

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

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

The Senate Committee on Finance was called to order by Chair Debbie Smith at 5:59 p.m. on Wednesday, May 8, 2013, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Debbie Smith, Chair
Senator Joyce Woodhouse, Vice Chair
Senator Moises (Mo) Denis
Senator David R. Parks
Senator Pete Goicoechea
Senator Ben Kieckhefer
Senator Michael Roberson

GUEST LEGISLATORS PRESENT:

Senator James A. Settelmeyer, Senatorial District No. 17
Senator Joseph P. Hardy, Senatorial District No. 12

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Thomas Hutton-Potts, Committee Secretary

OTHERS PRESENT:

Bill Silcox
Terry Rubald, Chief, Local Government Services, Department of Taxation
Chris Nielsen, Executive Director, Department of Taxation
Lisa Foster, Nevada League of Cities and Municipalities
Nicole Lamboley, Chief Deputy, Office of the Secretary of State

Terri L. Carter, C.P.M., Administrator, Management Services and Programs
Division, Department of Motor Vehicles
Chelsea Capurro, American Diabetes Association
Julia Teska, Office of Fiscal Accountability, Department of Education
Deborah Harris, M.A., C.P.M., Chief, Bureau of Child, Family and Community
Wellness, Health Division, Department of Health and Human Services
Lindsay Anderson, Washoe County School District
Nicole Rourke, Clark County School District
Ruben Murillo Jr., Nevada State Education Association
Sumiko Maser, Deputy Director, Department of Taxation
Danny Thompson, Nevada State AFL-CIO
Chris Ferrari, Associated General Contractors, Las Vegas Chapter
Paul McKenzie, Building and Construction Trades Northern Nevada
Brian Reeder, The Associated General Contractors of America, Inc., Nevada
Chapter
Jack Mallory, Southern Nevada Building and Construction Trades Council
Brian Wachter, Retail Association of Nevada
Carole Vilardo, Nevada Taxpayers Association
Robert Ostrovsky, City of Las Vegas
Dotty Merrill, Ed.D., Nevada Association of School Boards
Leah Lamborn, Chief Financial Officer, Division of Health Care Financing and
Policy, Department of Health and Human Services

Chair Smith:

We will begin with a hearing on Senate Bill (S.B.) 330. You have received a document entitled, "Bill Explanation, Senate Bill 330 Married Veterans" ([Exhibit C](#)).

SENATE BILL 330: Allows a person who qualifies as both a veteran and the surviving spouse of a veteran to claim both veterans' exemptions from property taxes and governmental services taxes. (BDR 32-690)

Senator James A. Settelmeyer (Senatorial District No. 17):

The State of Nevada taxation system is discriminating against veterans who marry other veterans. This bill seeks to remedy that situation. A fiscal note of \$28,000 per biennium has been placed on the bill. I firmly believe that this is the right policy. If a veteran earns the credit, it should be transferable, especially if the surviving spouse is also a veteran.

When I proposed this legislation in the 76th Legislative Session, the fiscal note was about \$8,000. Since then, authors of fiscal notes for this bill have assumed worst-case scenarios: that every veteran who is service disabled is married to a spouse in the military.

Existing law provides an exemption from property taxes for a veteran who served on active duty under certain circumstances. Existing law also provides an exemption from property taxes for a veteran with a permanent service-connected disability, or the surviving spouse of such a veteran, and prohibits a person who claims this exemption from obtaining the other property tax exemption otherwise allowable for a veteran. Section 1 of this bill provides that a person who qualifies as both a veteran and the surviving spouse of a veteran with a permanent service-connected disability may claim both of the veterans' exemptions from property taxes.

Existing law provides similar veterans' exemptions from governmental services taxes and, under certain circumstances, authorizes the veteran to transfer the exemption to his or her current spouse. Section 2 of this bill provides that a person who qualifies as both a veteran and the surviving spouse of a veteran with a permanent service-connected disability may claim both of these veterans' exemptions from governmental services taxes.

Bill Silcox:

I am retired from the U.S. Air Force Reserve. My wife was a U.S. Army nurse in Burma during World War II. When she left the service after World War II, she had a 15 percent disability from a lung disease she contracted in the jungles of Burma. She was recalled in 1950 for the Korean War. She waived her disability and served for 3 years at Lake Charles Air Force Base, in Louisiana, where they were training B-29 pilots.

During World War II, I served in the U.S. Army Air Corps. I flew in the Ninth Air Force in Europe. After military service, I finished college and worked for 3 years as an engineer. I was recalled on January 1, 1951, for the Korean War as a radar maintenance officer and as a pilot for combat support operations. Later, I was assigned to Wright Field, in Ohio, as a research and development engineer. I flew with the Air Force Reserve from 1955 until 1972 and completed 30 years of service.

