

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

**Seventy-Seventh Session
April 10, 2013**

The Committee on Ways and Means was called to order by Chair Maggie Carlton at 8:14 a.m. on Wednesday, April 10, 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 Cresent 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
Catherine Crocket, Program Analyst
Heidi Sakelarios, Program Analyst

Minutes ID: 793



Janice Wright, Committee Secretary
Cynthia Wyett, Committee Assistant

Chair Carlton opened the hearing on Assembly Bill 491.

Assembly Bill 491: Temporarily revises various provisions relating to state financial administration. (BDR S-1162)

Jeff Mohlenkamp, Director, Department of Administration, testified that Assembly Bill 491 extended an action of the 76th Legislative Session (2011), which increased the governmental services tax on the value of motor vehicles. The increased tax was deposited in the General Fund rather than the State Highway Fund for support of the Department of Motor Vehicles. Assembly Bill 491 extended the period for an additional two years during which the increases in the basic governmental services tax were allocated to the General Fund. Therefore, the increases in the tax would not be deposited in the State Highway Fund until July 1, 2015. He believed there was a need to continue this source of revenue for the General Fund. There were two pieces to this revenue source, and he was able to identify the actual commissions and penalties pieces. He identified a way to bifurcate the revenue to provide funds to the Highway Fund that needed some cash flow. He wanted to ensure that the Highway Fund had an adequate ending fund balance at all times during FY 2014. That revenue source totaled about \$25 million.

Mr. Mohlenkamp said the second piece of this revenue source was the increase in funding resulting from the change in the depreciation method. That piece had always been deposited in the General Fund, and he wanted to continue that into the future.

Mr. Mohlenkamp summarized that Assembly Bill 491 provided funding for the significant state needs including healthcare, education, and state employees. There were many competing demands, and the General Fund had its share of needs. He verified with the Department of Transportation (NDOT) that the State Highway Fund had a reasonable ending fund balance using the current estimates. The NDOT would be able to maintain its expenditures consistent with past patterns except for the recent years that included the American Recovery and Reinvestment Act (ARRA) funds. The expenditures in the years before the ARRA funds would be similar to the balance he projected.

Chair Carlton asked for testimony in support of or in opposition to Assembly Bill 491.

Craig Holt, owner, Sierra Nevada Construction Inc., testified in opposition to Assembly Bill 491. He said there were insufficient funds in the Highway Fund compared to the amounts that were available during prior years. He understood that NDOT had a \$385 million shortfall for maintenance of the current roads. The transfer of \$150 million to the General Fund in the 2013-2015 biennium would hurt the Highway Fund. Nevada must maintain its roads. The state would have difficulty maintaining and increasing the state's infrastructure.

Lance Semenko, President-General Engineering, Q&D Construction, testified in opposition to Assembly Bill 491. He often heard complaints about the economy and that construction workers were unemployed. It was important to create jobs to stimulate the state's economy. As a company that worked in this community, Q & D Construction was opposed to this bill.

Chris Burke, Chief Estimator, Granite Construction Company, testified in opposition to Assembly Bill 491. He stated there was a shortfall in the Highway Fund to maintain the road infrastructure. All this bill would do was hurt the road infrastructure in the future. As a citizen looking to stimulate the state's economy, he believed the best way to do that was to employ persons. This bill would hurt the workforce and not stimulate the economy.

Hearing no further response to her request for testimony in support of or in opposition to the bill, Chair Carlton called for additional testimony from Mr. Mohlenkamp. She wondered whether there would be a significant deficit in the budget.

Mr. Mohlenkamp replied that there were two pieces to this revenue source. The first included the depreciation piece that extended the depreciation time frame and increased the value of automobiles resulting in an increase in the tax for registration of a vehicle. That piece totaled about \$126 million over the 2013-2015 biennium, with about \$63 million generated in each year of the biennium. The commissions and penalties piece was the other piece that supported the Department of Motor Vehicles (DMV) budget and totaled about \$24 million to \$25 million.

Chair Carlton said it appeared the deficit would be about \$150 million that would have to be generated from another source if this bill was not approved.

Hearing no further 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 Assembly Bill 491 and opened the hearing on Assembly Bill 464.

**Assembly Bill 464: Revises provisions relating to the tax on special fuel.
(BDR 32-1160)**

Wayne Seidel, Administrator, Motor Carrier Division, Department of Motor Vehicles (DMV), testified that Assembly Bill 464 was related to the International Fuel Tax Agreement (IFTA). He presented his prepared testimony as Exhibit C. He said Assembly Bill 464 was submitted to amend chapter 366 of *Nevada Revised Statutes* to allow the Department to establish fees for the issuance of identification devices or decals as a cost-recovery measure. There was no fiscal note. This request was submitted with DMV's budget account (BA) 4717 for the Motor Carrier Division in decision unit Enhancement (E) 235.

Mr. Seidel continued that currently DMV expended staff time and resources to issue identification decals required by IFTA to special fuel users licensed through the Motor Carrier Division. The decals were effective for one calendar year and must be reissued each year. Under the provisions of IFTA, each licensee shall be issued a minimum of two vehicle identification decals for each qualified vehicle in the fleet. The decals must be placed on the exterior portion of both sides of the cab.

Mr. Seidel stated that the cost of producing the decals and licenses was approximately \$42,000 each year. There were 58 member jurisdictions in the federal IFTA program. Of those members, 41 jurisdictions collected a user fee ranging from \$.50 to \$25 to issue the identification decals required under the provisions of the IFTA program. The average user fee among the jurisdictions was \$6.42.

Mr. Seidel presented Exhibit D that was a proposed amendment to Assembly Bill 464 related to IFTA. The intent of the amendment was to incorporate the result of passage of the IFTA interest ballot in 2010, effective on July 1, 2013, which established an interest rate assessed on IFTA delinquencies. The ballot universally set the interest rate for all 58 IFTA member jurisdictions establishing each jurisdiction's mirror interest rate set under section 6621 of the Internal Revenue Code. The Internal Revenue Code's underpayment rate was adjusted regularly to reflect changes in the economic climate and was rounded to the nearest whole number. The interest rate would be adjusted on an annual basis every January 1. The interest would be about 0.35 percent monthly.

Mr. Seidel explained that there was a concern that this rate was lower than the current 1 percent per month set by statute. Nevada must maintain compliance under IFTA and must use the interest rate established by IFTA. If the interest

rate was not changed in *Nevada Revised Statutes* (NRS) 366.395, Nevada would be out of compliance with IFTA, would risk losing voting privileges, would be required to pay double or triple the membership dues, and could be expelled from IFTA. If expulsion occurred, Nevada would be unable to enforce Nevada's special fuel user tax laws or collect special fuel use tax due, and that would affect the State Highway Fund.

