

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

**Seventy-Seventh Session
May 31, 2013**

The Committee on Ways and Means was called to order by Chair Maggie Carlton at 8:09 a.m. on Friday, May 31, 2013, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, 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 may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman 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
Jeffrey A. Ferguson, Senior Program Analyst
Laura Freed, Senior Program Analyst
Catherine Crocket, Program Analyst
Linda Blevins, Committee Secretary
Cynthia Wyett, Committee Assistant

Following call of the roll, Chair Carlton recessed the meeting at 8:11 a.m. to the call of the Chair.

Chair Carlton reconvened the meeting at 3:06 p.m. and requested Fiscal Analysis Division staff present statewide budget information for Committee consideration.

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided an overview of statewide decision units Enhancement (E) 670 and E-671 ([Exhibit C](#)). On May 4, 2013, certain statewide decision units were discussed before a meeting of the Assembly Committee on Ways and Means and the Senate Committee on Finance; however, there was no action taken on decision units E-670 and E-671 at that meeting.

In decision unit E-670, the Governor recommended to continue the 2.5 percent pay reduction currently in place for state employees and to change the current six-day annual furlough to an annual three-day furlough. Ms. Jones noted that according to The Executive Budget, approximately \$70.6 million would be saved over the biennium because of the changes. Restoring 1 percent of the salary reduction recommended by the Governor for the state and university employees would result in a need to add back General Funds of approximately \$20.5 million over the biennium. Ms. Jones pointed out the Governor also submitted a budget amendment that would eliminate furlough days by fiscal year (FY) 2015 for state employees.

In summary, the Governor recommended the continuation of the 2.5 percent pay cut, reduction of furlough days to three in FY 2014 and FY 2015, with an amendment to eliminate furlough days by FY 2015.

Ms. Jones asked whether the Committee wished to approve the 2.5 percent pay reduction as recommended by the Governor for state and university system

employees and reduce furlough days to three in FY 2014 and FY 2015, with an amendment to eliminate furlough days by FY 2015.

Chair Carlton opened the hearing for discussion on the recommendation. She stated that the Committee was inclined to reinstate the 2.5 percent salary reduction and to keep the current six annual furlough days.

Assemblyman Hambrick commented that he was in favor of some items in The Executive Budget but was opposed to others. He wanted to ensure that he could vote on each line item separately. Chair Carlton confirmed that he could vote on each item and then determine whether he was in favor of or opposed to the total budget.

Hearing no response to her request for comments or questions, Chair Carlton requested a motion on decision unit E-670.

ASSEMBLYMAN BOBZIEN MOVED TO NOT APPROVE THE CONTINUATION OF THE 2.5 PERCENT SALARY REDUCTION AND INSTEAD KEEP THE SIX ANNUAL FURLOUGH DAYS EACH YEAR OF THE BIENNIUM.

ASSEMBLYMAN SPRINKLE SECONDED THE MOTION.

Assemblywoman Kirkpatrick requested a recess.

Chair Carlton recessed the hearing at 3:13 p.m. and reconvened at 3:20 p.m. Chair Carlton opened the floor for discussion of the motion.

Assemblyman Hickey pointed out that the decision to discontinue the 2.5 percent pay cuts the state employees had endured was an important element that his colleagues would support. He thought that restoring the 2.5 percent pay was important for the state. Assemblyman Hickey stated that he and his colleagues reserved the right to change their votes when all of the budget components were combined.

THE MOTION PASSED UNANIMOUSLY.

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that statewide decision unit E-671 was in regard to the suspension of merit payments. The Governor recommended suspension of merit pay increases for all state employee groups in FY 2014 and the resumption of merit pay increases in FY 2015. The State and Nevada System of Higher Education (NSHE) employees had ten steps in the classified service.

Employees received a merit increase on the anniversary of their hire date. The average merit increase was approximately 4.5 percent per step.

The NSHE professional employees were eligible for merit increases each year. A total of 2.5 percent of total professional salaries was budgeted to finance merit increases for professional employees each year. According to Ms. Jones, this did not include professional positions above the level of assistant dean and the portion of academic professional salaries above the established pay range. While all professional employees at university campuses were eligible for the merit increases, merit was not awarded to all professional employees each year. The table on page 2 of [Exhibit C](#) showed the amount of projected savings realized by eliminating the merit pay increases in the first year. It appeared the recommendation by the Governor to reduce funding for merit salary increases would reduce the General Fund by about \$18.3 million in FY 2014 and \$23.6 million in FY 2015.

