

**MINUTES OF THE
JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT
OF THE SENATE COMMITTEE ON FINANCE
AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-Seventh Session
May 8, 2013**

The Joint Subcommittee on General Government of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Joyce Woodhouse at 8:19 a.m. on Wednesday, May 8, 2013, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Joyce Woodhouse, Chair
Senator Moises (Mo) Denis
Senator Michael Roberson

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblywoman Lucy Flores, Chair
Assemblyman Paul Aizley, Vice Chair
Assemblyman Paul D. Anderson
Assemblyman Andy Eisen
Assemblyman Cresent Hardy
Assemblyman Joseph M. Hogan

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Cindy Jones, Assembly Fiscal Analyst
Jennifer Gamroth, Program Analyst
Leslie Sexton, Committee Secretary

OTHERS PRESENT:

Bruce Breslow, Director, Department of Business and Industry
Gail J. Anderson, Administrator, Real Estate Division, Department of Business and Industry

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Chair Woodhouse:

You have received the Joint Subcommittee on General Government Closing List #7 ([Exhibit C](#)) for accounts in the Department of Business and Industry (B&I).

COMMERCE AND INDUSTRY

BUSINESS AND INDUSTRY

We will begin with budget account (B/A) 101-4681.

B&I - Business and Industry Administration — Budget Page B & I-8 (Volume II)
Budget Account 101-4681

Jennifer Gamroth (Program Analyst):

There is one major closing issue in this budget account. In decision units E-225 and E-226, Governor Brian Sandoval recommends using National Mortgage Settlement (NMS) funds via a transfer from the Office of the Attorney General (AG) to the B&I included in this Administration account and the Real Estate Administration and Mortgage Lending budget accounts, which will be discussed later in the meeting. On April 5, the Subcommittee held a Work Session to discuss the decision units and programs recommended by the Governor.

E-225 Efficient and Responsive State Government — Page B & I-10

E-226 Efficient and Responsive State Government — Page B & I-10

The Executive Budget includes \$197,618 in each fiscal year (FY) of the 2013-2015 biennium in the NMS funds to fund a contract with the University of Nevada, Las Vegas (UNLV) Lied Institute for Real Estate Studies (UNLV LIED) for research, development and publication of a real estate and housing index. The Governor's recommendation represents funding for the second and third year of the 3-year project. The Interim Finance Committee (IFC), at the January 25 meeting, approved the transfer of the NMS funds from the AG's Office to the B&I in the amount of \$103,059 in FY 2012-2013 to initiate funding the first year of the contract with UNLV LIED to begin the housing index project. The total cost for the project over the 3-year period is \$498,295.

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The Department is uncertain as to how the contract and the cost for maintaining the real estate and housing index will be funded after the 2013-2015 biennium. The Department also indicates the interest generated from the residential housing industry and the market conditions will be the two primary factors to determine if the housing index project should be continued after FY 2014-2015. Data will be maintained, compiled and distributed to stakeholders.

SENATOR ROBERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT E-225 IN B/A 101-4681, WHICH INCLUDES FUNDING FROM NATIONAL MORTGAGE SETTLEMENT FUNDS IN THE AMOUNT OF \$197,618 IN EACH FISCAL YEAR OF THE 2013-2015 BIENNIUM TO CONTINUE FUNDING FOR THE CONTRACT WITH THE UNLV LIED INSTITUTE FOR REAL ESTATE AND FOR THE PUBLICATION OF A REAL ESTATE AND HOUSING INDEX.

ASSEMBLYWOMAN FLORES SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HOGAN WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Gamroth:

The Governor recommends four new positions and support costs funded with the NMS funds in the amount of \$408,864 for FY 2013-2014 and \$337,917 for FY 2014-2015 to create a limited Consumer Affairs Section within the Director's Office. The unit will be housed in Las Vegas. The four new positions include an unclassified administrative law judge, one compliance/audit investigator II and two administrative assistants II. According to information presented at the presession hearing, the limited Consumer Affairs Section will address consumer protection through the establishment of complaint tracking, investigation and resolution services under the guidelines of the NMS. In addition to the four new positions, \$194,953 over the 2013-2015 biennium is recommended for technology-related services to install and configure new software, including

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crystal reports, for an information system to support core business processes for the new Consumer Affairs Section.

The Department indicates no other funding source has been identified to support the Consumer Affairs unit at its prior reduced levels. The Department also indicates the NMS funds will support the Consumer Affairs function as recommended by the Governor for the 2013-2015 biennium only. An alternative source of funding would need to be identified to support this function beyond the upcoming biennium, or it would be discontinued.

The Executive Budget for the 2009-2011 biennium recommended the elimination of the Consumer Affairs Division. In lieu of eliminating the Division, Assembly Bill (A.B.) No. 561 of the 75th Session temporarily eliminated it and the position of Commissioner of Consumer Affairs for the 2009-2011 biennium, with some of those duties transferred to the AG's Office. The 76th Session again did not approve the Governor's recommendation to permanently eliminate the Consumer Affairs Division. Instead, it approved Senate Bill (S.B.) No. 473 of the 76th Session, which continued the suspension of the Consumer Affairs Division through June 30, 2013. The 2011 Session's intent was to evaluate opportunities during the 2011-2013 biennium to reestablish the Consumer Affairs Division, if the economy were to recover.

Senate Bill 488, requested by the Department of Administration, was introduced on March 25 and referred to the Senate Committee on Finance to continue the suspension of the Consumer Affairs Division and the Commissioner and to transfer the powers and duties of the Division and the Commissioner to the AG through June 30, 2015. The Senate approved S.B. 488 and referred it to the Assembly Committee on Ways and Means on May 6.

SENATE BILL 488: Continues the transfer of the powers and duties of the Consumer Affairs Division of the Department of Business and Industry and the Commissioner of Consumer Affairs to the Office of the Attorney General. (BDR S-1169)

Senator Denis:

I realize that this action is a band-aid solution. During the 2015 Session, we will want to see a proposal to provide adequate consumer protection for our citizens.

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For now, I am willing to recommend approval of the Governor's recommendation. I do this with the understanding that we will enact stronger and more comprehensive consumer protections in the 2015 Session and that the B&I will be directed to report regularly to the IFC on the activities of the limited Consumer Affairs Section as proposed by the Executive Budget and their plans for the future.