Chair Carlton was called away from the meeting briefly and Assemblyman Horne assumed the duties of the chair.

In response to a question from Assemblyman Sprinkle, Mr. Seidel confirmed that the interest rate would remain at 0.35 percent per month, and the rate was set each January.

In response to a question from Vice Chair Horne, Mr. Seidel replied that failure to approve this amendment would result in the state being in noncompliance with the interest rate requirements of IFTA.

Vice Chair Horne asked whether there was anyone else who wished to testify in support of or in opposition to this bill.

Cheryl Blomstrom, Blomstrom Consulting, Inc., testified that she represented the Nevada Trucking Association. The IFTA was a key component in generating revenue for the Highway Fund because it was a point of use tax. Motor carriers based in Utah or surrounding states that traveled across Nevada paid an apportioned tax rate to the state using the IFTA formula. It was important to the Nevada Trucking Association that Nevada participated in IFTA, and the Association supported both the bill and the amendment.

Hearing no response to his request for further testimony in support of or in opposition to the bill, Vice Chair Horne called for public testimony. There being no public testimony, he closed the hearing on Assembly Bill 464.

Chair Carlton resumed the chair and opened the hearing on Assembly Bill 472.

Assembly Bill 472: Increases the maximum amount of the fee that the Director of the Department of Public Safety was required to establish for the Program for the Education of Motorcycle Riders. (BDR 43-1152)

Traci Pearl, Administrator, Office of Traffic Safety, Department of Public Safety, testified that chapter 486 of *Nevada Revised Statutes* established the Program for the Education of Motorcycle Riders in 1991 to train motorcycle riders to be safe on the highways. The statutes provided a method for

motorcycle riders to obtain a motorcycle endorsement through the Department of Motor Vehicles (DMV). Assembly Bill 472 proposed to increase the cap on the limit for the registration fee for the safety course from \$100 to \$150. The original cap was established 22 years ago. Fuel prices and the cost of motorcycles had risen during the past 22 years. The agency requested the increase in this cap to comply with the Governor's recommended budget policies.

Chair Carlton commented that those legislators who served on the Assembly Committee on Transportation heard and amended another motorcycle bill [Assembly Bill 256] of which Assembly Bill 472 was a component. When the Assembly Committee on Transportation amended Assembly Bill 256, it trued up the fees to remove any conflict between the two bills.

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 Assembly Bill 472 and opened the hearing on Assembly Bill 476.

Assembly Bill 476: Revises provisions relating to penalties for unemployment insurance fraud. (BDR 53-1164)

Renee Olson, Administrator, Employment Security Division, Department of Employment, Training and Rehabilitation, testified that Assembly Bill 476 adjusted the penalties for fraud committed by unemployment insurance benefit recipients. The bill extended the period from two years to four years during which the Administrator could determine that fraud had occurred. The agency discovered that there were instances of fraud that occurred outside the two-year period and decided it needed to extend the period to four years.

Ms. Olson commented that Assembly Bill 476 imposed a penalty of 15 percent for instances of fraud, and this penalty must be set aside in a trust fund to comply with federal law. Assembly Bill 476 also reduced other discretionary penalties established in 2009 that the Administrator could impose for certain levels of fraud, and the reduced amounts would be added to the 15 percent penalty that was deposited in the trust fund. The other penalties were reduced to a rate that did not exceed the 50 percent rate that was established in 2009.

Ms. Olson stated that this bill was a duplicate of Senate Bill 36 that addressed the same language as Assembly Bill 476. She believed that Assembly Bill 476 was created as a budget bill in error. She said Senate Bill 36 was heard by the Senate Committee on Commerce, Labor and Energy, and that Committee

decided to amend and do pass as amended Senate Bill 36. She believed that Senate Bill 36 addressed the same matters as Assembly Bill 476.

In response to a question from Chair Carlton, Ms. Olson replied that she would research information about the fraud period beginning after the first day of the benefit year in which the person committed the unemployment insurance fraud. She would provide that information to the Assembly Committee on Ways and Means later.

In response to another question from Chair Carlton, Ms. Olson replied that she would research whether the four-year period complied with the statute of limitations on check fraud or other types of fraud, and she would provide additional information to the Assembly Committee on Ways and Means later.

In response to a question from Assemblyman Horne regarding the language in Assembly Bill 476 in section 1, subsection 6, paragraph (a), Ms. Olson replied that the language was amended in Senate Bill 36 to limit the penalty to 15 percent only for the first penalty. After the first penalty, a penalty of no more than 5 percent for the next level of fraud could be levied, and no more than 10 percent for the next level, and no more than 35 percent for the next level. That language was strengthened to eliminate the open-ended authority. She was willing to submit that same language in Senate Bill 36 to amend Assembly Bill 476.

Assemblyman Horne expressed concern about the imposition of a penalty greater than 15 percent and saw language in section 1, subsection 6, paragraph (b) that included the word "may." He indicated he needed to work through the language in the two bills.

Chair Carlton commented that she understood that Senate Bill 36 was being processed, and she would watch that progress to determine whether Assembly Bill 476 needed to be processed. The members of the Assembly Committee on Ways and Means would probably see the same questions arise during future hearings.

In response to a question from Assemblyman Sprinkle, Ms. Olson replied that the language in section 1, subsection 6, paragraph (a) that stated "enhance the integrity of the system" meant that the penalties that were collected could be used to fund a new investigator if the agency believed it needed a new investigator. The penalties could also be used to fund new technology enhancements. The unemployment insurance (UI) system was used to detect fraud, prevent fraud, and monitor UI benefits.

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 Assembly Bill 476 and opened the hearing on Assembly Bill 482.

Assembly Bill 482: Imposes a temporary assessment on certain employers for interest payments due on advances made by the Federal Government relating to unemployment benefits. (BDR 53-1166)

Renee Olson, Administrator, Employment Security Division, Department of Employment, Training and Rehabilitation, testified that Assembly Bill 482 established authority for the Division to charge a special assessment to employers to collect interest due against outstanding trust fund debt. Absent this assessment, the state would rely on General Funds for the payment of the interest. Assembly Bill 482 created the Interest Repayment Fund as a special revenue fund. Federal law prohibited the state from paying any portion of the interest or financing costs from the proceeds of the regular trust fund contributions or reserves. The budgetary authority for the payment of interest was established in budget account (BA) 4770 in decision unit Enhancement (E) 245. Interest was projected to total \$16,963,020 in fiscal year (FY) 2014 and \$14,199,461 in FY 2015. The assessment would be calculated by dividing the interest accruing and payable by 95 percent of the total taxable wages paid by all employers in the state during the immediately preceding calendar year, and then multiplying that result by each employer's taxable wages during the immediately preceding calendar year. The bill would impose the assessment on all employers on a proportional basis.

