and Human Services and could be transferred between accounts to continue a pilot project during the 2013-2015 biennium.
- Section 50 allowed for the transfer of funds among accounts to support the three youth correctional facilities—Summit View Youth Correctional Center, Caliente Youth Center, and Nevada Youth Training Center—with approval of IFC upon recommendation of the Governor.
- Section 51 provided for the transfer of appropriations among divisions of the Department of Health and Human Services as a result of savings from not providing health and related services. Subsection 2 allowed those funds to be used as the nonfederal match in the Medicaid program to cover the cost of those services if a funding shift occurred.
- Section 52 appropriated \$3 million to the Division of Public and Behavioral Health of the Department of Health and Human Services for necessary facility improvements, staffing, furnishings, equipment, and operating expenditures for the Southern Nevada Adult Mental Health Services (SNAMHS) inpatient facilities. The 2013 Capital Improvement Program (CIP) added \$2 million to ensure improvements to SNAMHS inpatient facilities. State facilities were reviewed by the Centers for Medicare and Medicaid Services (CMS) and the Joint Commission on Accreditation of Health Care Organizations (JCAHO), and some reviews had not been completed. The \$3 million was set aside in case it was needed for corrective action plans resulting from those reviews to address problems that the mental health agencies had been experiencing over the last several months.
- Section 53 provided for the transfer of appropriations among the various accounts of the Department of Corrections, not including appropriations set aside for deferred maintenance as outlined in section 37.
- Section 54 was standard language that allowed for appropriations to be transferred among various divisions, bureaus, and agencies within the same department to meet salary and payroll costs. Transfers were subject to approval of IFC upon recommendation of the Governor and limited to amounts budgeted for vacancy savings.

- Section 55 provided for the transfer of appropriations among the budgets of the Nevada System of Higher Education (NSHE), subject to approval of IFC upon recommendation of the Governor.
- Section 56 provided authority to transfer funds between the two budget accounts of the Western Interstate Commission for Higher Education subject to approval of IFC upon recommendation of the Governor.
- Section 57 provided that should there be a need or shortfall in the General Fund balance, NSHE would abide by the Governor's request to set aside money for the purpose.
- Section 58 allowed funding used as match for documented research grants at NSHE that was not committed for expenditures at the end of each year to be carried forward for a maximum of two fiscal years. After that period of time, the funds would revert to the General Fund.
- Section 59 addressed funds appropriated for the new Performance Funding Pool account that was included in the NSHE budgets. The section provided that any balance of money appropriated for FY 2015 but not transferred from the Performance Funding Pool account to the respective formula-funded accounts could be balanced forward to FY 2016, subject to approval of IFC upon recommendation of the Governor. Any remaining balance of money not used in FY 2016 may be carried forward to FY 2017 for transfer to the State-Funded Perkins Loan Account to be used for systemwide need-based student financial aid, with approval of IFC upon recommendation of the Governor.
- Section 60 appropriated \$131,467 to the Public Employees' Retirement Board for administration of the Legislators' Retirement System in FY 2014 and FY 2015.
- Section 61 included standard language providing that other than sections 38, 58, 59, and 60, funds for FY 2014 and FY 2015 and must not be committed for expenditure after June 30 of each fiscal year or spent after September 19, 2014, and September 18, 2015, for each fiscal year, respectively.
- Sections 62, 63, and 64 contained continuing language from previous bienniums allowing the State Controller to pay claims and transfer funds among the appropriate accounts as necessary to carry out the budget that the Legislature approved. Those sections also provided for the

payment of salaries to the Supreme Court Justices, District Court Judges, and elected state officials as authorized in statute.

