

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-Seventh Session
May 14, 2013**

The Senate Committee on Finance was called to order by Chair Debbie Smith at 11:30 a.m. on Tuesday, May 14, 2013, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4406 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 Mark A. Manendo, Senatorial District No. 21
Senator Aaron D. Ford, Senatorial District No. 11

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Leslie Sexton, Committee Secretary

OTHERS PRESENT:

Terry Rubald, Chief, Local Government Services, Department of Taxation
Benjamin Q. Johnson, State Board of Equalization, Department of Taxation
Mark A. James, Founder/CEO, Frias Transportation Infrastructure
Danny Thompson, Nevada State AFL-CIO
Mike Sullivan, Whittlesea-Bell Transportation

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Marc C. Gordon, General Counsel, Yellow Checker Star Transportation
Neal Tomlinson, Frias Transportation Infrastructure

Chair Smith:

The hearing on Senate Bill (S.B.) 84 is open.

SENATE BILL 84 (1st Reprint): Revises provisions governing the compensation of members of the State Board of Equalization. (BDR 32-547)

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

Based on the bill as amended, the Division submitted a revised fiscal note. Increasing the per diem rate for each member of the State Board of Equalization from \$80 to \$150 would have an additional impact of \$11,900 on the State. This is based on a typical amount of time spent by each member on his or her duties.

Benjamin Q. Johnson (State Board of Equalization, Department of Taxation):

The Department of Taxation's State Board of Equalization hears contested cases relative to valuation of personal and real property and centrally assessed property in the State. We are appointed to the Board based on our professional knowledge and expertise and we rely on our collective experience to perform our duties. Our goal, of providing a fair hearing to each appellant, requires a significant amount of preparation time. Our bylaws require a quorum of three members to conduct business. We have had difficulty finding qualified Board members willing to serve with the current rate of compensation. In 2011, the original sponsor of the bill sought to provide an incentive for service. We support this bill because it will help us attract and retain qualified members.

Senator David R. Parks (Senatorial District No. 7):

I am the Vice Chair of the Senate Committee on Revenue and Economic Development. This bill was heard and passed by that Committee. It increases the per diem payments to members of the State Board of Equalization for every day that they meet. We took testimony in the Committee hearing regarding the number of hearing days the Board had and the amount of preparation time required prior to hearings ([Exhibit C](#)). We compared this data and the workload of the Board ([Exhibit D](#)) to other commissions and councils within State government. To be in line with other State agencies, we proposed and passed an amendment to the original bill to raise the per diem rate. The rationale behind

the proposal is for every day of hearing, a Board member spends a day in preparation.

Senator Goicoechea:

Why did the original fiscal note change so much?

Chair Smith:

The compensation was changed from a salary to a daily stipend.

Senator Parks:

The Department of Taxation indicated that the fiscal note was about \$11,000. My calculations show, with five members at an increase of \$70 per day, an increase of \$7,000.

Chair Smith:

Please take charge of this and contact the Department of Taxation to resolve the discrepancy.

Hearing no further questions from the Committee and no public comment, the hearing on S.B. 84 is closed.

I am introducing Bill Draft Request (BDR) 53-1214.

BILL DRAFT REQUEST 53-1214: Provides for the temporary imposition of a solvency assessment on employers to pay loans from the Federal Government related to unemployment benefits. (Later introduced as [Senate Bill 515](#).)

Mark Krmpotic (Senate Fiscal Analyst):

This legislation will provide for the issuance of bonds to repay loans from the federal government related to unemployment compensation benefits, to establish adequate balances in the State's account in the Unemployment Trust Fund and for the temporary imposition of an assessment on employers to pay such bonds and related costs. It would address liability. A companion bill, to provide an assessment to address the interest payments, is before the Assembly Committee on Ways and Means.

SENATOR KIECKHEFER MOVED TO INTRODUCE BDR 53-1214.

SENATOR WOODHOUSE SECONDED THE MOTION.

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

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Chair Smith:

The hearing on S.B. 430 is open. This bill was rereferred to this Committee from the Senate Committee on Transportation without a recommendation, therefore this Committee will accept testimony on the bill, vote on policy and be able to consider amendments.

SENATE BILL 430: Revises provisions relating to motor carriers. (BDR 58-1072)

Senator Mark A. Manendo (Senatorial District No. 21):

This bill is good consumer-protection policy. I support it. The technology involved will put Nevada on the cutting edge of innovation.