Chair Woodhouse:

Do you want to include a Letter of Intent?

Senator Denis:

I have no preference. The B&I can report to the IFC on their progress in formulating a proposal for the 2015 Session.

SENATOR DENIS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT E-226 OF B/A 101-4681, WHICH INCLUDES FUNDING FROM NATIONAL MORTGAGE SETTLEMENT FUNDS IN THE AMOUNT OF \$408,864 IN FY 2013-2014 AND \$337,917 IN FY 2014-2015 FOR A CONSUMER AFFAIRS FUNCTION THAT WILL BE LIMITED IN ITS SCOPE TO CONSUMER ISSUES WITHIN THE MORTGAGE LENDING, REAL ESTATE AND FINANCIAL INSTITUTION DIVISIONS.

ASSEMBLYMAN EISEN SECONDED THE MOTION.

Bruce Breslow (Director, Department of Business and Industry):

We have clearly heard that you would like us to make a proposal to the Governor in the next budget cycle to reinstitute a proper consumer affairs division. We will do that, considering how to improve upon what was done in the past, and include enforcement powers. We want to do more than just log complaints. We will present our proposal to the Governor for his consideration as part of the Executive Budget. The only intent I can state, at this time, is that I intend to do that. We do not have specifics of a plan for 2015. We will need approximately 6 months following the adjournment of the 2013 Session to begin implementing new legislation. We will then be able to follow through with our commitment to Senator Denis and the Governor to present a proposal for 2015.

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Senator Denis:

During the interim, it is important that you collaborate with stakeholders and the public in formulating a plan for the future.

Assemblywoman Flores:

I agree with Senator Denis. I have been concerned with budget cuts that have adversely affected our ability to provide consumer protection in the State. During the interim, citizens call my office for help with their consumer-related problems. It is frustrating not to be able to adequately help them. Most people are unable to hire an attorney to handle their consumer problems. The action we are considering today is a small step in the right direction. We need to reestablish a permanent resource for consumer protection.

Mr. Breslow:

We receive complaints. We do what we can internally to resolve them. Every department of State government receives complaints, including referrals from the Research Division's Constituent Services Unit, or from the Governor's Office Constituent Services. We all respond. We do not have a centralized process with a dispute resolution mechanism. The latter will be essential to any plan for the future.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Gamroth:

The Governor recommends a change of funding source for two positions in decision units E-227 and E-228 that were transferred from the Mortgage Lending budget account to the Administration budget as part of the consolidation/reorganization of the licensing unit approved by the 2011 Session for the 2011-2013 biennium. The centralized licensing unit is currently funded 50 percent from the Mortgage Lending budget and 50 percent from the Financial Institution budget. The Executive Budget notes these two positions are no longer dedicated to the support of the licensing function alone, but provide support to the entire office. The Governor recommends the two positions be included in the

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Administration's budget department-wide cost allocation. This change will increase the Department's cost allocation by \$88,005 in FY 2013-2014 and \$90,792 in FY 2014-2015, of which \$10,312 is funded with General Fund appropriations in FY 2013-2014 and \$2,179 in FY 2014-2015. The General Fund portion is overstated. The Department of Administration's Budget Division submitted Budget Amendment Nos. A130014681 and A130024682 to correct the General Fund share.

E-227 Efficient and Responsive State Government — Page B & I-11

E-228 Efficient and Responsive State Government — Page B & I-11

The Department's cost allocation was not correct in the Executive Budget. Revenue sources cited in the Executive Budget in the Administration account for decision units M-300, E-671 and E-672 were not calculated correctly. The Budget Division submitted Budget Amendment Nos. A130014681 and A130024682, and it appears to Fiscal Staff that these budget amendments correct the discrepancies.

M-300 Adjustments to Fringe Benefits Rates — Page B & I-9

E-671 Freeze Salary for FY 2014 — Page B & I-12

E-672 Suspend Longevity for 2013-2015 Biennium — Page B & I-12

ASSEMBLYMAN EISEN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATIONS, AS AMENDED, IN DECISION UNITS E-227, E-228, M-300, E-671 AND E-672 OF B/A 101-4681; AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS FOR DEPARTMENTAL TRANSFERS AND COST ALLOCATIONS.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Chair Woodhouse:

We will now consider B/A 101-4683.

B&I - Industrial Development Bonds — Budget Page B & I-14 (Volume II)
Budget Account 101-4683

Ms. Gamroth:

Fiscal Staff is responsible for developing recommendations for this account. The Subcommittee has not previously reviewed this budget account. There are no major closing issues and the account has had little activity. Fiscal Staff recommends that this account be closed as recommended by the Governor.

SENATOR DENIS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO
APPROVE THE GOVERNOR'S RECOMMENDATION TO CLOSE
B/A 101-4683.

ASSEMBLYMAN AIZLEY SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Chair Woodhouse:

We will now consider B/A 101-4679.

Nevada Home Retention Program — Budget Page B & I-16 (Volume II)
Budget Account 101-4679

Ms. Gamroth:

This is a new budget established under the administrative oversight of the Director's Office of the B&I to account for expenditures related to the Governor's

proposed Home Retention Program. The Executive Budget, in decision unit E-225, recommends a transfer of \$49 million of the NMS from the AG to B&I for the Nevada Home Retention Program for the 2013-2015 biennium.

E-225 Efficient and Responsive State Government — Page B & I-16

The Director of the B&I has indicated the U.S. Department of the Treasury has agreed to an allocation of up to an additional \$100 million for the Nevada Home Retention Program. This would bring the total available funding to \$149 million. When the Home Retention Program was introduced and discussed at the Department's presession hearing held on January 29, and at the Department's budget hearing held on February 6, the program was in the initial planning stages and limited information was available. Since then, the Department has developed a draft business plan. This was submitted to various stakeholders, including financial institutions, Realtors, financial counselors, the Housing Division, UNLV LIED, an analysis consulting firm, a marketing firm and a law firm. The stakeholders made recommendations to the Department. The Department held two meetings with stakeholders to discuss issues of concern. Subsequently, on April 5, the final version of the business plan for the Nevada Home Retention Program was presented to the Subcommittee on General Government, which also reviewed how funding from the NMS funds, in the Department's Administration, Real Estate, Administration, and Mortgage Lending budget accounts, is recommended to be used. The business plan is presented again today on pages 13 through 49 of [Exhibit C](#). The Department indicates that the plan is a work in progress. As issues arise, the plan will be modified. The plan anticipates acquiring approximately 4,600 mortgages over a 7-year period with a goal of retaining 50 percent of the individuals holding these mortgages on their homes. The program will be administered by a nonprofit organization, under the direction of a board.