Chair Carlton restated for the Committee that the Governor's recommendation was a continued suspension of the merit increases in FY 2014 and a reinstatement of the merit increases in FY 2015.

Hearing no response to the request for questions on comments, Chair Carlton requested a motion.

ASSEMBLYMAN BOBZIEN MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR CONTINUATION OF THE SUSPENSION OF THE MERIT STEP INCREASES IN FY 2014 AND A REINSTATEMENT OF THE MERIT STEP INCREASES IN FY 2015.

ASSEMBLYMAN HORNE SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hambrick voted no.)

Chair Carlton requested Ms. Jones move to the next item for discussion.

BDR S-1242—Authorizes expenditures by agencies of the State Government for the 2013-2015 biennium. (Later introduced as [Senate Bill 521](#).)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, introduced Jeffrey A. Ferguson, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, to provide an overview of the Authorizations Act (BDR S-1242), [Exhibit D](#). Mr. Ferguson was accompanied by Catherine Crocket, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

Mr. Ferguson commented that section 1 of the Authorizations Act ([Exhibit D](#)) was lengthy because it listed various offices, departments, boards, agencies, commissions, and institutions of state government with corresponding sums not appropriated from the State General Fund or the State Highway Fund.

Beginning on page 22 of the exhibit, section 2 of the bill draft request (BDR) was continuation language from previous Authorizations Acts. Mr. Ferguson explained that it provided for the appropriation of money received from the tobacco settlement as follows:

- (a) The sum of \$752,495 for fiscal year (FY) 2014 and the sum of \$750,759 for FY 2015 to support the operation of the Attorney General Administrative Fund.
- (b) The sum of \$220,513 for FY 2014 and the sum of \$224,734 for FY 2015 to the Department of Taxation in support of enforcing or otherwise ensuring compliance with the Master Settlement Agreement and deposits by nonparticipating manufacturers into a qualified escrow fund.

Section 2, subsection 2 outlined how the State Controller would disburse the tobacco settlement funds. Mr. Ferguson noted that section 2, subsection 3 directed that any monies remaining after the appropriations in subsection 1 were committed would be reverted 40 percent to the Millennium Scholarship Trust Fund and 60 percent to the Fund for a Healthy Nevada. Subsection 4 stated that any funds originating from the Fund for a Healthy Nevada and remaining at the end of the respective fiscal year would revert to the Fund for a Healthy Nevada as soon as all payments of money committed had been made.

Mr. Ferguson explained that section 3 provided for appropriations from the General Fund for the State Gaming Control Board of \$25,662,880 in FY 2014 and \$25,492,049 in FY 2015. Section 3, subsection 3 directed the reversion of those funds.

Mr. Ferguson noted that section 4 dealt with appropriations from the General Fund for the Nevada Gaming Commission of \$357,630 in FY 2014 and \$357,065 in FY 2015. Section 4, subsection 3 directed how the funds would be reverted.

With the exception of the Legislative Fund and the judicial agencies, section 5 directed that the money authorized in sections 1 through 4 was subject to the State Budget Act.

Under section 6, Mr. Ferguson pointed out the continuation language stated that the Chief of the Budget Division of the Department of Administration could reduce an authorization whenever the Chief determined that the money to be received would be less than the amount authorized in sections 1 through 4. Similarly, subsection 2 dealt with the Legislative Counsel Bureau (LCB). The Director of the LCB could reduce authorizations in a manner similar to the Chief of the Budget Division.

Section 7 directed that when an agency was financed during the biennium by an appropriation or appropriations from the General Fund or the Highway Fund, as well as by money received from other sources, the portion provided by appropriation from the General Fund or Highway Fund must be decreased to the extent that the receipts of the money from other sources was exceeded, but such a decrease must not jeopardize the receipts of such money as would be received from other sources.