- Section 65 was continuing language authorizing the Director of the State Department of Conservation and Natural Resources to request an advance from the General Fund if receipt of revenue for services billed to the federal government for fire suppression efforts was delayed. The Director would be required to seek that advance from the Director of the Department of Administration, as well as notify the State Controller, the Assembly Fiscal Analyst, and the Senate Fiscal Analyst. The advances must be repaid by the end of the fiscal year upon which they were drawn.
- Section 66 provided for an advance if the Governor ordered the Nevada National Guard into active duty, as described in *Nevada Revised Statutes* (NRS) 412.122, for an emergency as defined in subsection 1 of NRS 353.263. The amount of an advance was limited to \$25,000 per activation.
- Section 67 provided that if the ending balance in the General Fund fell below the amount established by the 2013 Legislature for either FY 2014 or FY 2015, the Director of the Department of Administration must report that information to the State Board of Examiners. Subsection 2 stated that if the balance fell below \$80 million in FY 2014 or FY 2015, the Governor could direct the Director of the Department of Administration to require the State Controller or the head of each department to set aside a reserve of not more than 15 percent of the agencies' total operating expenses.
- Section 68 authorized the State Controller, upon approval of the State Board of Examiners, to make arbitrage payments if necessary.
- Section 69 involved an ongoing concern of the Department of Motor Vehicles (DMV) during the course of the 2013 Legislative Session. Mr. Chapman explained that the money committees added \$761,080 in FY 2014 to the DMV Automation account and \$290,000 in FY 2014 and FY 2015 to the Management Services account to implement various pending bills that could require a significant amount of computer programming and technology system changes. Subsection 3 allowed the amounts in the Automation account to be balanced forward to FY 2015 if necessary.

- Section 70 provided for transfer of \$84,737,276 from the Account to Stabilize the Operation of the State Government to the General Fund; the amount was included in The Executive Budget.
- Section 71 addressed the transfer from the Account to Stabilize the Operation of the State Government to the State General Fund. One percent of the total anticipated revenue was to be set aside beginning in FY 2014. Mr. Chapman explained that the provision originated from 2009 legislation that provided for the amount to be set aside, but it was not required to be done until the start of FY 2014. However, it was determined that there was a need for those funds, and that 1 percent would not be set aside but would be transferred to the unrestricted General Fund. That provision amended the current statute.
- Section 72 continued the \$25,000 appropriation from the State Highway Fund approved by the 2011 Legislature for e-payment services in the Office of the State Treasurer from the 2011-2013 biennium to the 2013-2015 biennium.
- Section 73 continued the \$75,000 appropriation from the General Fund for e-payment services in the Office of the State Treasurer from the 2011-2013 biennium to the 2013-2015 biennium.
- Section 74 included language that effectuated the various sections of the proposed Appropriations Act. The sections listed in subsection 1 would become effective upon passage and approval, and the sections listed in subsection 2 would become effective on July 1, 2013. The appropriations for the statewide telephone system became effective upon passage and approval. Most of the other major provisions would become effective on July 1, 2013.

Chair Carlton said as Mr. Chapman had presented the various sections of the proposed BDR S-1241, she recalled the many meetings of the Legislature and the discussions of the various items presented. Many hours were required to provide for the budgetary needs contained in the 39 pages of appropriations for the 2013-2015 biennium.

In response to a question from Assemblyman Aizley, Mr. Chapman replied that the tuition fees that the NSHE campuses were permitted to retain were not included in the proposed BDR, but they would be contained in the Authorizations Act, which included all non-General Fund components. The Authorizations Act was being drafted and would be presented to the Legislature the following day.

Chair Carlton said she thought the Authorizations Act would first be presented to the Senate Committee on Finance.

Mr. Chapman explained that the Fiscal Analysis Division staff was presenting the proposed BDRs for the major appropriation bills to the money Committees as soon as they were completed. The 2013-2015 Capital Improvement Program was presented to the Senate Committee on Finance and then to the Assembly Committee on Ways and Means. The Senate Committee on Finance would inform the Fiscal staff of any concerns, and the Senate Committee on Finance would move for introduction at that time. It was easier to amend a proposed BDR while it was in draft form rather than after it was in bill form. The time limitations made it easier to present the proposed BDRs in draft form and make any changes before they were formally introduced.

Chair Carlton said the Committee must not take any action on the proposed BDR for the Appropriations Act until the Senate Committee on Finance resumed its meeting. She asked Committee members to work with Mr. Chapman on any questions they might have on the BDR.

Mr. Chapman thanked Joi Davis, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, for her efforts in drafting BDR S-1241.

Chair Carlton said that concluded the business before the Assembly Committee on Ways and Means for the morning. She asked for an update on the day's schedule.

Assemblywoman Kirkpatrick said the Assembly would hold one floor session at 11:30 a.m., the Assembly Committee on Taxation would meet at 1:00 p.m., and conference committees would be organized. She suggested the Committee on Ways and Means consider meeting again later in the day.