Once the initial program funding is acquired, the business plan envisions governance will be formalized, and service providers will be contracted, which will be funded with the NMS funds recommended in the new budget account for the Nevada Home Retention Program. The nonprofit organization will then act judiciously to acquire mortgages that are 90 to 180 days delinquent. Delinquent, underwater, FHA-backed mortgages will be evaluated and purchased from government-sponsored entities, commercial banks, state-chartered banks and credit unions. Pricing will be determined by the quality of loans purchased, market value

and the probability of home retention. Qualifying mortgages will be acquired at approximately 70 percent of the home's current market value. An asset manager will conduct the loan level due diligence review and information audit in order to make an informed recommendation to the board.

Once the nonperforming loans are procured, loan-servicing rights will be transferred to the Master Servicer within 30 days. Loans purchased will be modified, refinanced or sold. This is a principal reduction program, which leaves the original interest rate intact as long as it falls within a floor to ceiling range to be determined. Loans outside that range may be modified if the program chooses. The new notes will be for 100 percent, plus 20 percent of current market value. The 20 percent portion of the note is without interest, to incentivize homeowners to work with housing counseling agencies to bring their total monthly debt obligations below 45 percent of their total monthly income within 2 years. This will enable homeowners to build their credit profiles and enhance their eligibility to refinance within a reasonable timeframe. Once the homeowner is in position to refinance the loan and exits the program, 20 percent of the initial note will be forgiven.

Borrowers will be contacted by a certified Nevada housing counseling agency contracted by the asset manager. The housing counseling agency will complete a client assessment, obtain required program information and complete a financial analysis prescribed by the program for the homeowner's participation in the program.

If a homeowner does not qualify, even after the revision to the mortgage terms, transition assistance will be offered. A maximum of \$5,000 is being considered. Homeowners who are unwilling to participate will also be relocated to a suitable rental property under relocation assistance programs made available to them. If the home is not occupied by the homeowner and the home is being rented out, renter assistance will also be offered to the renter or lessee. These homeowners may be offered a choice of taking a deed in lieu or proceeding with a traditional foreclosure. Upon completion of either process, the vacated property will be rehabilitated if necessary and marketed for sale to first-time homebuyers and other qualified individuals with a stipulation of owner occupation. These homes will not be sold to investors. Only as a last resort will the program take back ownership of the home of a borrower who is unable, or unwilling to participate in the program.

This program will replenish funds by selling 75 percent to 80 percent of the repackaged seasoned loans to hedge funds and financial institutions such as state-chartered banks and credit unions. The proceeds from the sale of properties that did not qualify for home retention will be returned to the program as well as scheduled principal and interest payments on the portfolio of loans serviced by the asset manager. The return of these funds will enable the program to purchase additional nonperforming loans to assist more Nevada homeowners.

Those who qualify under the Home Retention Program will:

- Be homeowners with FHA-qualified loans who are delinquent 90 to 180 days in their mortgage payments.
- Be homeowners who purchased their homes between 2002 and 2008.
- Be homeowners who occupy the subject home.
- Have a current principal balance of not more than the FHA loan limit of \$417,000.
- Agree to the requirements of the program, including financial counseling to assist the homeowner in getting their debt ratio and credit rating up to standards that would allow the homeowner to qualify for a standard mortgage through a financial institution after 2 to 3 years in the program.

After their loan is acquired by the program, all borrowers who elect to participate in the refinancing process must meet with a certified housing counseling agency. The housing counselor will work with borrowers to complete a detailed retention plan and will work to reduce total household debt with the goal of obtaining a total debt ratio of 45 percent.

Initial interest rates will be set according to the interest rate of the current mortgage, unless the interest rate appears to be a predatory rate. An interest rate floor and ceiling will be set based on current interest rates. If the interest rate on the current mortgage appears to be outside of the identified floor or ceiling, the interest rate will be set at the current rates taking into consideration the homeowner's current credit profile. Once qualified, mortgage payments will begin once the borrower has been approved and a new note is signed and delivered.

This program is designed to wind down by June 2021 with the last purchase being completed by June 2020. The mortgages retained by the program will be sold as

soon as possible, in early 2021. The Department proposes that any proceeds of the sales remaining from the Nevada Home Retention Program will be returned to the State General Fund after all obligations are paid.

Details regarding the organization of the nonprofit entity and the board are included in the Organization section of the business plan on page 23 of [Exhibit C](#). The business plan includes information pertaining to information technology systems, loan sourcing, program outreach, underwriting, program services contracting, encumbrances and liens, record retention, statutory and regulatory compliance, program partners, closing costs, program reporting, program controls and fraud prevention, reserves, projected program financials, cost analysis, exit strategy, program enhancements and frequently asked questions.

Assemblyman Anderson:

When I first learned about this program, I was concerned about competition with the private sector and the program not being as efficient as it should be. After discussions with the Director and others who would be responsible for the program, I have respect for, and confidence in, the Department's abilities to build a successful program. This is a good use of funds.

Assemblyman Eisen:

In the beginning, I was skeptical about the program. Since then, it has been explained adequately enough to make me comfortable with it. I am interested in getting regular reports, in the interim, to ensure that it is progressing as intended. It appears to be a worthwhile effort.

Senator Denis:

This program can be a benefit to Nevadans. I also want regular reports in the interim on the progress of the program

SENATOR DENIS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT E-225 OF B/A 101-4679, WHICH INCLUDES THE GOVERNOR'S RECOMMENDATION TO TRANSFER \$49 MILLION OF NATIONAL MORTGAGE SETTLEMENT FUNDS FROM THE ATTORNEY GENERAL TO THE B&I FOR THE NEVADA HOME RETENTION PROGRAM FOR THE 2013-2015 BIENNIUM TO BE USED AS OUTLINED IN THE DEPARTMENT'S

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PROPOSED BUSINESS PLAN; AND TO ISSUE A LETTER OF INTENT TO THE B&I TO REPORT TO THE INTERIM FINANCE COMMITTEE ON A QUARTERLY BASIS REGARDING THE STATUS OF THE PROGRAM IMPLEMENTATION AND THE ONGOING MANAGEMENT AND SUCCESS OF THE PROGRAM.