My wife served 6 to 7 years in active and reserve duty. Her lung condition continued to get worse and eventually she was given 100 percent disabled status. Her retirement pay was based on that status and my retirement pay was based on 30 years of service. In 2002, she passed away as a result of her disability. I had to choose to claim either her disability retirement or my own. I chose hers, making my years of service worth nothing. I should not have had to choose. The irony is that if she had married someone who was not a veteran, he would have been able to collect as much as I did as a veteran of 30 years.

Terry Rubald (Chief, Local Government Services, Department of Taxation):

We have submitted two documents: a revised description of fiscal effect ([Exhibit D](#)) and a revised fiscal note ([Exhibit E](#)) showing two spreadsheets for S.B. 330. The Department of Taxation obtained data from the U.S. Veterans Administration (VA) Website to determine the population of all veterans in Nevada and the population of wartime veterans. For example, in fiscal year (FY) 2012-2013, the total number of veterans living in Nevada was 228,400; of those, 170,500 were "wartime" veterans. Of the total number of eligible wartime veterans, 19,700 claimed the property tax exemption under *Nevada Revised Statute* (NRS) 361.090. The percent of exemptions claimed, compared to eligible wartime veterans, was 14.1 percent.

The Department also obtained data from the VA regarding the number of surviving spouses who are also veterans. Those numbers were also multiplied by 14.1 percent to determine the number of claims that might come from the eligible group. The percentage of probable exemptions claimed was then multiplied by the anticipated exemption amount grossed up by the estimated Consumer Price Index change of 2.5 percent to obtain the total amount of assessed value that would be exempt. In FY 2013-2014, the calculation would be 102 estimated claims multiplied by \$2,490 to equal \$252,024 in total exempt value. The tax rate of 2 cents for the capital projects and conservation of natural resource funds; 15 cents for the state debt fund; and 75 cents for the school operating fund which impacts calculations for the Distributive School Account were then applied to the amount of assessed value to be exempted. For FY 2013-2014, the impact would be \$50 for capital projects and conservation of natural resources funds; \$378 for the State debt fund; and \$1,890 for the school operating fund, for a total State revenue impact of \$2,319 in each year of the biennium.

Chair Smith:

Did you consider the fiscal note from the previous bill?

Ms. Rubald:

I did not.

Chair Smith:

Four years ago, the fiscal note was \$8,000. Why is the revised fiscal note, which has been presented today, higher than the fiscal note in 2009?

Ms. Rubald:

I will consult with the sponsor of the bill and Senate Fiscal Division Staff to account for the differences.

Chair Smith:

Senator Settlemeyer mentioned that the fiscal note was computed using a worst-case scenario. Is that generally how we compute fiscal notes?

Chris Nielsen (Executive Director, Department of Taxation):

No. The Department's goal is to submit fiscal notes within the 5-day time frame, as provided by statute. There is no directive to take the worst-case or best-case scenario.

Chair Smith:

I am not trying to be critical. I want to know if there is a different way to approach the development of fiscal notes without taking the highest level of impact possible, which is probably not a realistic number.

Mr. Nielsen:

In the future, we could quote a range, from lowest to highest estimate.

Chair Smith:

I am not trying to press one approach over another. In the interim, we should have discussions, meetings or trainings so we all have the same information.

Lisa Foster (Nevada League of Cities and Municipalities):

We are neutral on this bill. We wish to remind the Committee that it is important to watch the cumulative effects of bills upon the budgets of local governments.

Senator Settlemeyer:

There are two variables involved. Any disabled person is ranked on a percentage-of-disability basis, from 20 percent to 100 percent. Years of service is expressed as a dollar amount, from \$6,250 to \$10,000. The two figures are multiplied together to compute the exemption amount.

Chair Smith:

Seeing no one else wishing to speak on S.B. 330, the hearing is now closed. I will open the hearing on S.B. 239.

SENATE BILL 239: Revises provisions relating to elections. (BDR 24-996)

Senator Settlemeyer:

The need for this bill was made personally clear when my mother died. Between June 2012, when she died, and election day, she received 175 pieces of election campaign materials. In checking with the Department of Health and Human Service's (DHHS) State Registrar of Vital Records, I discovered that they do not cross-reference records with the U.S. Social Security Administration (SSA) Death Index. It makes sense that, prior to an election, this should be done. When I tried to have my mother's name removed from the voting rolls in my county, I was told I had to go the Office of the Secretary of State (SOS). The SOS told me that if they were to obtain records from the SSA they would have to pay a fee. Thus, there is a fiscal note of \$7,000 on the bill in each biennium to cover the costs of checking the files four times per year.