Chair Carlton asked Committee members to monitor the meeting of the Assembly Committee on Taxation and return from recess about ten minutes after that committee adjourned.

Chair Carlton recessed the meeting at 10:43 a.m.

Chair Carlton reconvened the meeting of the Assembly Committee on Ways and Means behind the bar of the Assembly at 1:23 p.m. to consider the introduction of BDR S-1241, which was heard by the Assembly Committee on Ways and Means in the morning hearing.

BDR S-1241—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 507](#).)

ASSEMBLYMAN BOBZIEN MOVED FOR COMMITTEE
INTRODUCTION OF BDR S-1241.

ASSEMBLYMAN SPRINKLE SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chair Carlton recessed the meeting behind the bar of the Assembly at 1:26 p.m.

Chair Carlton reconvened the meeting of the Committee on Ways and Means at 4:15 p.m. to continue its work session to process bills. After the bills were processed, she would adjourn the meeting and Committee members would be free for the rest of the evening.

Chair Carlton said there were several bills to process in work session and she was staying current with the workload, but Committee members must remain available because events happened quickly at this stage of the session.

Chair Carlton opened the work session on [Assembly Bill 502](#).

[Assembly Bill 502](#): Authorizes an expenditure from the Estate Tax Account in the Endowment Fund of the Nevada System of Higher Education for the design and construction of buildings on the principal campus of the Nevada State College. (BDR S-1239)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said [Assembly Bill 502](#) was heard by the Assembly Committee on Ways and Means earlier in the day. The bill authorized an expenditure from the Estate Tax Account in the Endowment Fund of the Nevada System of Higher Education (NSHE) for the design and construction of buildings on the principal campus of the Nevada State College. The bill would authorize an expenditure of \$1,262,000 by the Board of Regents from the Estate Tax Account for construction purposes.

Chair Carlton added that the bill would increase fees paid by students by \$150.

ASSEMBLYMAN HARDY MOVED TO DO PASS
ASSEMBLY BILL 502.

ASSEMBLYMAN HORNE SECONDED THE MOTION.

THE MOTION PASSED. (Assemblywoman Kirkpatrick was not present for the vote.)

Senate Bill 515: Provides for the issuance of bonds to repay loans from the Federal Government related to unemployment benefits and to establish adequate balances in the State's account in the Unemployment Trust Fund and for the temporary imposition of an assessment on employers to pay such bonds and related costs. (BDR 53-1214)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that Senate Bill 515 was heard by the Assembly Committee on Ways and Means earlier in the day. The bill provided authority to the Administrator of the Employment Security Division (ESD) of the Department of Employment, Training and Rehabilitation to issue bonds for the purpose of repayment of the unemployment benefits debt incurred as a result of the economic recession. The bill would also authorize bonding to allow the Administrator to secure additional funding to reestablish the reserves for the Unemployment Trust Fund. The purpose of the bill was to avoid requiring Nevada employers to pay financing costs on the loan.

Chair Carlton said when she first heard S.B. 515, she was apprehensive about the concepts. The ESD explained the bonding process for the type of debt and what would be needed to establish the program. She was comfortable with the proposal because the language was permissive and the Legislature was not mandating the process. Agency staff would be able to study the options and decide whether bonding was the best option, and the Legislature would stay involved in the process. Ultimately, if the bonding proposal did not work, the employers of the state would have to pay the debt. Chair Carlton called for a motion on the bill.

ASSEMBLYMAN KIRNER MOVED TO DO PASS SENATE BILL 515.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION PASSED. (Assemblywoman Kirkpatrick was not present for the vote.)

Assembly Bill 423: Revises provisions governing reports of presentence investigations. (BDR 14-741)

Chair Carlton said she had prepared a proposed amendment to the bill and she was able to eliminate the \$900,000 fiscal note from the Division of Parole and Probation. She asked Ms. Jones to provide a brief summary of Assembly Bill 423.

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said A.B. 423 was heard by the Committee on May 24, 2013. The bill revised requirements governing presentence investigation (PSI) reports. The bill would require the Division of Parole and Probation of the Department of Public Safety to produce a PSI report 21 days before sentencing and revise the report within 7 days after receiving the report if there were any objections. A fiscal note was submitted by the Division of Parole and Probation, and Chair Carlton had a proposed amendment to present to the Committee that would eliminate the fiscal note.