ASSEMBLYWOMAN FLORES SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Chair Woodhouse:

We will now consider B/A 101-3910.

B&I - Mortgage Lending — Budget Page B & I-279 (Volume II)
Budget Account 101-3910

Ms. Gamroth:

There are three major closing issues in this budget account, the first of which is the revenue projections in the Executive Budget.

During the 26th Special Session, the Legislature approved the elimination of six financial mortgage examiner positions and associated operating costs. The position eliminations were the result of declining reserves and a reduction in fee and license revenues. At the February 3, 2011, meeting, the IFC approved the elimination of an additional seven positions, which included three financial mortgage examiners, one education information officer, one compliance audit investigator and two administrative assistants, effective June 1, 2011, because of declining reserves and a reduction in fee and license revenues. The 2011 Session approved the Governor's recommendation to permanently eliminate all 13 positions.

During the 2011 Session, the Fiscal Analysis Division Staff noted concerns regarding revenues and reserve balances. The FY 2011-2012 legislatively approved budget included a reserve balance of \$1,615,432 to be carried forward to FY 2012-2013; however, the actual amount balanced forward to FY 2012-2013

was only \$756,416, which resulted in a shortfall of \$859,016. The total revenues projected in FY 2011-2012, excluding the balance forward from the previous year, were \$2,123,946. However, the Agency only received \$1,616,155, resulting in an additional shortfall of \$507,791. If revenues remain flat in FY 2012-2013, and with the balance forward shortfall from FY 2011-2012, the Agency will have a reserve balance at the end of FY 2012-2013 of only \$188,591, if expenditures occur at the levels currently budgeted. The Agency has received a one-time \$1 million Bank of America settlement that was awarded specifically to state mortgage regulators on April 12, 2012, and received in FY 2012-2013 to be used to support and improve state mortgage regulation and supervision. The one-time influx of settlement funds has provided the Agency some flexibility within their FY 2012-2013 budget. However, based on current fees and assessments collected, the Agency will eventually expend the reserve balance created by this one-time influx of funds. Fiscal Staff has included a technical adjustment in the closing document for all fee revenues in this account. The adjustments to the various fees increase total fee revenue by \$44,644 for each fiscal year of the 2013-2015 biennium. This is based on revised revenue projections provided by the Agency on May 2. The total revenues increased by \$44,644 for each fiscal year of the 2013-2015 biennium, based on the revised projections. Because of the decrease in revenue since FY 2007-2008, the Department has had to use reserves to fund ongoing expenses.

The Executive Budget includes revenue authority for the total costs of legal services provided by the AG to the Agency, which is assessed to each person licensed by the Agency. The Governor is recommending AG assessment revenues totaling \$316,275 for each fiscal year of the 2013-2015 biennium. The intent is for the AG assessment revenues to offset the expenditures in the AG Cost Allocation Plan (AG CAP) category. However, the Governor's budget is recommending no expenditures for the AG CAP in either fiscal year of the 2013-2015 biennium. Fiscal Staff has included a technical adjustment in the closing document to reconcile the AG assessment fee to the AG CAP category. In the Base Budget, the AG assessment fee is reduced by \$114,205 in both fiscal years of the 2013-2015 biennium, and in statewide inflation decision unit M-100, the AG assessment fee has been reduced by \$202,070 in both fiscal years of the 2013-2015 biennium.

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ASSEMBLYWOMAN FLORES MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE TECHNICAL ADJUSTMENTS COMPLETED BY FISCAL STAFF FOR FEE REVENUES BASED ON THE REVISED REVENUE PROJECTIONS COMPLETED BY THE AGENCY, AND FOR THE TECHNICAL ADJUSTMENT TO RECONCILE THE AG ASSESSMENT FEE TO THE AG COST-ALLOCATION CATEGORY.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. Gamroth:

The Executive Budget recommends four new positions in decision unit E-225 and other costs to fund a Mortgage Fraud Enforcement Unit with the NMS funds totaling \$663,092 in FY 2013-2014 and \$553,400 in FY 2014-2015. The new positions include a program officer I, a legal research assistant II, an administrative assistant II and a compliance/audit investigator III.

E-225 Efficient and Responsive State Government — Page B & I-282

The Agency indicates it intends to increase its focus on identifying instances of mortgage fraud and to aggressively pursue disciplinary enforcement. Because mortgage transactions are complex and the investigation of them can be complicated and laborious, to assist the Agency in this program, the Agency intends to use the one additional investigator to obtain access to online investigative and research tools, and provide training for examination and investigative staff related to recognizing and investigating mortgage fraud. The program officer I position will administer the Agency's efforts to develop public and industry outreach programs related to mortgage fraud. The legal research assistant II position will research legal issues and complete the drafting of administrative orders and policy decisions pertaining to licensing and regulatory

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issues. The administrative assistant III position will provide clerical support to the Mortgage Fraud Enforcement Unit.

At the March 5 budget hearing of the Joint Subcommittee on General Government, the Agency was requested to provide justification and/or additional information and supporting documentation for other costs recommended in this decision unit for out-of-state travel, in-state travel, printing, postage, equipment and other operating costs. The Agency recently provided Fiscal Staff with the requested information. The Budget Division submitted Budget Amendment No. A130023910 on April 13, which includes a decrease in costs for out-of-state travel, in-state travel, printing of newsletters, postage, equipment and other operating costs, and the elimination of \$54,697 for the development and production of public service announcements in DVD format, \$36,495 for videoconferencing equipment, \$15,468 for wireless services for laptops, and \$10,682 for programmer/developer hours. The budget amendment decreases expenditures by \$184,765 in FY 2013-2014 and \$55,166 in FY 2014-2015, which equates to a \$239,931 savings in the NMS funds that may be used for other purposes in accordance with the Mortgage Settlement Agreement, such as the Nevada Home Retention Program.