Ms. Olson explained Assembly Bill 482 also provided a source of interest payment for bonding of federal trust fund debt should the state choose to establish that authority. This matter had been evolving quickly. Ms. Olson had discussions about the bonding, and gained an understanding from bond counsel about drafting language for bonding authority, and learned from financial advisors how to position a bond for the market. She presented Exhibit E, which was a letter from the State Treasurer about the discussions on this matter. Ms. Olson thought it might be preferable to amend this bill to remove the reference to bond interest repayment from the bill. The authority for bond interest repayment could be included in the bonding authorization bill that was currently being drafted.

Ms. Olson said she supported the concept of amending out the reference to the bond interest repayment. The agency had not had a chance to draft that amendment for the Assembly Committee on Ways and Means' review. But she wanted to submit the amendment request. She felt that separating the

two matters was the best option. Assembly Bill 482 would provide for the assessment of interest as a sole source subject whether the agency bonded or not. Separation would isolate the matter and put the bonding assessment into its own bill. The bonding matter could be discussed at its own hearing.

Ms. Olson continued that the Division believed that the bill, amended or not, was necessary for the proper payment of interest due on federal trust fund liabilities outstanding as of September 30, 2013, and September 30, 2014.

Chair Carlton asked about the bonding component. She understood that bonding was a moving target because it was a new concept for the Division. The legislators must determine how to accomplish this and what language would be needed. She directed the staff of the Fiscal Analysis Division, Legislative Counsel Bureau to work on the matter and reach out to Ms. Olson to adjust the language as the 77th Session (2013) neared its end. She understood that Ms. Olson was also working with the Office of the State Treasurer on the bonding matter. She believed there was sufficient time to develop a good solution.

In response to a question from Chair Carlton, Ms. Olson replied that the assessment was not charged against reimbursable employers. The employers reimbursed exactly what was expended in benefits for the employees that were no longer employed. Reimbursable employers did not contribute to the need for the loan and would not be paying interest.

Chair Carlton recalled that during the 75th Session (2009) there was a proposal to aggregate employers so that the unemployment insurance rates would be lower. She wondered about those large groups that could come together to lower their rates, and she wanted to know how this assessment would be applied to those large groups.

Kelly Karch, Deputy Administrator, Employment Security Division, Department of Employment, Training and Rehabilitation, testified that the large employer groups would pay at the current rate, but in many cases the large employer groups paid at the rate of their customers. Large employer groups did not necessarily get a lower rate in all cases. This was a growing problem that could not be resolved during the 77th Session (2013) because the agency needed to do more investigation and research. The problem would be addressed in the 78th Session (2015).

In response to a question from Chair Carlton, Mr. Karch replied that the transfer of experience record was related to large employers that could combine groups, but in some other cases, large employers could not combine the groups.

The agency had dealt with this type of problem in the past. One of the legislative issues the agency brought forward was the "dumping of experience." Senate Bill 36 addressed that transfer of experience. Dumping occurred when the employer group had to pick up the tax if other employers "dumped" their rates. In some cases, the rate depended on the transfer of experience, and employers had to meet certain conditions under chapter 612 of *Nevada Revised Statutes* to use that experience rate for all parts of the corporation. In other situations, that was not allowed.

Chair Carlton said there were problems with temporary and leased employees. She understood the agency could develop some data on that problem for a future legislative session.

Tray Abney, Director of Governmental Relations, The Chamber [Reno, Sparks, Northern Nevada] testified that The Chamber supported the concept of the moving target presented in Assembly Bill 476. The state must get control of the UI problem, and the solution should be controlled by Nevada. Before the recession occurred, Nevada had one of the strongest UI trust funds in the nation. The state had about \$800 million in the UI trust fund. Now, Nevada was about \$800 million in debt because Nevada had to borrow from the federal government to pay UI benefits and pay interest on that money. The Employment Security Council met every October, and for the past several meetings, The Chamber had supported increasing those employer assessments. The Chamber generally tended not to support those tax or fee increases, but it was necessary to resolve the UI problem. Nevada was not solving the problem. Because of the federal loans outstanding, Nevada paid a federal rate that kept increasing automatically on every employer. If Nevada was able to determine how to impose this extra assessment, then the Legislature should work on how to issue bonds, pay off the principal, pay off the interest, and achieve solvency. The state could pay off the interest and principal and get back to a zero balance. Economists advised that a recession occurred about every five years. The state should not enter the next recession with a zero balance in the UI trust fund. There might be a way to issue bonds, solve all three problems, and still have employers pay a lower rate. The Chamber supported this concept and looked forward to the conversation.

In response to a question from Assemblyman Hickey, Mr. Abney replied the Department most recently raised the average assessment rate to 2.25 percent. It was an interesting system because it was based on the employer's experience rating. If a business had to lay off more persons in the past couple of years, then the assessment rate increased. It was almost a self-fulfilling prophecy that a business had to lay off more persons because the economy was bad and the market was not there, and the unemployment rate went higher, meaning that

the business spent more money on tax and had less money to hire employees. Every dollar spent on something such as a tax or UI assessment was a dollar that a business lacked to pay a person to work for the business. This was not a good system. The state must fulfill its obligations. His conversations indicated that the state might choose a bonding program and allow employers to pay a lower rate than the current rate. Employers were paying an amount right now that was not paying off the interest, and the state was not returning to solvency. The Chamber believed the bonding process was important because the state had to have money in the UI trust fund before the next recession occurred.

Chair Carlton stated that for over a decade the economy was good in Nevada and when times were good, that assessment rate kept going down. She recalled many committee hearings where employers came and asked for that rate to be lowered even further because Nevada had one of the strongest trust funds in the nation. If the Legislature had not lowered the rate during the past ten years, Nevada would have had a stronger trust fund, and Nevada might not have needed federal loans. She understood that The Chamber's position was in support of the bonding proposal.

Chair Carlton said the debate for the Assembly Committee on Ways and Means was whether the state should obtain a loan to put money in its savings account. That problem must be addressed by the Assembly Committee on Ways and Means.

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 482.

Chair Carlton said the Assembly Committee on Ways and Means must close some budget accounts and started with the budget accounts of the Office of the State Treasurer. She did not want to take action on budget account 1080 or budget account 1092 because she wanted to hold those for further discussion.