Mr. Ferguson continued with highlights from section 8 of [Exhibit D](#), the Nevada System of Higher Education (NSHE). The amount of student registration fees, miscellaneous fees, and nonresident tuition projections were shown on page 26 of the exhibit. Subsection 2 on page 27 of the exhibit required that if any additional registration fees were collected above the amount budgeted, the money could be used for incremental instructional faculty costs. The NSHE could also expend, with the approval of the Interim Finance Committee (IFC), any additional registration fees and nonresident tuition fees resulting from the imposition of fee increases. Subsection 3 explained how the revenues for the NSHE budgets were calculated at the end of the fiscal year.

Mr. Ferguson explained that in section 9 of the BDR, the Department of Wildlife could receive a temporary transfer from the General Fund that could not exceed 50 percent of the amounts receivable from the federal government. Subsection 3 directed that the repayment of the transfer must take place on or before the last business day in August immediately following the end of the fiscal year.

Section 10 dealt with the State Public Defender and outlined the amounts that could be collected from the counties for services of the public defender.

Page 29, section 11 of the BDR contained continuing language and provided that the State Treasurer should allocate the amount of tax on motor vehicle fuel to be paid on fuel used in watercraft for recreational purposes and be distributed equally between the Department of Wildlife and the Division of State Parks of the State Department of Conservation and Natural Resources.

Mr. Ferguson noted that section 12 was also continuing language and allowed for special reserves for the Division of Forestry for extraordinary costs of operation, repair, and maintenance of firefighting vehicles.

Section 13 was also carryover language and directed that the funds received by the State Fire Marshal from the Contingency Account for Hazardous Materials must be expended to support eligible training programs and related operating costs before any money from the General Fund could be expended for such training programs.

Mr. Ferguson addressed section 14 on page 30 of the exhibit. Section 14 provided that money authorized for expenditures in section 1 of the Authorizations Act for the Division of Forestry for support of the central reporting unit that remained unexpended on June 30 of either fiscal year may be carried forward to the next fiscal year for that purpose.

Section 15 was a new section that allowed the Forest Fire Suppression account to carry forward up to \$250,000 in FY 2014 and \$250,000 in FY 2015 for the repair of firefighting and emergency response vehicles.

Mr. Ferguson noted that section 16 was carryover language dealing with revenue for vital records and allowing a temporary advance from the General Fund, if needed. The amount was limited to \$550,000 in each year of the biennium. Subsection 4 on page 31 of the exhibit specified the repayment method.

Section 17 was a new section. It stated that if Initiative Petition 1 was approved by the voters at the general election held in November 2014, the Director of the Department of Taxation could submit a request for a temporary advance from the General Fund in FY 2015 to the Director of the Department of Administration to pay expenditures related to the administrative costs to put into effect the requirements of Initiative Petition 1. Subsection 3 specified that the amount was not to exceed \$1,399,835 in FY 2015. Subsection 4 dealt with repayment, and subsection 5 allowed the Department of Taxation to request an allocation by the IFC from the Contingency Account to cover the difference between revenues collected and actual administrative expenditures.

Mr. Ferguson pointed out that section 18 contained carryover language that allowed the Western Interstate Commission for Higher Education (WICHE) Loan and Stipend Account to balance forward funds for the Health Care Access Program loan repayment.

Section 19 was carryover language allowing the Director of the Office of Energy to submit a request for a temporary advance from the General Fund for the Renewable Energy Fund. The amounts were limited to 25 percent of the revenue expected to be received. Subsection 4 dealt with the repayment.

Mr. Ferguson explained that page 33, section 20 of the exhibit was carryover language that allowed the Emergency Operations Center Account for the Office of the Military to carry forward funds from one fiscal year to the next.

Section 21 was carryover language providing that if the Division of Child and Family Services of the Department of Health and Human Services or Clark County or Washoe County received an additional amount of money from sources other than the General Fund during FY 2014 or FY 2015, the Division or county could, with the approval of the IFC, accept the money and apply it to augment child welfare services.

Section 22 was a new section that dealt with the \$500,000 appropriation to the License Plate Factory Account from the State Highway Fund for the purpose of establishing the reserve for cash flow purposes. The funds must be repaid on or before June 30, 2014.

Section 23 was also new language that dealt with the Fleet Services Division of the Department of Administration repayment of \$2,500,000 that was appropriated to the Fleet Services Division for the purchase of a building in Las Vegas. After any initial payment made in FY 2014, the annual payments must be \$125,000 per year until the loan was fully repaid.