ASSEMBLYWOMAN FLORES MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO FUND FOUR NEW POSITIONS AND ASSOCIATED COSTS, INCLUDING BUDGET AMENDMENT NO. A130023910, WITH NATIONAL MORTGAGE SETTLEMENT FUNDS FOR THE 2013-2015 BIENNIUM; AND TO ISSUE A LETTER OF INTENT REQUESTING THE MORTGAGE LENDING DIVISION SUBMIT A BUSINESS PLAN TO THE IFC NO LATER THAN JULY 1, 2014, WHICH INCLUDES A FEE STRUCTURE THAT WILL FUND THE ONGOING STAFFING NEEDS AND SUPPORT COSTS REQUIRED TO CARRY OUT THE INTENT OF THE MORTGAGE LENDING DIVISION AS DESCRIBED IN THE *NEVADA REVISED STATUTES*, SINCE THE NATIONAL MORTGAGE SETTLEMENT FUNDS WILL NOT BE AVAILABLE TO CONTINUE FUNDING THE FOUR NEW POSITIONS AFTER THE 2013-2015 BIENNIUM.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. Gamroth:

If approved by the full Committees, with the recommended budget amendment, the NMS funds in the amount of \$239,931 will be released and can be redirected for another purpose in accordance with the Mortgage Settlement Agreement.

ASSEMBLYWOMAN FLORES MOVED TO RECOMMEND TO THE FULL COMMITTEES TO REDIRECT \$239,931 IN NATIONAL MORTGAGE SETTLEMENT FUNDS TO THE REAL ESTATE DIVISION ADMINISTRATION ACCOUNT FOR THE PURPOSE OF OFFSETTING GENERAL FUND DOLLARS; AND TO AUTHORIZE FISCAL STAFF TO MAKE THE NECESSARY TECHNICAL ADJUSTMENTS AND ALLOCATIONS BETWEEN FISCAL YEARS IN THE 2013-2015 BIENNIUM.

SENATOR DENIS SECONDED THE MOTION.

Cindy Jones (Assembly Fiscal Analyst):

The oversight committees must ensure that the redirected funds are used for specified purposes in accordance with the Mortgage Settlement Agreement. Those purposes are to prevent foreclosure, ameliorate the effects of the mortgage and foreclosure crisis in Nevada, enhance consumer protection and legal aid efforts, enhance consumer financial and housing counseling assistance including economic education and/or instruction on financial literacy for the benefit of Nevada residents and to enhance law enforcement efforts to investigate, prosecute and prevent financial fraud or unfair or deceptive acts.

The Subcommittee may wish to hear from the Department about any additional activities in the Real Estate Division that could be supported by the NMS funds, not including those activities that are already included for restoration in the Executive Budget by the NMS funds.

Mr. Breslow:

The Real Estate Division is the main division in our Department that is supported by General Fund dollars. That Division has been repeatedly reduced. The real estate market is starting to rebound in southern Nevada. The market will experience an overcorrection and grow rapidly. We plan to present a new self-funding model for the Real Estate Division that will enable it to grow in the future. Until that can be achieved, we will continue to struggle with an inadequate complement of staff. If the Division is allowed to reallocate resources, the NMS funds could be used for the purposes for which they are intended.

Assemblywoman Flores:

We understand how the current situation in the real estate market has affected the Real Estate Division. We know that Nevada is slowly recovering from the economic downturn and that the Division will again perform as in the past. If the NMS funds can be used to provide the same services or perform the same duties, for the purposes outlined in the Mortgage Settlement Agreement, we can provide a benefit to Nevada and ease the burden on the General Fund in the 2013-2015 biennium. We know we will need to revisit this issue in 2015.

Mr. Breslow:

We now understand your motion is to remove one funding source and replace it with another, so there would be no new positions. The issue would be to budget the revenue properly to ensure the funds are used for the purposes mandated by the Mortgage Settlement Agreement. We would have to identify specific positions or units that are performing duties related to the mandated purposes.

Gail J. Anderson (Administrator, Real Estate Division, Department of Business and Industry):

I am able to identify positions in the Compliance Section, the Licensing Section and the Projects Compliance area where we directly enhance consumer protection. We investigate and prosecute consumer fraud and deceptive trade practices in licensed and unlicensed activities in Nevada. There is a way to map the allocation of the NMS funds.

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Ms. Jones:

If the redirection of the NMS funds is approved, Fiscal Staff requests authorization to make appropriate adjustments to the General Fund and determine the appropriate allocation between fiscal years.

Mr. Breslow:

The redirection of funds reduces flexibility and places more restrictions on the Department. We understand the need for General Fund dollars in other areas.

Assemblywoman Flores:

After seeing the successes you have had in other programs, I am confident that you will be able to determine the best way to handle these funds.

Assemblyman Anderson:

I share Assemblywoman Flores' confidence in the Director's abilities. My concern is that by replacing General Fund dollars with restrictive funds, we may be adding one more burden on the Real Estate Division.

Chair Woodhouse:

We all share your confidence in Mr. Breslow's and Ms. Anderson's abilities to utilize the funds in the proper manner.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN ANDERSON VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. Gamroth:

The Governor recommends NMS funds to fund eight existing positions in decision unit E-226 of the Mortgage Lending budget.

These eight positions are currently funded with various fees the Mortgage Lending Division assesses and collects from the industry it regulates. According to the narrative in the Executive Budget, the eight existing positions will be part of the Mortgage Fraud Enforcement program recommended in decision unit E-225.

If the Subcommittee approves this decision unit, the NMS funds will only be available for the next 2 years. If the revenue issues are not addressed, funding to continue the eight existing positions after the 2013-2015 biennium will again be a concern. Approval of this decision unit will allow the Agency to build up their reserves, which could be used in future biennia to compensate for any shortfalls in fee revenues. However, if the use of the NMS funds for the eight existing positions is not approved, based on fee revenue projections provided by the Agency, the Mortgage Lending budget would have sufficient fees and reserves to fund the eight existing positions and the four new positions requested in decision unit E-225 through FY 2015-2016. For FY 2016-2017, the Agency would exhaust 100 percent of the reserves and would realize a projected revenue shortfall of approximately \$190,000.

The Agency indicates it is currently conducting an analysis of its fee structure, by program, to identify where adjustments may be necessary for the commissioner to be able to carry out its duties as required by law. Adjusting the annual renewal fee for a mortgage agent fee is an example of how the Agency could collect additional fees based on existing statute. Under *Nevada Revised Statute* (NRS) 645B.430, Section 1(c), the commissioner may set the renewal fee at not more than \$170; however, the Agency is only charging \$100. The Agency projects \$472,770 would be collected if \$170 were charged for the annual renewal fee versus the current \$100 renewal fee that is being charged. The \$100 annual renewal fee that is currently assessed is projected by the Agency to generate \$278,100. The difference of \$194,670 is the additional revenue that could be collected by the Agency.