ELECTED OFFICIALS

OFFICE OF THE STATE TREASURER

MUNICIPAL BOND BANK REVENUE (745-1086)

BUDGET PAGE ELECTED-189

Catherine Crocket, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau stated that budget account (BA) 1086 was for the Municipal Bond Bank Revenue. The Fiscal staff was responsible for developing

the closing recommendations for this account. The Assembly Committee on Ways and Means had not previously reviewed this budget account. There were no major closing issues. The Fiscal staff made minor technical adjustments to align scheduled bond interest payments with the amortization schedule provided by the Office of the State Treasurer. Fiscal staff recommended closing this budget account with the technical adjustments shown on page 6 of the closing document and requested authority to make additional technical adjustments related to interagency transfers.

Chair Carlton said because the Assembly Committee on Ways and Means had not seen this budget account before, she wanted the members to ask questions because this was a Fiscal staff closing recommendation. She wanted to ensure that the members had all the information needed before taking any action.

ASSEMBLYMAN HARDY MOVED TO APPROVE BUDGET ACCOUNT 1086 AS ADJUSTED BY THE LEGISLATIVE COUNSEL BUREAU FISCAL ANALYSIS DIVISION STAFF AND TO AUTHORIZE FISCAL STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Bobzien was not present for the vote.)

BUDGET CLOSED.

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**ELECTED OFFICIALS
OFFICE OF THE STATE TREASURER
MUNICIPAL BOND BANK DEBT SERVICE (395-1087)
BUDGET PAGE ELECTED-191**

Catherine Crocket, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau stated that budget account (BA) 1087 was the Municipal Bond Bank Debt Service. Fiscal staff was responsible for developing the closing recommendations for this account. The Assembly Committee on Ways and Means had not previously reviewed this budget account. This was a companion budget account to BA 1086, and there were no major closing issues. The Fiscal staff made technical adjustments shown on page 7 of the closing information provided to the Assembly Committee on Ways and Means. Fiscal staff recommended closing this account with the technical adjustments

provided to align bond interest payments with the amounts shown on the amortization schedule provided by the Office of the State Treasurer. Fiscal staff requested authority to make any necessary technical adjustments to the account related to the interagency transfers.

Chair Carlton asked whether the members had any questions or wanted additional information.

ASSEMBLYMAN HAMBRICK MOVED TO APPROVE BUDGET ACCOUNT 1087 AS ADJUSTED BY THE LEGISLATIVE COUNSEL BUREAU FISCAL ANALYSIS DIVISION STAFF AND TO AUTHORIZE FISCAL STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Bobzien was not present for the vote.)

BUDGET CLOSED.

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**ELECTED OFFICIALS
OFFICE OF THE STATE TREASURER
TREASURER-ENDOWMENT ACCOUNT (101-1094)
BUDGET PAGE ELECTED-201**

Catherine Crocket, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau stated that budget account (BA) 1094 was the Endowment Account. There was one major closing issue in this account and that was the stabilization of the Nevada Higher Education Prepaid Tuition Trust Fund in decision unit Enhancement (E) 126. The 76th Session (2011) approved the recommendation of the Board of Trustees of the College Savings Plans of Nevada to transfer \$1.32 million in each year of the biennium from the Endowment Account (BA 1094) to the Prepaid Tuition Trust Fund to improve the financial viability of the Trust Fund. The Executive Budget included the Board's recommendation to increase the transfer by \$500,000 to \$1.82 million in each year of the 2013-2015 biennium. The Office of the State Treasurer indicated that an independent actuary recommended that the Trust Fund attain a 120 percent funded ratio to protect contract holders against fluctuation in investment returns. The funded ratio of the Trust Fund was 104.6 percent at the end of fiscal year (FY) 2012. The independent actuary projected that

transferring \$1.82 million annually to the Trust Fund would bring the funded ratio to 117.5 percent, assuming the transfer continued at the same level for 22 consecutive years. The Board of Trustees of the College Savings Plans of Nevada was required by statute to modify the terms of the subsequent prepaid tuition contracts to ensure actuarial soundness as determined by the annual actuarial study required pursuant to *Nevada Revised Statutes* 353B.190.

Ms. Crocket summarized that the decision before the Assembly Committee on Ways and Means was whether the Assembly Committee on Ways and Means wished to approve the Governor's recommendation to increase the annual transfer of program management fee revenues to the Prepaid Tuition Trust Fund by \$500,000 in each year of the 2013-2015 biennium.

In response to a question from Assemblyman Kirner, Ms. Crocket replied that if the Assembly Committee on Ways and Means decided to actuarially increase the amount of the contribution, the actuarial funded ratio would change proportionally.

ASSEMBLYMAN KIRNER MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO INCREASE THE ANNUAL TRANSFER OF PROGRAM MANAGEMENT FEE REVENUES TO THE PREPAID TUITION TRUST FUND BY \$500,000 IN EACH YEAR OF THE 2013-2015 BIENNIUM.

ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Bobzien was not present for the vote.)

Ms. Crocket explained the next closing item was the overstatement of the budgeted program fee revenue. The Executive Budget overstated the 529 plan provider program management fee revenue. The Budget Division, Department of Administration, submitted amendment A130011094 to correct this error. The amendment also included statewide rate changes. The Fiscal staff recommended approval of the portion of the budget amendment that corrected the program fee revenue recorded within this account.

Ms. Crocket explained the next closing item involved the transfers from BA 1094 to the accounts for Higher Education Tuition Administration [BA 1081], Millennium Scholarship Administration [BA 1088], and the Nevada College Savings Trust [BA 1092]. Those accounts were not properly aligned and Fiscal staff completed technical adjustments to properly align transfers from BA 1094 to the other accounts.

Ms. Crocket said decision unit Enhancement (E) 125 related to a recommended increase in outreach and awareness efforts funded by the Nevada College Savings Trust account. Fiscal staff requested authority to make technical adjustments based on the Assembly Committee on Ways and Means' closing actions within this account. Fiscal staff recommended approval of all the closing items with authority for Fiscal staff to make technical adjustments related to the Office of the State Treasurer internal cost allocation.

ASSEMBLYMAN AIZLEY MOVED TO APPROVE THE OTHER CLOSING ITEMS IN BUDGET ACCOUNT 1094 AS ADJUSTED BY THE LEGISLATIVE COUNSEL BUREAU FISCAL ANALYSIS DIVISION STAFF AND TO AUTHORIZE FISCAL STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Bobzien was not present for the vote.)

BUDGET CLOSED.

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**ELECTED OFFICIALS
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION ADMIN (603-1081)
BUDGET PAGE ELECTED-207**

Catherine Crocket, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that budget account (BA) 1081 was the Higher Education Tuition Administration account. There were no major closing issues. Decision unit Enhancement (E) 710 recommended \$1,345 in fiscal year (FY) 2014 to replace one desktop computer and associated software in accordance with the Division of Enterprise Information Technology Services, Department of Administration, recommended replacement schedule. This recommendation appeared reasonable.