Chair Smith:

Is the \$7,000 fiscal note in addition to the cost of writing regulations?

Senator Settlemeyer:

The SOS said they could absorb the cost of the regulations. During the hearing on the bill by the policy committee, the SOS's Office and county clerks gave their support to the bill. They are tired of complaints from callers about election materials sent to dead people.

Chair Smith:

It is also difficult for a candidate for office knocking on doors to find that the person with whom you want to speak is deceased.

Nicole Lamboley (Chief Deputy, Office of the Secretary of State):

The fiscal note is an estimation because we do not know the exact labor costs of the record searches that will be done or the costs of data transfers.

Chair Smith:

Will your Office be able to absorb the costs associated with developing the regulations?

Ms. Lamboley:

Yes, to the extent that we can.

Senator Denis:

When a check of the SSA records verifies that a person has died, what will be the procedure?

Ms. Lamboley:

We would transfer that information to the county clerk of the county in which the person had been registered. The county clerk would have to verify that the SSA record matches the registered voter's identification.

Senator Settlemeyer:

County clerks stated in the hearing that they have appropriate forms and protocols in place for verification.

Senator Denis:

What happens if somebody votes by mail and then dies before the day of the election? Is the ballot counted?

Ms. Lamboley:

The SSA files are not updated by the hour or even by the day. I will have our staff research that question.

Chair Smith:

Seeing no one who wishes to testify or add public comment, the hearing on S.B. 239 is closed. The hearing on S.B. 303 is open.

SENATE BILL 303 (1st Reprint): Provides for the issuance of driver authorization cards. (BDR 43-596)

Senator Moises (Mo) Denis (Senatorial District No. 2):

The driver authorization card was originally called the driver privilege card. The change better reflects its purpose. It is a driver's license that allows one to drive but cannot be used for federal or State identification purposes under the REAL ID Act of 2005.

With the implementation of the REAL ID Act, the requirements for getting a drivers' license have become more rigorous. Licenses issued in compliance with the REAL ID Act not only give the holder permission to drive, they can also be used for federal and State identification for purposes of boarding airplanes and obtaining access to federal or State benefits. This bill addresses the concerns of public safety on roadways by offering an alternative to REAL ID-compliant licenses. The sole purpose of the driver authorization card is to authorize a person to drive after having passed the written, vision and driving tests. Such drivers will also be required to carry automobile insurance on owned vehicles.

To be compliant with the REAL ID Act, the driver authorization card must have a different appearance than a drivers' license. It must specifically state that it is not to be used for identification purposes. The bill that passed out of the Senate Committee on Transportation stated that the driver authorization card must specifically state that the card is not to be used for federal or State identification purposes. In conversation with Department of Motor Vehicles (DMV) officials, they pointed out that such language implied that the card could be used for other than federal and State identification purposes. Other states generally do not specify only federal and state identification purposes.

We have submitted "Proposed Amendment 8781 to Senate Bill No. 303 First Reprint" ([Exhibit F](#)). The language on page 7, lines 37 through 44 of [Exhibit F](#) gives the DMV the latitude to make the authorization card look like a drivers' license, without a globe graphic, and adding the "not for identification purposes" language. We have been talking to federal officials about eliminating the need for the globe graphic. We have a verbal authorization from federal officials to do that and we are waiting for that response to be put into written form. The proposed amendment does not specify exact language, only that the language comply with certain sections of the REAL ID Act.

Senator Kieckhefer:

Do those sections of the REAL ID Act cover the "not for identification purposes" language?

Senator Denis:

Yes.

Senator Kieckhefer:

Could we expect that if Proposed Amendment 8781 is adopted, the driver authorization card will say "not for identification purposes?"

Senator Denis:

Yes. We could have put that language in Proposed Amendment 8781. We have not yet received the written authorization to use "not for identification purposes" rather than "not for federal or State identification purposes" from the federal government. If that written confirmation of our telephone conversation does not arrive, the proposed language will allow us the flexibility to comply with the REAL ID Act.

The fiscal note will have a positive effect of about \$500,000 upon State government once the program is started.