The Subcommittee may wish to issue a Letter of Intent, as it did in decision unit E-225, requesting the Mortgage Lending Division submit to the IFC, no later than July 1, 2014, a business plan which includes a fee structure that will fund the ongoing staffing needs and support costs required to carry out the intent of the Mortgage Lending Division as described in the NRS.

ASSEMBLYWOMAN FLORES MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO CHANGE THE FUNDING SOURCE FOR EIGHT EXISTING POSITIONS FROM FEES TO MORTGAGE SETTLEMENT FUNDS TRANSFERRED FROM THE ATTORNEY GENERAL TO THE MORTGAGE LENDING DIVISION FOR THE 2013-2015 BIENNIUM; AND TO ISSUE A LETTER OF INTENT REQUESTING THE MORTGAGE LENDING DIVISION SUBMIT TO THE IFC, NO LATER THAN JULY 1, 2014, A BUSINESS PLAN, WHICH INCLUDES A FEE STRUCTURE THAT WILL FUND THE ONGOING STAFFING NEEDS AND SUPPORT COSTS REQUIRED TO CARRY OUT THE INTENT OF THE MORTGAGE LENDING DIVISION AS DESCRIBED IN THE NRS.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. Gamroth:

There are three other closing items for this budget account.

Funding from reserves of \$23,567 in FY 2013-2014 and \$32,739 in FY 2014-2015 is recommended in decision unit M-804 to fund the Department of B&I Director's Office cost allocation and 50 percent of the cost for the Licensing Unit in decision unit M-803 included in the B&I Administration budget.

M-803 Cost Allocation — Page B & I-281

M-804 Cost Allocation — Page B & I-281

Fiscal Staff has included a technical adjustment in decision unit E-710 totaling \$185 to remove antivirus software in both fiscal years of the biennium.

E-710 Equipment Replacement — Page B & I-284

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Fiscal Staff has identified errors in the Department's cost allocation, decision unit E-804, and is working with the Department and the Budget Division to correct the B&I Director's Office cost allocation.

E-804 Cost Allocation — Page B & I-284

ASSEMBLYWOMAN FLORES MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATIONS IN DECISION UNITS M-803, M-804 AND E-710 IN B/A 101-3910; AND TO AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS FOR ANTIVIRUS SOFTWARE, DEPARTMENTAL TRANSFERS AND COST ALLOCATIONS.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Chair Woodhouse:

We will now consider B/A 101-3823.

B&I - Real Estate Administration — Budget Page B & I-143 (Volume II)
Budget Account 101-3823

Ms. Gamroth:

The major closing issue in this budget account is the restoration of seven positions in decision unit E-225.

E-225 Efficient and Responsive State Government — Page B & I-145

The Executive Budget recommends restoring seven positions and increases an existing administrative assistant III position from a 0.60 full-time equivalent (FTE) to 1 FTE position funded with the NMS funds totaling \$274,241 in FY 2013-2014

and \$373,919 in FY 2014-2015. The narrative in the Executive Budget indicates by restoring these positions, the Real Estate Division will be able to perform activities relating to real estate fraud enforcement, compliance and licensing and will accomplish the intent of the NMS by providing greater oversight over the real estate industry. In addition, the Agency indicates the recommended positions would also staff the Division's Projects Section, which oversees timeshare sales and the sale of subdivided land for new housing developments.

The Agency indicates that while many of the workload statistics are not significantly increasing from FY 2011-2012 to FY 2014-2015, staffing levels for the Real Estate Administration budget were reduced by 14.8 FTEs, or 46 percent, from FY 2009-2010 levels. These positions were eliminated by the 2011 Session, as recommended by the Governor, as a budget reduction measure. The Agency has provided supporting documentation that indicates, because of the reduction to staffing levels, work backlogs and processing times have increased significantly for the Licensing, Compliance and Projects sections. For example, in FY 2009-2010, the average processing time for a license application was 6 to 8 weeks. The current average processing time is 10 to 14 weeks. The average number of cases under investigation has increased from 150 in FY 2009-2010 to 335 for FY 2011-2012. The Project Section, which, according to the Agency, has only one dedicated position, has a backlog of timeshare filings for amendments and renewals that are more than 12 months old.

In response to questions about how the seven positions would be funded after the 2013-2015 biennium, the Agency testified at the March 5 budget hearing that it would explore the feasibility of moving the Real Estate Administration budget account to a fee-funded, self-supporting budget. Currently, NRS 645.140 requires the Real Estate Division to deposit all fees, penalties and charges received by the Division to the State Treasurer for credit to the General Fund. The Agency provided Fiscal Staff with information which demonstrates that if the fees currently deposited directly to the General Fund were instead deposited to the Real Estate Administration budget account, the General Fund appropriation for each fiscal year could be eliminated, and there would be sufficient fee revenue to support the seven new positions recommended in future biennia. Moving this account to a self-supporting fee-funded budget would require changes to seven chapters of the NRS to implement the appropriate language regarding disposition of money received by the Agency. If the fees were to be directly deposited to the Real Estate

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Administration budget account in future biennia to fund the seven new positions, the amount that is currently reverted to the General Fund would be reduced unless fee revenues increase in future biennia.

ASSEMBLYMAN EISEN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION INCLUDED IN DECISION UNIT E-225 OF B/A 101-3283 TO FUND THE RESTORATION OF SEVEN POSITIONS; TO INCREASE AN EXISTING ADMINISTRATIVE ASSISTANT III POSITION FROM A 0.60 FTE TO 1 FTE POSITION, FUNDED WITH NATIONAL MORTGAGE SETTLEMENT FUNDS IN THE AMOUNT OF \$274,241 IN FY 2013-2014 AND \$373,919 IN FY 2014-2015; TO RECOMMEND A LETTER OF INTENT REQUESTING THE REAL ESTATE DIVISION SUBMIT TO THE IFC, NO LATER THAN JULY 1, 2014, A BUSINESS PLAN, WHICH INCLUDES A FUNDING STRUCTURE THAT WILL FUND THE ONGOING STAFFING NEEDS AND SUPPORT COSTS REQUIRED TO CARRY OUT THE INTENT OF THE REAL ESTATE DIVISION AS DESCRIBED IN THE NRS, SINCE THE MORTGAGE SETTLEMENT FUNDS WILL NOT BE AVAILABLE TO CONTINUE FUNDING THE RESTORATION OF THE SEVEN POSITIONS; AND TO INCREASE AN EXISTING ADMINISTRATIVE ASSISTANT III POSITION FROM A 0.60 FTE TO 1 FTE AFTER THE 2013-2015 BIENNIUM.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. Gamroth:

Under other closing items, in decision units M-804 and E-804, Fiscal Staff requests authority to make technical adjustments to agency cost allocations based on final costs in this account, in the Department-wide cost allocations and in the Division of Human Resource Management (DHRM) cost allocation. There is a transfer in this account to the General Fund based on the sum of the revenues received for

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property management examination registration fees and property management permit testing fees, less the cost included in the testing services category for the license testing contractor and associated credit card fees. Fiscal Staff identified concerns with the amount included in the Executive Budget to be reverted to the General Fund. Since the Agency's budget hearing, the Budget Division has submitted Budget Amendment No. A130013823, which addresses those concerns. It decreases the General Fund appropriation and the Transfer to the General Fund category by \$44,699 for each fiscal year of the 2013-2015 biennium. The adjustment for the amendment has been included in the closing document.

M-804 Cost Allocation — Page B & I-145

E-804 Cost Allocation — Page B & I-147

ASSEMBLYWOMAN FLORES MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATIONS FOR B/A 101-3823; AND TO AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS FOR DEPARTMENTAL TRANSFERS AND COST ALLOCATIONS, INCLUDING BUDGET AMENDMENT NO. A130013823.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Chair Woodhouse:

We will now consider B/A 216-3827.

B&I - Real Estate Recovery Account — Budget Page B & I-155 (Volume II)
Budget Account 216-3827

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Ms. Gamroth:

Prior to July 1, 2011, this budget was funded by a \$40 fee charged with each original and renewal of a real estate salesman or broker's license for the purpose of education, research and satisfying claims against licensees. Pursuant to S.B. No. 230 of the 75th Session, the original application fee for a license remains at \$40, but the renewal of a license increased to \$80 on July 1, 2011. The bill extended the licensure period from 12 months to 24 months for original licenses and from 24 months to 48 months for renewals after the 2-year renewal period for the original license.

Recovery fee revenue initially flows into this account to pay recovery claims against licensees as ordered by a court of law. At the end of each fiscal year, the balance of the funds in excess of \$300,000 in this account is transferred to the Real Estate Education and Research budget for real estate education and research efforts or other purposes authorized by the Legislature.

There are no major closing issues in this budget account. There is one other closing item.

The Real Estate Recovery account should have transferred an additional \$68,694 to the Education and Research account at the end of FY 2011-2012. Instead, the Agency placed the \$68,694 in reserve. The Agency was requested by Fiscal Staff to move the \$68,694 out of reserve and into the Transfer to Education and Research category, which would leave a \$300,000 reserve as required by statute. Since the initial March 5 budget hearing for this account, a work program has been completed by the Agency and approved by the Budget Division for FY 2012-2013 to correct the reserve balance and to transfer the excess revenues to the Education and Research account.

B&I - Real Estate Education and Research — Budget Page B & I-149 (Volume II)
Budget Account 216-3826

Fiscal Staff has included a technical adjustment, which is reflected in the closing document, to correct the reserves to the \$300,000 balance as required by statute.

SENATOR DENIS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO
CLOSE B/A 216-3827 AS RECOMMENDED BY THE GOVERNOR, WITH THE

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TECHNICAL ADJUSTMENTS NOTED TO CORRECT THE RESERVE
BALANCE; AND TO AUTHORIZE STAFF TO MAKE OTHER TECHNICAL
ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN FLORES SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT
FOR THE VOTE.)

* * * * *

Chair Woodhouse:

We will now consider B/A 216-3826.

B&I - Real Estate Education and Research — Budget Page B & I-149 (Volume II)
Budget Account 216-3826

Ms. Gamroth:

The amount that transfers from B/A 216-3827 to B/A 216-3826 is significantly less in FY 2012-2013 because of a change in the NRS. Consequently, there will be fluctuations in revenue from biennium to biennium. This will necessitate reliance on the reserves to offset expenditures in one biennium and the reserves will be increased in the next biennium.

There are no major closing issues in this budget account. There are two other closing items.

Fiscal Staff requests authority to make technical adjustments in decision unit M-804, for the Department-wide cost allocation based on final costs in the B&I Administration budget.

M-804 Cost Allocation — Page B & I-151

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Fiscal Staff requests authority to make technical adjustments in decision unit E-804 for the Department-wide cost allocation based on final costs in the B&I Administration budget and to the DHRM cost allocation.
E-804 Cost Allocation — Page B & I-153

ASSEMBLYMAN AIZLEY MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATIONS IN DECISION UNITS M-804 AND E-804 IN B/A 216-3826; AND TO AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS FOR DEPARTMENTAL TRANSFERS AND COST ALLOCATIONS.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Chair Woodhouse:

We will now consider B/A 101-3820.

B&I - Common Interest Communities — Budget Page B & I-156 (Volume II)
Budget Account 101-3820

Ms. Gamroth:

There are three major closing issues in this budget account.

In decision unit E-225, the Governor recommends funding from reserves in the amount of \$121,272 in FY 2013-2014 and \$165,555 in FY 2014-2015 for three new positions in the Common-Interest Communities budget funded with reserves from assessment/fees to unit owners in community/homeowner associations. The positions will be located in the Las Vegas office and include two compliance/audit investigator II positions and one administrative assistant II position.

E-225 Efficient and Responsive State Government — Page B & I-158

The Agency indicates the compliance/audit investigator II positions will conduct investigations resulting from complaints filed by unit owners in community associations, licensees or other governmental agencies.

The Agency indicates the additional investigator positions will reduce the caseload per investigator and allow the investigators to provide timely responses to constituent complaints, and will provide more time for field reviews of management companies and association board records. At the beginning of February, the Agency indicates there were 243 open cases in the south, which are managed by three investigators, for an average of 81 cases per investigator, and there were 36 open cases in the north, managed by one investigator. The two additional compliance investigator positions will decrease the average caseload per investigator to approximately 48 cases. Information provided by the Agency shows the Compliance Section has seen a 185 percent increase in complaints opened for investigation from FY 2007-2008 to FY 2011-2012. The significant increase in cases opened for investigation with no additional investigators to work those cases has caused average caseloads per investigator to increase and has resulted in longer time periods that a matter is under investigation.