Ms. Crocket said decision units E-800 and E-801 recommended revising the cost-allocation methodology for the Office of the State Treasurer. Several amendments were received to make those changes. This item was primarily related to budget account 1080, which the Assembly Committee on Ways and Means decided to hold for further discussion. Fiscal staff noted that it was likely that additional technical adjustments would be required in those

two decision units to change the cost-allocation methodology. Fiscal staff recommended approval of other closing items as recommended by the Governor with authority to make technical adjustments including adjustments related to the Office of the State Treasurer's internal cost allocation.

ASSEMBLYMAN HARDY MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION ON OTHER CLOSING ITEMS IN BUDGET ACCOUNT 1081 AND TO AUTHORIZE THE LEGISLATIVE COUNSEL BUREAU FISCAL ANALYSIS DIVISION STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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ELECTED OFFICIALS
OFFICE OF THE STATE TREASURER
MILLENNIUM SCHOLARSHIP ADMINISTRATION (261-1088)
BUDGET PAGE ELECTED-214

Catherine Crocket, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau stated that budget account (BA) 1088 was the Millennium Scholarship Administration account. There were no major closing issues in this account. Decision units Enhancement (E) 800 and E-801 contained the cost-allocation matters. There might be further technical adjustments needed for the internal cost allocation of the Office of the State Treasurer. She asked whether the Assembly Committee on Ways and Means wished to approve the other closing item with authority to make any necessary technical adjustments related to the Office of the State Treasurer's internal cost allocation.

ASSEMBLYMAN EISEN MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION ON THE OTHER CLOSING ITEM IN BUDGET ACCOUNT 1088 AND TO AUTHORIZE THE LEGISLATIVE COUNSEL BUREAU FISCAL ANALYSIS DIVISION STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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**ELECTED OFFICIALS
OFFICE OF THE STATE TREASURER
UNCLAIMED PROPERTY (101-3815)
BUDGET PAGE ELECTED-222**

Catherine Crocket, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau stated that budget account (BA) 3815 was the Unclaimed Property program. There were no major closing issues in this account. Decision unit Enhancement (E) 710 included the Governor's recommendation for \$6,540 in fiscal year (FY) 2014 to replace computers and software and this recommendation appeared reasonable.

Ms. Crocket said decision units E-800 and E-801 recommended revising the Office of the State Treasurer's cost-allocation methodology. There might be further technical adjustments needed to the cost allocation. Fiscal staff recommended approval of other closing items as recommended by the Governor with authority to make technical adjustments including those related to the internal cost allocation.

ASSEMBLYMAN HARDY MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION ON THE OTHER CLOSING ITEMS IN BUDGET ACCOUNT 3815 AND TO AUTHORIZE THE LEGISLATIVE COUNSEL BUREAU FISCAL ANALYSIS DIVISION STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN SPRINKLE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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COMMERCE AND INDUSTRY
GAMING CONTROL BOARD
GAMING CONTROL BOARD (101-4061)
BUDGET PAGE GAMING CONTROL BOARD-9

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau stated the first account to be closed for the State Gaming Control Board was budget account (BA) 4061. There were two major closing issues in BA 4061. In decision unit Enhancement (E) 230, the Governor recommended \$95,436 in each year of the 2013-2015 biennium for travel and training for the members and staff of the State Gaming Control Board (GCB). This decision unit included \$41,961 per year of General Funds. The Governor recommended \$3,547 per year for the gaming lab employees to attend out-of-state lab manager and jurisdictional meetings and to meet with manufacturers. The Governor also recommended \$55,894 per year for in-state travel based on the increase in the number of audits projected to be conducted during the 2013-2015 biennium as well as for field inspections of gaming devices and attendance at Board and Nevada Gaming Commission meetings.

The 76th Session (2011) approved the Governor's recommendation to increase travel for this budget account. However, during fiscal year (FY) 2012 the agency expended \$68,487 less than originally projected. The GCB indicated that this occurred because of staffing changes within the gaming lab. During the time that the agency was beginning to use independent labs to test gaming devices, staff vacancies existed that prohibited the existing staff from traveling and attending meetings.

Ms. Sakelarios indicated that GCB stated the audits that were completed during FY 2012 generated savings in travel expenditures because the audits were completed more quickly than originally anticipated. However, the Board indicated that the travel expenditures projected for the 2013-2015 biennium were accurate and reasonable based on the projected workload.

Ms. Sakelarios explained that decision unit E-230 also recommended an increase of \$750 per year to allow members of the GCB to register and attend the International Association of Gaming Regulators conference and an additional \$35,245 per year for employees of the gaming lab to attend training and purchase technical manuals. She asked whether the Assembly Committee on Ways and Means wished to approve the Governor's recommendation to provide \$95,436 in each year of the 2013-2015 biennium for additional travel and training expenditures for the GCB members and staff to regulate the gaming industry in Nevada.

Chair Carlton mentioned that during the last biennium the GCB was frugal with its travel budget and conducted a number of meetings via videoconference rather than expending travel funds.

ASSEMBLYWOMAN KIRKPATRICK MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR ADDITIONAL TRAVEL AND TRAINING FUNDS IN THE AMOUNT OF \$95,436 FOR BUDGET ACCOUNT 4061.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hickey was not present for the vote.)

Ms. Sakelarios continued that the second major closing problem in this budget account was the elimination of ten technology positions that would result in a reduction in funding of \$1,077,462 in fiscal year (FY) 2014 and \$1,095,940 in FY 2015. The positions recommended for elimination were currently vacant and included three audit agent positions and seven electronic lab engineer positions. Those positions were no longer needed within the gaming lab because of the use of independent testing laboratories. The GCB previously testified that additional staffing reductions were not anticipated as a result of the legislation allowing the use of independent testing labs. She asked whether the Assembly Committee on Ways and Means wished to approve the Governor's recommendation to eliminate a total of ten unclassified positions in the Technology Division, resulting in a reduction of \$1,077,462 in FY 2014 and \$1,095,940 in FY 2015.

Chair Carlton expressed concern about elimination of the three audit agent positions. She thought the Legislature must monitor the use of the independent test labs and worried that elimination of the audit positions would cause problems.

Assemblyman Horne expressed the same concerns and asked for information from the agency.

A.G. Burnett, Chairman, State Gaming Control Board, replied that the agency's Audit Division was fully staffed and capable even with the elimination of those three positions. The audit capability was something the agency had been working on for the past couple of years after the independent test labs statute was passed. He had no fears that the agency could continue to conduct its audits as usual and comply with its required audit cycle. It was something that the agency was prepared for and ready to accommodate. He felt that the GCB

was comfortable going forward with this request based on its relationship between the Technology Division and the independent test labs.