Terry L. Carter C.P.M. (Administrator, Management Services and Programs Division, Department of Motor Vehicles):

The initial startup cost will be a one-time vendor fee of \$75,000. This amount may be decreased if we are given authorization from the federal government to eliminate the globe logo. There will be costs for implementing regulations. The most significant impact will be from the request for about 18 new positions to manage the additional workload created from approximately 60,000 applicants for the driver authorization card. Our estimate of 18 additional staff, 10 of which will be driver examiners and 8 will be new field technicians, is a conservative estimate. We are not certain about the number of authorization card applicants.

Chair Smith:

Historically, we have had other situations where we have had to provide the upfront funding. There must be some mechanism to get the program up and running before the revenue starts to come in. Are there any possible solutions

that will reduce the startup costs or phase them across time, to achieve the positive fiscal impact more quickly?

Ms. Carter:

Based on the revenue expected from the card and test fees, we expect a positive impact of \$696,000 in FY 2013-2014.

Chair Smith:

How will that revenue create a net positive impact, given the startup costs that will be incurred before the revenue is generated? How do we bridge that period? Do we have the entire budget cycle within which to work?

Mark Krmpotic (Senate Fiscal Analyst):

As Staff reviews the fiscal note, it appears that the one-time startup cost relates to the vendor fee and possibly the cost of writing regulations. The 18 positions requested would be necessary to address the workload that would result from implementation of the program. Those labor costs are not included in the startup costs. The driver privilege card fee of \$18.50 would be deposited into the Highway Fund, per statute. The transportation fee of 50 cents supports the Department of Transportation's Bicycle Safety Program. The initial test fee and the retest fee will be deposited into the Highway Fund. The vendor fee of \$75,000 and the additional \$2,000 would have to be funded by an appropriation from the Highway Fund. The ongoing costs for the 18 additional positions would be funded according to current statute. There would appear to be a net positive effect on the Highway Fund.

Ms. Carter:

That is correct.

Senator Kieckhefer:

Is there a break-even point in terms of the number of applicants for the driver authorization card at which time the fiscal impact goes from negative to positive?

Ms. Carter:

Yes. We can provide that number to you, including the additional staff costs.

Senator Kieckhefer:

How was the estimate of 60,000 applicants computed?

Senator Denis:

We worked with the DMV to compute the estimate. It is based on the experience in other states. Statistics for foreign-born people living in Nevada were used. We used the same formula that Utah used, and Utah's actual experience was close to their estimate. We have a larger population than Utah, so we used a conservative estimate.

Senator Kieckhefer:

Would we have to appropriate \$77,000 from the Highway Fund and expect it would be returned in revenue within the first fiscal year?

Mr. Krmpotic.

Yes.

Senator Denis:

The driver authorization card must be renewed annually. This will offset the cost of the additional 18 positions and will account for a large part of the positive impact in future fiscal years.

Chair Smith:

Seeing no further testimony or public comment, the hearing on S.B. 303 is closed. The hearing on S.B. 320 is open.

SENATE BILL 320 (1st Reprint): Revises provisions governing medical care in schools. (BDR 34-831)

Senator Joseph P. Hardy (Senatorial District No. 12):

This bill allows for self-management of insulin administration by students and, upon request by a parent, the training of a school employee to be an unlicensed assistive personnel to help a student with his or her diabetic management. Washoe and Lincoln Counties School Districts and the DHHS removed the fiscal notes. The Nevada Department of Education's (NDE) fiscal note has been decreased from \$268,873 to \$4,000. With the permissive "may" added, there may be no fiscal impact for them. Twenty-nine states have added "may" as part of a plan pursuant to section 504 of the Rehabilitation Act of 1973. The Act provides that if a student has a health problem, he or she has a right to attend school and the right to have health issues treated at school.

I have submitted "Proposed Amendment 8766 to Senate Bill No. 320 First Reprint" ([Exhibit G](#)). Section 10, which begins on page 3 of [Exhibit G](#), provides that a parent or legal guardian may request that the school provide assistive personnel while the child is on school grounds or participating in an activity sponsored by the public school or on a school bus. If the school does not have a person qualified to provide assistance, this bill provides a means for the school to meet its federal requirements by instituting a volunteer program for school employees willing to be trained to offer assistance without being subject to civil liability or possible disciplinary action for any act performed pursuant to the bill.

This legislation will allow a school nurse to train volunteer unlicensed assistive personnel without violating State nursing regulations.

Senator Kieckhefer:

Were all the fiscal notes nullified as a result of your proposed amendment?

Senator Hardy:

We have reached out to all of the entities who submitted fiscal notes. Washoe, Lyon and Pershing Counties School Districts have not responded. Every school district is required to submit a plan pursuant to section 504 of the Rehabilitation Act of 1973. Senate Bill 320 is permissive so the schools do not have to implement it and therefore, they do not need a fiscal note on the bill. That is why the NDE and the DHHS removed their fiscal notes.