Mr. Ferguson explained that page 34, section 24 of the BDR was new language. The IFC could allocate to the Division of Public and Behavioral Health of the Department of Health and Human Services not more than \$1,000,000 from the Fund for a Healthy Nevada for necessary facility improvements, staffing, furnishings, equipment, and operating expenditures at Southern Nevada Adult Mental Health Services in-patient facilities. Subsection 2 dealt with the reversion of the unspent funds.

Section 25 was new language specifying that any money authorized for NSHE in section 1 of the Authorizations Act that remained unexpended on June 30 of either fiscal year could be carried forward to the next fiscal year for the authorized purposes.

Mr. Ferguson pointed out that section 26 of the BDR dealt with the effective dates for this Act. With the exception of section 17, all sections of the Act became effective on July 1, 2013. Section 17 would become effective

following the general election held in November 2014 if the voters approved Initiative Petition 1.

Chair Carlton thanked Mr. Ferguson for his explanation. She advised the Committee that following the review of the Authorizations Act ([Exhibit D](#)), the document would be returned to the Senate for introduction as a bill draft request.

Hearing no response to her request for comments or questions, Chair Carlton announced there was no necessary action required and the document would be returned to the Senate for introduction.

Chair Carlton opened the hearing on Senate Bill 518 (1st Reprint).

Senate Bill 518 (1st Reprint): Establishes for the 2013-2015 biennium the subsidies to be paid to the Public Employees' Benefits Program for insurance for certain active and retired public officers and employees. (BDR S-1235)

Laura Freed, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided an overview of Senate Bill 518 (1st Reprint) for the Committee. Senate Bill 518 (R1) was a budget implementation bill. The amounts in the bill were calculated to ensure that sufficient funding was collected from each budget account that paid into the Public Employees' Benefits Program (PEBP), which provided that PEBP would have sufficient operating funds for the upcoming biennium. The base subsidies in the bill matched the amounts presented to the Assembly Committee on Ways and Means and Senate Committee on Finance when the budgets were closed on May 14 and May 17, 2013.

Section 1 of the bill set the active employee monthly contribution per filled position. Section 2, subsection 1 set the base subsidy for non-Medicare retirees based on 15 years of service and scaled up or down based on the retiree's actual years of service. Section 2, subsection 2 set the base contribution for Medicare retirees. Section 2, subsection 3 provided the one-time, \$2 per month, per year of service increase for the Medicare retirees' health reimbursement arrangements for the 2013-2015 biennium. Section 2, subsection 4 reiterated existing language in *Nevada Revised Statutes* (NRS) 287.046, which stated that any future retiree hired after January 1, 2010, would not receive a subsidy unless that retiree had 15 or more years of service credit. Section 2, subsection 5 stated that any subsidy that exceeded the actual monthly premium cost must be credited to PEBP. Section 3 made the bill effective on July 1, 2013.

Hearing no response to the request for comments or questions, Chair Carlton requested a motion.

ASSEMBLYMAN HORNE MOVED TO DO PASS
SENATE BILL 518 (1ST REPRINT).

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

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

Chair Carlton closed the hearing on Senate Bill 518 (1st Reprint) and opened the hearing on Senate Bill 487.

Senate Bill 487: Makes an appropriation to the Office of the State Treasurer for the Governor Guinn Millennium Scholarship Program. (BDR S-1175)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided a brief overview of Senate Bill 487 for the Committee. The bill made a General Fund appropriation of \$5 million for the Governor Guinn Millennium Scholarship Program to improve the financial soundness of the Program. The Office of the State Treasurer and the Fiscal Analysis Division projected the Millennium Scholarship Trust Fund would be solvent through 2017 with the additional \$5 million appropriation; however, without the appropriation the Millennium Scholarship Trust Fund was projected to be solvent through fiscal year 2016.

There was no action on S.B. 487 during the hearing.

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Hearing no response to her request for additional comments or questions, Chair Carlton recessed the meeting to the call of the Chair at 3:46 p.m. The hearing was adjourned at 9:45 a.m. on June 1, 2013.

RESPECTFULLY SUBMITTED:

Linda Blevins
Committee Secretary

APPROVED BY:

Assemblywoman Maggie Carlton, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Ways and Means

Date: May 31, 2013

Time of Meeting: 8:09 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Budget Closing Document
	D	Jeffrey A. Ferguson, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	BDR S-1242