Mark A. James (Founder/CEO, Frias Transportation Infrastructure):

My company, Frias Transportation Infrastructure (FTi), develops and provides information systems to the for-hire vehicle industry. This includes taxicabs and other for-hire vehicles held out to the public.

Nationally and internationally, the taxicab industry and the for-hire vehicle industry are in the midst of a technological revolution. Fleets and dispatch companies have implemented global positioning satellite (GPS) systems and onboard data systems to assist with vehicle dispatching. Recently, electronic hailing, or e-hailing, companies have provided mobile applications for smartphones to the public.

This bill addresses the fact that the technology has not been made available to regulators or to the public to improve safety and consumer protection. We have an industry that uses technology to track vehicles and collect data for business purposes, but independent regulators do not have access to the information generated. The information can be reported to a regulator by the business, but at that point, the information is secondhand.

An audit of the Nevada Taxicab Authority, by the Legislative Counsel Bureau's Audit Division, found that new technology and new systems are needed to track medallions, ensure the proper number of medallions are on the road at any given time and analyze market data, usage trends and wait time. This data will enable regulators to develop policies to better serve the public. A copy of the legislative audit report has been provided ([Exhibit E](#)).

The issue of "long-hauling," which involves a taxicab driver taking a longer and more expensive route than is possible without the passenger's consent, is a problem in Las Vegas. We do not know the true extent of the problem because there is a lack of technological information available to regulators.

Long before the legislative audit report was produced, we were developing our data collection system, RideIntegrity. It is a real-time, data-collection system. It is marketed to associations of fleets and to regulators. RideIntegrity arose from discussions between our company and regulators from across the country and throughout the world. Discussions took place at conferences of the International Association of Transportation Regulators. Within the last 6 months, we presented a proposal to the Nevada Transportation Authority (NTA) and the Nevada Taxicab Authority for us to fund a pilot program to demonstrate RideIntegrity. It is serendipitous that our offer of this pilot program should coincide with the issuance of the legislative auditor's report. On page 38 of [Exhibit E](#), you will note that the Taxicab Authority accepted the Auditor's first recommendation to "develop additional preventative measures to deter long-hauling practices, including providing information to passengers that helps them prevent or immediately identify long-hauling." They did so by referring to the pilot program we proposed and the Taxicab Authority approved.

The RideIntegrity system provides transparency. Information that is already available to businesses will be made available to the public and to regulators. This legislation will protect passengers and drivers. It has the support of all five companies of Frias Transportation, Bell Transportation and Desert Cab. Together, those companies represent more than 50 percent of the taxicab industry. With few exceptions, the taxicab industry, as a whole, supports this legislation.

The proposed amendment ([Exhibit F](#)) goes beyond the original bill to outline the specific policy the Legislature would require any real-time data system to complement. The original bill required the agencies to implement a computerized

real-time data system to assist with the administration and enforcement of the provisions of the relevant statutes. It addressed the necessity for technological improvements, safety, reliability and efficiency. This amendment adds ways in which those goals can be achieved.

In this proposal, the blue, bolded italics is the new language. The principal change in the first amendatory section, section 1, subsection 4, adds a list of minimum capabilities of the system. A system must meet these minimum capabilities to address specific policy concerns identified by regulators and legislative auditors. Section 1, subsection 4, paragraph (b) contains the data requirements that will be used to address the long-haul issue. Paragraph (c) requires the system to collect the driver's identity. Paragraph (d) permits the license, or certificate in the case of for-hire vehicles, to be associated digitally with a given vehicle. Paragraph (e) requires that the collected data must be presented in real-time and be available to enforcement officers on desktop or mobile hardware in chart or map format. Paragraph (f) requires that the system be able to allow a passenger to view, on a mobile device, the routes available to a given point at the lowest fare possible; and to choose and record that route. This protects the passenger and the driver. Paragraph (g) requires that the driver have the same information available. It also mandates that the passenger be able to use the mobile device to provide feedback to the regulators, the fleet management or to the driver. Paragraph (i) requires that the system must assist the regulators in developing additional measures to prevent, deter and detect long-hauling. This will be achieved by making real-time data available to regulators. Paragraph (j) requires the system to provide regulators with real-time and historic information on service demands, market data, vehicle usage, waiting times, customer complaints and comments to assist regulators in making decisions. Paragraph (k) requires the system to allow certificate holders, providers of for-hire vehicle services, to offer to the public cooperative dispatch and electronic hailing services.