Assemblyman Horne expressed concern about reducing oversight. He said this seemed like a small step, but he worried about future reductions and whether the agency would permit more autonomy with less oversight of the independent test labs.

Mr. Burnett replied that in the past there was concern about permitting too much independence. But now the persons who submitted a technological product that needed review could choose the gaming lab or an independent test lab. The purpose of inserting the ability of companies to select the independent test lab process was to streamline and make the review process less expensive. There had been some questions about how much cheaper or faster that process was after enactment of that statute. Mr. Burnett spoke with members of the gaming industry who had submitted their product to the independent test labs. They indicated that the review process was getting better and quicker. Whichever lab was chosen, the product still had to be vetted and must comply with the Nevada internal control procedures and the Nevada standards for gaming devices. After the independent test lab reviewed the technology, that review was also subject to the Technology Division's secondary review. The agency had a review process and could reject any review and return it to the independent test lab for further review and certification. The chief of the Technology Division confirmed that process was in effect. The agency communicated that the independent test labs returned products to the gaming lab for further review so products could be certified for safety after deployment in Nevada.

Assemblyman Horne commented that Mr. Burnett seemed comfortable that should the Assembly Committee on Ways and Means agree to eliminate the three audit positions, the agency would still be able to sufficiently and efficiently conduct the audits and perform oversight and the tasks Mr. Burnett outlined.

Mr. Burnett agreed that the agency would be able to conduct its work after the elimination of the three audit positions. The Technology Division interacted with the independent technology test labs, and while that staff was reduced slightly over the past several years, it was adequate to deal with the independent test labs. The Audit Division positions were selected for elimination because there was no longer any need for those positions. The Audit Division staff did not interact with the independent test labs. The use of independent test labs was new and the interaction was manageable. The agency had several existing audit positions and could reallocate those

positions to work with the independent test labs in the next biennium if that became necessary.

Assemblyman Sprinkle said he understood the three audit positions were vacant. He wondered if the Assembly Committee on Ways and Means decided to retain those positions would the agency fill those positions soon.

Mr. Burnett said currently the agency had no need to fill those three audit positions. The agency was operating in a streamlined and efficient manner. He did not see a need to fill the positions immediately. He could not speak about the future simply because he could not predict the bulk of the business that the agency might receive such as new applications or requests for product reviews by the gaming lab or independent test labs.

Assemblywoman Kirkpatrick said she was struggling with the elimination of three audit positions. She understood that ten positions were proposed for elimination, but auditor positions were hard to get and she fought for those. She struggled with this request because it was difficult to get auditor positions approved. The agency could request Interim Finance Committee (IFC) approval of the positions should the agency need them. She was nervous, but she might be more comfortable if she had some reassurance that the agency could come to IFC if it needed the positions. Gaming was a priority, and Nevada set the gold standard and must do everything possible to show the world that Nevada was on top of its game.

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau said if the positions were deleted they could be reinstated upon approval of IFC. The positions were partially funded from the General Fund, and such a request would require an allocation from the IFC Contingency Fund.

Chair Carlton asked Mr. Burnett to keep the legislators informed about the agency workload. If there was any indication in the future that he needed any positions, the legislators would welcome him at IFC to ensure that the positions were considered. The last thing she wanted to hear was that the agency could not complete some tasks because of the workload. Proper gaming oversight had a material effect on Nevada.

Mr. Burnett thanked the members for their support and said that the State Gaming Control Board appreciated their comments and concerns.

ASSEMBLYWOMAN KIRKPATRICK MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT ENHANCEMENT 235 TO ELIMINATE TEN POSITIONS IN BUDGET ACCOUNT 4061.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Hambrick and Horne were not present for the vote.)

Ms. Sakelarios continued that the other closing items included decision unit Enhancement (E) 225. The Governor recommended transfer of \$3,000 in each year of the 2013-2015 biennium from the Investigative Fund to establish a host fund for refreshments and meals for visiting dignitaries. According to the *State Administrative Manual* (SAM) 2636, agencies with activities associated with economic development or tourism marketing that had a legislatively approved host fund could incur authorized expenditures for hosted dignitaries.

Ms. Sakelarios explained that decision unit E-237 recommended General Funds totaling \$2,500 in each year of the 2013-2015 biennium to outsource microfilming and document scanning. The Board indicated that the in-house imaging program was unable to accommodate the agency's imaging service needs. The State Gaming Control Board (GCB) noted that it worked with the Micrographics and Imaging program of the Division of State Library and Archives, Department of Administration, to provide this service to the Board for large projects that lacked immediate deadlines. The GCB wanted to use private vendors in the Las Vegas area for time-sensitive projects that required a quick turnaround time. The agency would be able to improve the security of the documents and reduce shipping costs by using a Las Vegas vendor.

Ms. Sakelarios said decision unit E-236 recommended General Funds totaling \$10,000 in each year of the 2013-2015 biennium to increase the funding available to the State Gaming Control Board for confidential investigations. *Nevada Revised Statutes* 463.330 required that transfers be completed in \$10,000 increments for the Board's Revolving Account. The State Gaming Control Board noted that a lack of funding could prevent the agents from accessing targeted locations while concealing their official capacity.

Ms. Sakelarios continued that decision unit E-244 recommended General Fund reductions totaling \$665 in FY 2014 and \$1,212 in FY 2015 resulting from the discontinuation of the web-hosting services of the Division of Enterprise Information Technology Services (EITS), Department of Administration.

The State Gaming Control Board had relocated its website to a non-EITS server during FY 2012, and the service was no longer necessary.

Ms. Sakelarios said decision unit E-712 recommended General Funds totaling \$354,373 in FY 2014 and \$85,497 in FY 2015 for replacement computer equipment in accordance with the EITS replacement schedules.

Ms. Sakelarios stated decision unit E-811 requested approval for class code and position title changes for 26 unclassified positions. There was no fiscal effect for this decision unit. She asked whether the Assembly Committee on Ways and Means wished to approve the other closing items as recommended by the Governor. The Fiscal staff requested authority to make necessary technical adjustments for final agency cost allocations and any actions taken in the other State Gaming Control Board accounts that affected this account.

ASSEMBLYMAN HARDY MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION ON OTHER CLOSING ITEMS FOR BUDGET ACCOUNT 4061 AND TO AUTHORIZE THE LEGISLATIVE COUNSEL BUREAU FISCAL ANALYSIS DIVISION STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS FOR FINAL AGENCY COST ALLOCATIONS AND ANY ACTIONS TAKEN IN THE OTHER STATE GAMING CONTROL BOARD ACCOUNTS THAT AFFECTED THIS ACCOUNT.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Hambrick and Horne were not present for the vote.)