The Agency indicates the administrative assistant positions perform a broad variety of clerical and administrative support duties for the Compliance Section of the Common-Interest Communities program. With the two new compliance/audit investigator II positions, the Agency indicates an additional administrative assistant II position is needed to support the two new positions.

ASSEMBLYMAN AIZLEY MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE TWO COMPLIANCE/AUDIT INVESTIGATOR II POSITIONS AND ONE ADMINISTRATIVE ASSISTANT II POSITION IN THE COMMON-INTEREST COMMUNITIES BUDGET, B/A 101-3820, FUNDED WITH RESERVES IN THE AMOUNT OF \$121,272 IN FY 2013-2014 AND \$165,555 IN FY 2014-2015.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. Gamroth:

In decision unit E-226, the Governor recommends funding from reserves of \$39,683 in FY 2013-2014 and \$52,193 in FY 2014-2015 for a new legal secretary II position. This new position will provide support to the administrator and compliance investigators for the Common-Interest Communities program and senior deputy attorney general dedicated to the Common-Interest Communities program of the Real Estate Division, performing specialized secretarial duties including preparing legal documents and correspondence; legislative and legal research; court calendaring; maintaining records; and providing assistance on routine problems and inquiries which are of a legal nature.

E-226 Efficient and Responsive State Government — Page B & I-159

Since the March 5 budget hearing for this account, the Agency has provided Fiscal Staff with an updated position description and clarification on how the position will be used. Based upon discussions Fiscal Staff has had with the Agency and the AG, because the new legal secretary position will provide support to both Real Estate Division staff and the senior deputy attorney general, it is reasonable that this new position remain in this budget account versus the AG budget.

ASSEMBLYMAN EISEN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR A NEW LEGAL SECRETARY II POSITION FUNDED FROM RESERVES FOR A TOTAL COST OF \$39,683 IN FY 2013-2014 AND \$52,193 IN FY 2014-2015.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. Gamroth:

In decision unit E-227, the Executive Budget includes \$150,000 from reserves in each fiscal year of the 2013-2015 biennium to fund an Impartial Referee Program in the Ombudsman's Office for Common-Interest Communities. The annual cost for contracted referees is based on 150 cases at a cost of \$1,000 per case.

E-227 Efficient and Responsive State Government — Page B & I-159

The Agency notes in its expanded program narrative provided to Fiscal Staff that for the first half of FY 2012-2013, 49 cases have been referred by the Ombudsman and heard by the Department's contracted administrative law judge. The Agency projects 98 cases will be referred in FY 2012-2013.

The Ombudsman for Common-Interest Communities initiated a pilot Impartial Referee Program in July 2012 to handle disputes concerning governing documents of common-interest communities. The Agency indicates the Impartial Referee Program is designed to resolve disputes involving homeowners.

The pilot project was funded by a transfer of Morgan Stanley Mortgage Capital Holdings settlement funds in FY 2011-2012. The Agency indicates this new program will be an alternative to the existing arbitration program in NRS 38, which can result in a significant cost award, including arbitrator and attorney fees, to unit owners who file a matter against their association. The Agency will promulgate regulations through an administrative rule-making process to set forth the limitations of awards by the hearing officer or impartial referee and the details of the hearing process.

The Agency indicates that A.B. 370, as amended, will allow the Real Estate Division to establish a program administered by the Real Estate Division by which to refer parties to have a matter heard and a decision issued. This will fulfill the requirements of NRS 38 for owners with disputes in common-interest communities.

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ASSEMBLY BILL 370 (1st Reprint): Revises provisions concerning common-interest communities. (BDR 3-1016)

Section 6 of A.B. 370 provides that before commencing a civil action, the parties named in the claim may agree to arbitration if the parties have participated in mediation in which an agreement was not obtained or if a written decision and award have been issued pursuant to the referee program. Section 6 also provides that such arbitration is nonbinding, unless the parties agree in writing to binding arbitration and the section specifies that the cost of such arbitration must not exceed \$300 per hour. The bill, as amended, was passed by the Assembly Committee on Judiciary on April 10 and has been referred to the Assembly Committee on Ways and Means.

ASSEMBLYWOMAN FLORES MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE FUNDING FROM RESERVES IN THE AMOUNT OF \$150,000 IN EACH FISCAL YEAR OF THE 2013-2015 BIENNIUM FOR AN IMPARTIAL REFEREE PROGRAM IN THE OMBUDSMAN'S OFFICE FOR COMMON-INTEREST COMMUNITIES.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Ms. Gamroth:

There are three other closing items in this budget account.

Fiscal Staff requests authority to make technical adjustments in decision unit M-804 for the Department-wide cost allocation based on final costs in the B&I Administration budget.

M-804 Cost Allocation — Page B & I-158

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In decision unit E-720, the Governor is recommending funding from reserves of \$2,298 in FY 2013-2014 and \$4,596 in FY 2014-2015 to fund the lease of a vehicle from Motor Pool Division.

E-720 New Equipment — Page B & I-161

Fiscal Staff requests authority to make technical adjustments in decision unit E-804 for the Department-wide cost allocation based on final costs in the B&I Administration budget and for the DHRM cost allocation.

E-804 Cost Allocation — Page B & I-161

ASSEMBLYMAN AIZLEY MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATIONS IN DECISION UNITS M-804, E-720 AND E-804 IN B/A 101-3820; AND TO AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS FOR DEPARTMENTAL TRANSFERS AND COST ALLOCATIONS.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE.)

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Chair Woodhouse:

Seeing no further comments from the Subcommittee and no public comment, the meeting is adjourned at 9:34 a.m.

RESPECTFULLY SUBMITTED:

Leslie Sexton,
Committee Secretary

APPROVED BY:

Senator Joyce Woodhouse, Chair

DATE: _____

Assemblywoman Lucy Flores, Chair

DATE: _____

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<u>EXHIBITS</u>				
Bill	Exhibit		Witness / Agency	Description
	A	1		Agenda
	B	3		Attendance Roster
	C	69	Fiscal Analysis Division	General Government Closing List #7 May 8, 2013