Our cutting-edge technology is capable of all of the requirements listed in this amendment. This is the reason our system has been adopted by the San Francisco Municipal Transportation Agency (SFMTA) ([Exhibit G](#)).

Section 1, subsection 5 of [Exhibit F](#) ensures that the regulatory agency will not use the data collected for any other purposes than those stated in the bill, without going through a regulation-adopting process. Subsection 6 elaborates

on the methods to be used in establishing a cooperative dispatch and electronic hailing service. Subsection 7 limits the bill implementation to Clark County.

Section 2 empowers the regulatory agency to establish annual fees and per-trip technology fees for limousines and taxicabs through the regulatory process.

As other jurisdictions, like San Francisco and Clark County, adopt our technology, the cost for all jurisdictions will decrease because the cost of the cloud-based system decreases.

Adoption of this amendment, in section 6, would require an amendment to *Nevada Revised Statute* (NRS) 706.88183 relating to the adoption of regulations establishing a system for use of electronic means to verify the validity of medallions, and to NRS 706.8844 regarding trip sheets.

Senate Bill No. 320 of the 76th Session required the Taxicab Authority to adopt a system to use radio-frequency technology to track medallions. The Taxicab Authority has not done that because such a system would soon be outdated by the new technology they foresaw on the horizon. Our system has a virtual medallion. Once a fleet manager associates a vehicle with a driver and a medallion number, the Taxicab Authority will have a virtual record of that medallion on the street.

Senate Bill No. 320 of the 76th Session allowed the Taxicab Authority administrator to adopt electronic trip sheets. Our amendment would add the provision that those daily electronic trip sheets would be created with the information to be collected by the Taxicab Authority pursuant to section 4 of the bill.

Section 8 of the bill calls for the implementation of cooperative dispatch and electronic hailing services for the taxicab industry.

Section 9 creates a time frame within which the affected parties must initiate the process of obtaining the required systems. That deadline is 90 days following the effective date of the bill. It also requires the parties to either acquire the technology by acquiring the licenses to it, or by having a third party operate the system as a managed professional service.

Our amendment proposes to make the effective date of this bill July 1. Our system has been vetted in hearings before the NTA and the Nevada Taxicab Authority when they considered and adopted pilot programs and demonstration programs, respectively, with our company and funded by our company. Our company competed in a request for information (RFI) process with the SFMTA and won the contract. We have executed a 4-year renewable contract with them to implement our RideIntegrity system. Upon completion of our demonstration project, all e-hails in San Francisco will be handled by the RideIntegrity system, operated by our company on behalf of the agency [Exhibit G](#).

Senator Denis:

Would the technology fee in the original bill be increased from 22 cents to an amount set by the Taxicab Authority?

Mr. James:

Yes, the fees would be set by the two authorities.

Senator Denis:

What would the current rate be?

Mr. James:

We had an estimate of between 18 cents and 22 cents for the taxicab industry. The rate for the for-hire vehicle industry would be higher than the rate for the taxicab industry. The FTi technology is being seriously considered for adoption by a number of other municipalities and jurisdictions, other than San Francisco. As more entities adopt our system, the costs can be brought down. We have structured our system so that the fee will be paid by the riding public because they will receive most of the benefit of the system. They will be able to use the data collected and have a method to provide customer comments to the operators and regulators about services.

The e-hailing capabilities are new. The average cost of e-hailing services, which are largely unregulated, is between \$1.90 and \$20.00 per trip. It is paid by the rider for the convenience of using a smartphone to hail a taxicab or a for-hire vehicle. This is an indication of the public's appetite for technology. E-hailing companies that control the rate only provide a rider with an estimated time of arrival. Our RideIntegrity system can provide riders with more, and better, information for pennies per trip.

Senator Denis:

Is the system wireless?

Mr. James:

Yes. The system is a cloud system. Our software is set up on cloud servers. They are infinitely enlargeable. We set the parameters as requested by the agency. They determine what data is collected and how it is displayed on their screen interfaces. The vehicles are connected to the cloud either with a GPS-enabled wireless onboard diagnostic device, or they can be integrated through existing GPS onboard wireless technology. At any given time, all vehicles in operation within a jurisdiction will be connected to the cloud. The driver and the passenger can connect to the cloud with mobile devices to have access to needed information.