Chelsea Capurro (American Diabetes Association):

The NDE's main fiscal note was removed with the first reprint of the bill. As introduced, the bill required the NDE to implement a training program. Proposed Amendment No. 8766 provides that a school nurse, or local health officer for schools that do not have a school nurse, will prescribe a training program. The NDE's smaller fiscal note was written with the understanding that they would be required to adopt regulations. The proposed amendment says they "may" adopt regulations.

Julia Teska (Office of Fiscal Accountability, Department of Education):

The bill is fairly detailed. Adopting regulations will add little to the process. We are withdrawing our remaining fiscal note.

Senator Kieckhefer:

Section 34 mentions "conflicting regulations." Would any unintended elimination of regulations result from implementation of this legislation?

Senator Hardy:

We have regulations and an administrative code relating to the duties of school nurses, one of which, *Nevada Administrative Code* 632.226, states, "A school nurse may delegate only those duties of nursing care that the Board [of Nursing] has approved." Further, "A school nurse may not administer medication to a pupil or delegate that duty to another person unless the school nurse has obtained written authorization from the parent or legal guardian of the pupil to administer the medication; the medication is labeled; and the school nurse verifies that the medication has been prescribed and dispensed by a person authorized to do so pursuant to chapters 453, 454 or 639 of the NRS or the laws of another state or the District of Columbia." That section also states, "In carrying out a plan of nursing care for a pupil with special needs pursuant to NRS 391.208, a school nurse, who is a registered nurse, may delegate nursing services to a qualified person," that person being "willing to provide nursing services to a pupil and who the school nurse has determined has the knowledge and skill to provide the nursing services to the pupil in a safe and effective manner." Senate Bill 320 will give comfort to school nurses that a regulation will not catch the nurse in a bind by training a willing volunteer or by taking action.

Chair Smith:

What is the intention for applying this bill to charter schools?

Senator Hardy:

It would apply to public and private charter schools.

Chair Smith:

If that is your intention, I suggest that the bill explicitly state that. We have had numerous discussions with the State Board of Education's State Public Charter School Authority about the need for being explicit about charter schools in statute because language in the NRS is not consistent regarding charter schools.

Deborah Harris, (Chief, Bureau of Child, Family and Community Wellness, Health Division, Department of Health and Human Services):

We have removed our fiscal note from this bill because the training we were asked to do is no longer required.

Lindsay Anderson (Washoe County School District):

We support S.B. 320. We have worked with the bill sponsor and the Nevada State Association of School Nurses to provide mutually agreeable technical revisions and the permissive language that allowed us to remove our fiscal note from the bill.

Nicole Rourke (Clark County School District):

We did not file a fiscal note on this bill. We have worked with the sponsor on the language in the bill. We support S.B. 320.

Ms. Capurro:

We support S.B. 320.

Ruben Murillo Jr. (Nevada State Education Association):

We do not support this bill. I have submitted a written statement ([Exhibit H](#)) in opposition.

Chair Smith:

Would your position change if the language in the bill required anyone other than the registered nurse serving as the assistive person to do so voluntarily? After review, if your position changes, please let the Committee know.

Mr. Murillo:

Yes, I will.

Chair Smith:

Seeing no one wishing to provide testimony, the hearing on S.B. 320 is closed. I will turn over the gavel to the Vice Chair so that I may introduce two bills.

Senator Woodhouse:

The hearing on S. B. 172 is now open.

SENATE BILL 172 (1st Reprint): Provides a deduction from the payroll tax for newly hired full-time employees under certain circumstances. (BDR 32-537)

Senator Debbie Smith (Senatorial District No. 13):

This bill creates an incentive for employers to hire individuals who have been unemployed over 6 months. We see many news stories about this group of people having the most difficult time finding work. Over time, we have had much discussion about providing some kind of incentive to employers to hire these individuals by giving those employers some relief on their modified business tax (MBT). We often hear that the MBT deters employers from hiring the unemployed. Under this bill, if employers hire those who have been unemployed over 6 months for full-time work, they will receive a slight tax break. The bill should not have a cost to the State because employers are not currently paying the MBT on prospective employees. Those who are hired become more productive.