Chair Carlton referred Committee members to Exhibit F, a mock-up of proposed amendment 9354 to A.B. 423. She had met with the staff of the Division of Parole and Probation, Department of Public Safety, concerning getting PSIs to the defendants in sufficient time to review. The PSIs must not be delivered on the same day as the defendant went to trial because that caused continuances. With continuances, defendants must be returned to jail, which increased the costs of jail time.

Chair Carlton explained that the proposed amendment provided incremental steps to achieve the 21-day time period. By October 1, 2013, the requirement would be to disclose the PSI to the defendant and his legal counsel 7 days before sentencing. By March 1, 2014, the requirement would be to disclose the PSI report to the defendant and his legal counsel 14 days before sentencing. By October 1, 2014, the requirement would be to disclose the PSI report to the defendant and counsel 21 days before sentencing.

Chair Carlton said it was important to address the backlog, gradually shorten the deadlines, and collect data on how the proposal worked, how many hours were needed to comply with the bill, and how many PSIs might still be returned because of errors. It was also important to study continuances to determine the effects of the bill and examine the effects of the possible jail time days. The Division of Parole and Probation could return to the Legislature and report how the proposal affected the system and whether it saved money.

Chair Carlton said the implementation dates were listed on the last page of the amendment ([Exhibit F](#)). There would not be any official reporting to the Legislature, but the Legislature would receive updates from the agency about how the process was working. There was the possibility that the Division might be unable to comply with all of the requirements of the bill, but Chair Carlton believed the Division must do the best it could with the staff available. The Division could report to the Interim Finance Committee to request additional resources to help resolve any problems. If no additional resources were available, then the Division had done its best, and the Legislature would have the information and data for the future on how the change could work and be improved.

Assemblyman Hickey thanked Chair Carlton for her work on the amendment. He asked whether the amendment resolved the problems of the counties and relieved the additional burden the bill placed on their financial resources.

Chair Carlton replied that by deleting the fiscal note, she had eliminated the objections of the counties. The counties would not be required to pay additional amounts for the PSIs. If defendants were able to get out of jail quicker, it would save time and expense in the county jail. The additional staff and personnel were originally requested to achieve the 21-day time limit on the PSIs. The amendment proposed gradually moving up the deadlines over the next year and a half beginning in October. The Legislature should be able to get some real data and determine how the proposal was working. If the proposal did not make a big difference, then the Legislature would know that and would not have paid for something that did not work.

Ms. Jones added that no solicited or unsolicited fiscal notes were submitted by local governments on the bill.

ASSEMBLYMAN HORNE MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 423.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

THE MOTION PASSED. (Assemblywoman Kirkpatrick was not present for the vote.)

Chair Carlton called for public testimony, and there was none. She said the next day's hearing would begin at 8:00 a.m. with multiple bills to hear, possible bill introductions, work sessions on bills, and some amendments to consider. She asked Committee members to remain flexible, and as bills were referred to

the Committee, they would be processed. She thanked the members for their hard work: they had done a good job.

There being no further business before the Assembly Committee on Ways and Means, Chair Carlton adjourned the meeting at 4:36 p.m.

RESPECTFULLY SUBMITTED:

Janice Wright
Committee Secretary

APPROVED BY:

Assemblywoman Maggie Carlton, Chair

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Ways and Means

Date: May 30, 2013

Meeting Times: 8:27 a.m.
1:23 p.m.
4:15 p.m.

Bill	Exhibit	Witness/Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 360 (R1)	C	Assemblyman William C. Horne, Clark County Assembly District No. 34	Proposed Amendment 9325 to <u>Assembly Bill 360 (1st Reprint)</u> dated May 28, 2013
S.B. 515	D	Renee Olson, Administrator, Employment Security Division, Department of Employment, Training and Rehabilitation	Unemployment Insurance Funding
A.B. 502	E	Bart Patterson, President, Nevada State College	Nevada State College Estate Tax Expenditure Request
A.B. 423	F	Assemblywoman Maggie Carlton, Clark County Assembly District No. 14	Proposed Amendment 9354