Ms. Sakelarios explained that Assembly Bill 7 expanded the membership of the Gaming Policy Committee to include a representative of academia with knowledge of gaming and authorized the appointment of an advisory committee on gaming education. According to a fiscal note submitted by the GCB, the fiscal effect of this legislation would total \$85,889 in FY 2014 and \$85,837 in FY 2015. Fiscal staff requested authority to make technical adjustments to the GCB account based on the potential passage of Assembly Bill 7.

ASSEMBLYWOMAN KIRKPATRICK MOVED TO AUTHORIZE THE LEGISLATIVE COUNSEL BUREAU FISCAL ANALYSIS DIVISION STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS TO THE STATE GAMING CONTROL BOARD BUDGET ACCOUNT 4061 RELATED TO ASSEMBLY BILL 7.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Hambrick and Horne were not present for the vote.)

BUDGET CLOSED.

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Chair Carlton said the one-shot appropriation was an informational item only on the Governor's recommendation for a General Fund appropriation to outsource the migration of the current COBOL program to a more modern technology platform.

**COMMERCE AND INDUSTRY
GAMING CONTROL BOARD
GAMING COMMISSION (101-4067)
BUDGET PAGE GAMING CONTROL BOARD-17**

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau stated budget account (BA) 4067 was the Nevada Gaming Commission. The major closing issue in this budget account was travel and training. Decision unit Enhancement (E) 230 recommended General Funds totaling \$26,748 in fiscal year (FY) 2014 and \$25,870 in FY 2015 for travel and training for the Nevada Gaming Commission members and staff to effectively regulate the gaming industry in Nevada. Decision unit E-230 included out-of-state travel totaling \$6,174 in FY 2014 and \$6,906 in FY 2015 to allow one Commission member to attend the International Association of Gaming Regulators conference. The conference was generally held in a foreign jurisdiction. Decision unit E-230 included \$18,923 in FY 2014 and \$17,313 in FY 2015 for the Commission members and staff to travel for Commission meetings and other matters. Decision unit E-230 also included \$1,651 in each year of the 2013-2015 biennium for the senior research specialist to travel to and attend the Global Gaming Expo to gain specialized training on the technology advancements in the gaming industry that could be used to advise the Commission on highly technical matters. The agency indicated that the Commission members went to great lengths in the 2011-2013 biennium to limit their travel, and they did not expend all the funds that had been approved by the Legislature of the 76th Session (2011). The agency believed that the amounts requested for travel were appropriate for the 2013-2015 biennium.

Ms. Sakelarios asked whether the Assembly Committee on Ways and Means wished to approve the Governor's recommendation to increase General Funds

totaling \$26,748 in FY 2014 and \$25,870 in FY 2015 for travel and training for the Nevada Gaming Commission members and staff to facilitate effective regulation of the gaming industry in Nevada. Fiscal staff also requested authority to make necessary technical adjustments.

ASSEMBLYMAN HARDY MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO INCREASE GENERAL FUNDS TOTALING \$26,748 IN FISCAL YEAR 2014 AND \$25,870 IN FISCAL YEAR 2015 FOR TRAVEL AND TRAINING FOR THE NEVADA GAMING COMMISSION AND TO AUTHORIZE THE LEGISLATIVE COUNSEL BUREAU FISCAL ANALYSIS DIVISION STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS TO THE BUDGET ACCOUNT.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hambrick was not present for the vote.)

BUDGET CLOSED.

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**COMMERCE AND INDUSTRY
GAMING CONTROL BOARD
GAMING CONTROL BOARD INVESTIGATION FUND (244-4063)
BUDGET PAGE GAMING CONTROL-BOARD-21**

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau stated budget account (BA) 4063 was for the State Gaming Control Board Investigative Fund. There were no major closing issues. Each of the enhancement modules in the account corresponded to decision units in the State Gaming Control Board account (BA 4061). Fiscal staff recommended the budget account be approved as recommended by the Governor, with authority for Fiscal staff to make any necessary adjustments because of Assembly Committee on Ways and Means closing actions on the State Gaming Control Board account (BA 4061) or technical adjustments.

ASSEMBLYMAN HORNE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR BUDGET ACCOUNT 4063 AND TO AUTHORIZE THE LEGISLATIVE COUNSEL BUREAU FISCAL ANALYSIS DIVISION STAFF TO MAKE ANY NECESSARY ADJUSTMENTS BECAUSE OF A RESULT OF COMMITTEE

CLOSING ACTIONS ON THE STATE GAMING CONTROL BOARD
BUDGET ACCOUNT 4061 AND TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN EISEN SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hambrick was not present for the vote.)

BUDGET CLOSED.

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Chair Carlton opened the hearing on Assembly Bill 475.

Assembly Bill 475: Makes appropriations to the Legislative Fund for dues and registration costs for national organizations, building maintenance projects and information technology purchases. (BDR S-1177)

Richard Combs, Director, Legislative Counsel Bureau, testified that Assembly Bill 475 was a request for an appropriation to the Legislative Fund for the 2013-2015 biennium. He submitted Exhibit F that listed the costs for all the items in the bill that must be funded in the 2013-2015 biennium. One of the casualties of the budget reductions was the dues and registrations for the Legislature to enable legislators to belong to various organizations to help them do their jobs. During the 76th Session (2011), the Governor approved the restoration of the amounts needed by the Legislature. The amounts requested in Assembly Bill 475 were also included in The Executive Budget.

Mr. Combs said section 1 of Assembly Bill 475 should include a total of \$373,519 in fiscal year (FY) 2014 and \$377,956 in FY 2015 for dues and registration costs for national organizations. The organizations included the National Conference of State Legislatures, the Council of State Governments, the American Legislative Exchange Council, the National Conference of Commissioners on Uniform State Laws, the Education Commission of the States, and the Military Interstate Children's Compact Commission. All of the dollar amounts were updated in the last several days because Mr. Combs contacted each organization to verify and obtain the most recent costs. The numbers that appeared in the bill were slightly different than the updated numbers shown in Exhibit F. The numbers shown in Assembly Bill 475 for FY 2014 should be changed to \$373,519 and to \$377,956 for FY 2015.

Mr. Combs explained that Senate Bill No. 303 of the 75th Session (2009) enacted the Interstate Compact on Educational Opportunity for Military Children.

The statutory language included a provision for the state to pay assessments that were required pursuant to the Compact. No funding was included in Senate Bill No. 303 for the payment of those assessments. When the first assessment came due, even though there was authority to raise money through grants and donations, there were no funds. The Legislative Counsel Bureau looked to someone to pay the assessment. The Legislature decided that because it passed the law it would find the money somewhere in the budget for the Legislative Commission. The source of funding that was available was the Educational Trust Fund established in the 74th Session (2007) in Assembly Bill No. 279, which transferred funding from expired gift certificates to the Educational Trust Fund. The Educational Trust Fund had a reserve of over \$400,000 that was not designated for any other purpose.