The bill is not a total solution. It will offer employers some incentive to hire in the current economic climate. The bill is drafted as simply as possible and will not require a lot of onerous paperwork for employers. This bill authorizes employers to deduct from the total amount of wages reported, and upon which the payroll tax is imposed, any wages paid to a newly hired full-time employee during the first 4 full calendar quarters next following the hiring of the employee, and 50 percent of all wages paid to the employee during the fifth through twelfth full calendar quarters following the hiring of the employee if, at the time of hiring, the employee has been unemployed for a continuous period of not less than 6 months and certain other conditions are satisfied. The deduction does not apply with respect to any employees hired after June 30, 2017. This will give us an opportunity to reassess the need to continue the program based on the economic climate at the time. Section 1 applies to financial institutions. Section 2 applies to nonfinancial institutions. The language in each section is identical.

To qualify for the abatement, the employer must receive verification from the employee that he or she has been unemployed for at least 6 months. The employer is then required to file an affidavit, signed under penalty of perjury, with the Department of Taxation. It is a simple process. The Department is empowered to audit and assess penalties, which is a strong incentive to not violate the regulations.

In the first reprint, we addressed a concern with the bill as originally written, by adding the provision, in sections 1 and 2 that the affidavit must swear "the employee was not hired to replace another employee or, if so, the replaced employee left voluntarily or was terminated for cause."

Sumiko Maser (Deputy Director, Department of Taxation):

This bill, as amended, would require some changes to our Unified Tax System (UTS). The Department originally submitted a fiscal note with costs of approximately \$203,000. The amendment changed the effective date of the bill from July 1 to October 1 to allow us additional time to implement necessary changes. This will reduce costs. We clarified there is no specific expectation that the Department should notify, by mail, all of the taxpayers who pay the MBT. We may use alternative means of communication, such a posting on our Website. This will further reduce costs. Our fiscal note would be reduced to approximately \$87,000.

Danny Thompson (Nevada State AFL-CIO):

We support this bill. Often, those who have been unemployed for a long time experience discrimination in hiring because prospective employers question their abilities. Nevada has experienced the highest unemployment rate in the Country for several years. We see S.B. 172 as a positive step to offering incentives to employers to hire these people.

Chris Ferrari (Associated General Contractors, Las Vegas Chapter):

We support this bill. The incentives to hire the unemployed will benefit our industry.

Paul McKenzie (Building and Construction Trades Northern Nevada):

We are inspired by the fact that this tax-incentive bill will create jobs in Nevada. We fully support it.

Brian Reeder (The Associated General Contractors of America, Inc., Nevada Chapter):

We support this bill.

Jack Mallory (Southern Nevada Building and Construction Trades Council):

We support this bill. The potential fiscal impact will be offset by any multiplier effect the State may experience as a result of increasing the number of productive members of the workforce.

Brian Wachter (Retail Association of Nevada):

We oppose S.B. 172. We appreciate the concept of the bill and the goal of putting people back to work. We disagree with Senator Smith's opinion that there will be no fiscal impact to the State. According to a presentation by the Fiscal Analysis Division to the Economic Forum regarding their forecast for the MBT, they projected nonfinancial wages will increase by 2.6 percent in FY 2012-2013, the employment rate will increase by 2 percent, and the average annual wage per employee will increase by 0.50 percent. While it is true that prospective employers are not now paying the MBT on prospective employees, the Economic Forum has built in an increase in employment as their justification for an increase in the MBT. The MBT is producing more revenue than it did in prerecession periods. By removing this block of potential new employees, there will be a negative effect on the method the Economic Forum used to calculate the MBT growth.

Carole Vilardo (Nevada Taxpayers Association):

We are neutral on this bill. Had this bill been introduced in 2011, we would have supported it. While this bill may not directly reduce the amount of revenue, we have taken the position on all tax abatement bills that they should be reviewed together, at the same time, for the impacts to revenue to the State. We know we are looking at tax increases. We do not know exactly what they are. These increases, as well as the credits and abatements, have the potential of eroding the revenue you expect to receive. This means that the tax increases for this year could be higher. For us, the bill comes one Legislative Session too late.

Senator Smith:

In our last hearing on this bill, the chambers of commerce supported it.

I want to do whatever we can to get a few more people off the unemployment rolls. While I understand that we have built in a decrease in the unemployment rate and an increase in MBT revenue projections, too many people are still unemployed. This bill will be helpful to them.

Senator Woodhouse:

Seeing no further testimony or public comment, the hearing on S.B. 172 is closed. The hearing on S.B. 406 is open.

SENATE BILL 406 (1st Reprint): Revises provisions governing tourism improvement districts. (BDR 21-139)

Senator Smith:

This bill relates to Sales Tax Anticipated Revenue (STAR) Bonds. This is a redevelopment tool. The most important thing this bill would accomplish is in section 1, subsection 2. This language removes the State-mandated Local School Support Tax (LSST) as a tax municipalities can pledge. This will keep our schools whole. Over time, when the LSST is allowed to be pledged, it can adversely affect our State revenue especially given the fact that businesses have closed their locations and reopened in STAR Bond districts because the State makes up for losses in the LSST. This bill removes that problem.

The bill would revise provisions relating to certain reports prepared by the Department of Taxation for submission to the Legislative Commission relating to the progress reports on projects undertaken in tourism improvement districts (TID). We failed to include transparency and accountability provisions when NRS 271A was enacted. Since then, we have tried to correct that. In section 2, subsection 3 of S.B. 406, we have strengthened the language that protects a business' proprietary information by requiring information in the Department of Taxation's reports to be aggregated, without identifying individual businesses. The projects undertaken in the TIDs are predicated on the idea that over 50 percent of the people who spend money in the establishments are from other states or countries. It does not appear that this has come to be true though we have never had a mechanism to know for sure. It is important not because it would cause any harm to current projects, because there is no claw-back provision, but because the information will be helpful to policy makers in making informed decisions for the future. I want to improve our processes by using the best information possible to make those decisions.

Section 3 of the bill prohibits the financing of, or reimbursement for, a project that includes the relocation of a retailer to a TID from another location outside of the TID and within 15 miles of the boundaries of the TID, if the relocation occurs within 6 months after closing the location outside of the TID. This provision was crafted in consultation with the Retail Association of Nevada. When a business closes outside a TID and moves into a TID, the State loses all of the revenue from the former location and only retains 25 percent of the tax revenue in the new location. Everybody loses in the former location and many times that location turns into a blighted neighborhood.

I have worked with the City of Las Vegas so that my language mirrors the language that they have in their redevelopment bill. We can go back to the original premise that if you are in a redevelopment area with a TID, you can choose which benefit you want to take: either the redevelopment dollars or the TID dollars. You cannot have them both. There is no double dipping. You can choose. The City of Las Vegas language mirrors my language. I need to clarify whether the way this was drafted it went back and recaptured some of the old previously-approved TIDs. So, that is a policy thing that we will clarify. I promised the developers who have already had their TIDs approved that I would make sure that the language is correct.

Senator Kieckhefer:

Where in the bill does it mention the presupposition that over 50 percent of the people who spend money in the establishments are from other states or countries?

Senator Smith:

That is in the original language of the statute. There is a reporting mechanism in section 2 to better assess whether that threshold is being met. This bill does not reorganize any of the criteria or the way future projects will be approved. We certainly cannot do anything now to affect existing projects.

Senator Kieckhefer:

Will projects be eligible for up to 75 percent of the sales tax revenues, aside from the LSST portion?

Senator Smith:

Yes.

Ms. Maser:

This bill would require modifications to our UTS. We originally submitted a fiscal note ([Exhibit I](#)) with the assumption that we would need to be ready to accommodate new TIDs by July 1. After further clarification, we do not expect those TIDs to be established in the near future and do not need to make changes immediately. Should a new TID be established, we could try to absorb

the costs. If we are unable to do so, we will request funds at that time to make the changes. This removes our fiscal note.

Senator Smith:

My goal, with this legislation, has been to make the system better before any new projects come into being. During the recession, there was no desire to create new projects. Because no new projects have been submitted for approval, there is no immediate need to reprogram the UTS.

Robert Ostrovsky (City of Las Vegas):

We support this bill. We have been able to work with Senator Smith to resolve the problems we had initially. The issue of consistency with the language in Assembly Bill (A.B.) 50 can be resolved by changing any language relative to the impacts of section 1, subsection 5. If A.B. 50 needs an amendment, we can also do that. This is an appropriate use of STAR Bonds. We have an approved TID. Nothing has been built on it. Senate Bill 406 will solve problems that have developed statewide.

[Assembly Bill 50 \(1st Reprint\)](#): Revises provisions relating to local government finance. (BDR 22-253)

Mr. McKenzie:

We support this bill. The relocations of retail stores has been a large problem in Sparks. Two stores have moved out of redevelopment districts. The money from those redevelopment districts helped to fund the STAR Bond district into which they moved. The area they left becomes more blighted every day. We appreciate the proposed legislation as an attempt to prevent this problem in the future.

Mr. Wachter:

We support this bill. We appreciate working with Senator Smith to resolve concerns we had regarding distance location when the bill was heard by the Senate Committee on Government Affairs. We represent some of the stores that have moved into TIDs. Many times our stores move out of areas that have already been affected by blight. They have not necessarily caused the blight. This is an abatement bill and it decreases the tax base on sales taxes.