Mr. Combs spoke to Julie Waller, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau who indicated that this was an appropriate use of those funds. Mr. Combs stated that using the Educational Trust Fund to pay for the costs of the Compact seemed more appropriate than using one-shot appropriations. He suggested the Assembly Committee on Ways and Means consider that funding source. He would work with the Fiscal staff to ensure that the Assembly Committee on Ways and Means' closing recommendations for budget account (BA) 2614 [Educational Trust Fund] included the changes to the funding sources.

Mr. Combs explained section 2 of Assembly Bill 475 included building maintenance and information technology purchases. The Legislative Counsel Bureau (LCB) needed to purchase a replacement uninterruptable power supply because the current system was about 12 years old, and LCB was experiencing problems with it. The backup power had been down for several days during the session when the main power had been used. If the main power had gone down, the system would have been shut down for a while during the repairs. The other challenge was finding replacement parts for the system and someone to provide a service contract to do the work. In addition to being old and having problems, the power supply was not of sufficient size to meet the needs during session. It functioned sufficiently during the interim but not during the session. He recommended replacing it with a power system of about twice the size of the current system so LCB could eliminate some of the 86 stand-alone units that it currently used during the session. He projected that the replacement system and the heating, ventilation, and air-conditioning (HVAC) adjustments plus moving some walls would cost a total of \$300,000.

Mr. Combs said the second request was for replacement broadcast and production services (BPS) equipment. The BPS was the unit responsible for videoconferencing and recording all the meetings during the sessions and

ensuring those were available on the Internet and internal systems. None of that equipment was on a standard replacement schedule. He discovered that most of the equipment was of an age that it was breaking more often than he wanted, causing some disruption during the meetings of committees during sessions and the interims. Those legislators who chaired committees or subcommittees had probably received notices about the equipment problems. He hoped to put the BPS equipment on a replacement cycle, and this was the first phase of the replacement cycle. He wanted to replace 6 committee room cameras, 16 committee room monitors, 16 control room monitors, and 4 video conference codecs. The total cost for the biennium was \$98,800. He proposed replacing the committee room cameras and monitors every three biennia. The videoconference codecs would be replaced every two biennia. He hoped to develop a replacement schedule to minimize future disruptions.

Mr. Combs said the Legislative Building freight elevator needed to be replaced. There were two elevators in the old part of the Legislative Building that were approaching 40 years of age. He was not asking for component parts for both elevators but suggested replacing parts in one elevator at a time. The freight elevator was in the greatest need of replacement in this cycle. This request included replacing the controller, motor, door operator, wiring, and the fixtures. All those components were required to ensure the elevator worked properly. He would return next session and ask for replacement of those same component parts for the large elevator that was in the middle at the front of the old part of the building. He assigned the highest priority to replacing the freight elevator because there was no other option for transporting freight in the building.

Mr. Combs explained the storage area network (SAN) and replacement servers were another part of the request. There were a number of computer servers that had not been replaced in quite some time because LCB chose to delay those requests during the economic downturn. Now the time had come to begin getting those repaired or replaced. He requested replacement of servers that were five to six years old and were no longer under maintenance contracts. He wanted to replace the servers with a wireless network and the web servers for two of the internal servers. He proposed a SAN to replace a number of other servers. The SAN was a system that allowed LCB to migrate to virtual boxes. Rather than replacing a box with another box, when more capacity was needed, the agency could add storage instead of using new servers. He believed this SAN would reduce the amount of power used and reduce the software licenses and costs incurred in the future. He estimated that the SAN would end up saving about \$300,000 over the next six years just in server replacement costs and power savings. The replacement servers cost

\$22,000 each for a total of \$110,000 and the SAN solution would cost \$140,000, which would eliminate the need to purchase 21 servers that otherwise must be replaced.

Mr. Combs spoke about the items listed on page 5 of [Exhibit F](#), which showed the personal computers, laptops, and printer replacements requested for three divisions at the Legislative Counsel Bureau (LCB). He provided some details but did not want the Assembly Committee on Ways and Means to think that he was only taking care of those three divisions. There were funds in the LCB operating budget to replace equipment in some of the divisions' budgets. There was no room in the operating budget to stay under the cap in some of the other divisions. The items listed on page 5 were for those budgets that lacked room under the cap to replace equipment. The cost of replacement equipment for the Fiscal Analysis Division totaled \$56,400, the Legal Division had a cost of \$100,800, and the Administrative Division had a cost of \$96,800. Page 5 detailed the number of replacement units requested. He studied the problem and noted that there were some purchases made during fiscal year (FY) 2013 that changed the situation. Rather than the \$1,086,859 requested in the bill, he said that number could be reduced to \$1,082,800.

In response to some questions from Assemblyman Hardy, Mr. Combs replied that if the LCB were to sell the old generator, the proceeds would go into the Legislative Fund. He was unsure about what the market was for the old generator, but the proceeds would go into the Legislative Fund. He said the agency would not use those funds during the 2013-2015 biennium. Any proceeds would be added to the resources in the 2015-2017 biennium. Mr. Combs would pay attention to any request for a trade-in of the old equipment when purchasing new equipment. Moving to the SAN solution would eliminate any need to add HVAC equipment to maintain a cooler temperature for the servers. The agency was just replacing servers that already existed. The SAN solution would reduce the number of servers and amount of cooling equipment that must be acquired.

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 Assembly Bill 475.

Chair Carlton asked for public comment, and there was none. There being no further business before the Assembly Committee on Ways and Means, she adjourned the meeting at 10:01 a.m.

RESPECTFULLY SUBMITTED:

Janice Wright
Committee Secretary

APPROVED BY:

Assemblywoman Maggie Carlton, Chair

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Ways and Means

Date: April 10, 2013

Time of Meeting: 8:14 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 464	C	Wayne Seidel, Administrator, Motor Carrier Division, Department of Motor Vehicles	Prepared Testimony
A.B. 464	D	Wayne Seidel, Administrator, Motor Carrier Division, Department of Motor Vehicles	Proposed Amendment to <u>Assembly Bill 464</u>
A.B. 482	E	Renee Olson, Administrator, Employment Security Division, Department of Employment, Training and Rehabilitation	Letter regarding <u>Assembly Bill 482</u> from Kate Marshall, State Treasurer, Office of the State Treasurer
A.B. 475	F	Richard Combs, Director, Legislative Counsel Bureau	List of one-shot funds for the Legislative Counsel Bureau