Ms. Anderson:

We support this bill. The LSST is a major component of the revenue that funds our school system. Any protection of that funding source is appreciated and we support it.

Ms. Rourke:

We support this bill. We appreciate the protection of the LSST. It is used to fund staffing levels and educational services.

Dotty Merrill, Ed.D. (Nevada Association of School Boards):

We support this bill. We appreciate the attention that Senator Smith has brought to this issue. In 2005, when the first bill was passed on this subject and became law, I worked for the Washoe County School District. I was part of a small group of people who tried to ensure that if the LSST was not going to be paid, the school district had a series of steps to follow, including an appeal to the Governor, to avoid negative impacts. Many of the strikeouts in this bill are related to that process because if the LSST is going to be paid, we do not need to implement that process. We strongly support this bill.

Senator Smith:

This issue is complicated but it is significant in the way it works and the way the funding affects us. In response to one of Mr. Wachter's comments, I appreciate the decisions that businesses must make. I do not blame them for wanting to improve their business location by moving to a busier site. I have a duty to taxpayers to ensure that we are using and accounting for taxpayer dollars wisely and that there is a wise abatement process in place. We must be good stewards.

Senator Woodhouse:

There being no further testimony or public comment, the hearing on S.B. 406 is closed. I will return the gavel to Chair Smith.

Chair Smith:

The Work Session on S.B. 459 is open.

SENATE BILL 459: Makes a supplemental appropriation to and authorizes the expenditure of certain money by the Division of Health Care Financing and Policy of the Department of Health and Human Services for an

unanticipated increase in caseloads for medical services and certain other costs. (BDR S-1190)

Mr. Krmpotic:

This bill was heard by this Committee on April 1. It is a supplemental appropriation to the Medicaid program in the amount of \$26,912,908. It addresses shortfalls for unanticipated increases in caseloads for medical services and costs per eligible recipient and unanticipated retroactive payments for Upper Payment Limit and Graduate Medical Education costs. Staff has reviewed the fiscal note. We obtained revised caseload estimates from the DHHS's Division of Health Care Financing and Policy.

There are two components to the bill. Section 1 contains a General Fund appropriation. Section 2 contains an authorization which would primarily represent Title XIX of the Social Security Act funds matched against the General Fund appropriation. Fiscal Staff has no suggested changes for section 1. In section 2, Fiscal Staff recommends that the \$82,863,609 be decreased to \$47,048,179; that July 1, 2013 be changed to July 1, 2012; and that June 30, 2015 be changed to June 30, 2013. Fiscal Staff encourages passage of this bill, with those changes, since it is our understanding that the program may be unable to make provider payments beginning June 1.

Senator Kieckhefer:

Why did we reduce the federal authorization so much?

Mr. Krmpotic:

Subsequent to review of the backup information that supports the supplemental appropriation, the amount was reduced.

Leah Lamborn (Chief Financial Officer, Division of Health Care Financing and Policy, Department of Health and Human Services):

We agree with the revisions. The revisions were made necessary by a work program that needed to be processed in the interim for the non-General Fund portion of the appropriation.

SENATOR KIECKHEFER MOVED TO AMEND AND DO PASS AS AMENDED S.B. 459 PURSUANT TO RECOMMENDATIONS BY FISCAL STAFF.

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SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR DENIS WAS ABSENT FOR THE
VOTE.)

* * * * *

Chair Smith:

There being no public comment, the meeting is adjourned at 7:30 p.m.

RESPECTFULLY SUBMITTED:

Leslie Sexton
Committee Secretary

APPROVED BY:

Senator Debbie Smith, Chair

DATE: _____

<u>EXHIBITS</u>				
Bill	Exhibit		Witness / Agency	Description
	A	2		Agenda
	B	5		Attendance Roster
S.B. 330	C	5	Terry Rubald / Department of Taxation	Senate Bill 330 Married Veterans Bill Explanation
S.B. 330	D	1	Terry Rubald / Department of Taxation	Description of Fiscal Effect, May 9, 2013
S.B. 330	E	1	Terry Rubald / Department of Taxation	Fiscal Note Revised May 8, 2013
S.B. 303	F	11	Senator Moises (Mo) Denis, Senatorial District No. 2	Proposed Amendment No. 8781
S.B. 320	G	14	Assemblyman Cresent Hardy, Assembly District No. 19	Proposed Amendment No. 8766
S.B. 320	H	2	Ruben Murillo / Nevada State Education Association	Statement in opposition
S.B. 406	I	2	Sumiko Maser / Department of Taxation	Description of Fiscal Effect