Senator Kieckhefer:

How many different products, besides RideIntegrity, are available on the market that would fit the criteria contained in the bill?

Mr. James:

When we competed in the RFI bidding process in San Francisco, there were 14 respondents, including Verifone; Creative Mobile Technologies, LLC; Taxi Magic; and Cabulous, now Flywheel. They all believed that they could develop a system to fit the specifications outlined by the SFMTA. Our company was the only respondent that had already developed the needed technology. It is a system geared for regulators. Most of the other respondents sell their systems to fleets. This makes their systems less desirable by regulators. Any fleet, regardless of the structure and organization of the fleet, can implement our system.

Senator Kieckhefer:

Did you say that Whittlesea-Bell Transportation and Desert Cab Company support this bill? What is their share of the taxicab market?

Mr. James:

They represent over 50 percent of the market. They support this bill. Both companies operate for-hire vehicles and taxicabs. For now, they prefer that this bill apply to Clark County. In hearings before the NTA and the Taxicab Authority, we saw support from several colleagues in the industry and opposition from only one company group.

Chair Smith:

How do for-hire vehicles engage in long-hauling if they generally charge a flat fee?

Mr. James:

The long-haul issue is a problem with the metered vehicles. For-hire vehicles charge an hourly rate. The total tariff is based on the calculations of the fleet manager. A passenger with a smartphone can use RideIntegrity to calculate the tariff, determine the most economical routes and the most economical vehicle to use.

Senator Aaron D. Ford (Senatorial District No. 11):

I support the amendment proposed by Mr. James of FTi. Two weeks ago, I met with 30 taxicab drivers who are on strike in Clark County. They are my constituents. One of their strike issues is long-hauling. Some are accused of engaging in it. Some feel pressure from management to do it. I spoke to as many representatives from the taxicab industry as I could and asked them what the Legislature could do about long-hauling. Sean Gamble, representing FTi, and I spoke about a possible amendment to S.B. 430 to address the issue. That is the amendment under discussion today

Danny Thompson (Nevada State AFL-CIO):

We represent taxicab drivers. This bill will address every recommendation made by the legislative audit, which was conducted by a nonpartisan staff. The proposed system will create a virtual record of trip sheets and other data and will store that information with the regulating body, not at the company. This makes the system unique. It will eliminate problems with the misuse of medallions. Each vehicle becomes a virtual medallion, capable of being tracked and accounted for in an easily-searched database. We support the use of this technology and we support this bill with the proposed amendment.

Mike Sullivan (Whittlesea-Bell Transportation):

We are in full support of S.B. 430.

Marc C. Gordon (General Counsel, Yellow Checker Star Transportation):

A copy of my letter to the Chair of the Taxicab Authority, outlining our concerns about long-hauling and our proposals to address the issue, has been sent to Legislators ([Exhibit H](#)). We operate about 26 percent of the taxicab medallions in Clark County. We oppose S.B. 430. The bill has been the topic of discussion

and debate for the Taxicab Authority since January. They have not debated the wisdom of technology or whether Mr. James should be commended for wanting to improve the taxicab industry. The debate has been about the process being followed because it has been flawed and out of sequence. The rules that govern the approval of technology projects by State agencies have been violated. The debate came to a conclusion last week before the Taxicab Authority. We argued at length that NRS 242, which governs information services and the approval of IT projects for State agencies, governs the project proposed in S.B. 430. The problem with the bill is that it completely ignores the process mandated by law. David Miller, the chief planner for the Department of Administration's Enterprise Information Technology Services (EITS), testified at that hearing. Because of his testimony, the Taxicab Authority made several rulings.

First, the RideIntegrity project in Clark County will no longer be called a pilot program. Pursuant to NRS 242, the term "pilot program" refers to a more extensive program. The RideIntegrity project is to be called a pretechnology investment request (TIR). When a State agency determines that it needs new technology, it proposes that need to EITS in a TIR. The EITS staff must then evaluate and vet the request and propose a budget for final approval of any new technology. Before any new technology can be purchased, it must be approved by the Administrator of EITS. That process has been ignored by the Taxicab Authority.

The NRS requires a request for proposal process, allowing competition between all qualified vendors. The Taxicab Authority ignored that requirement. Senate Bill 430 is simply the effort of RideIntegrity to get ahead of any other vendor. There are many other vendors of similar technology. It is not new technology.

Second, technology vendors, other than FTi, are encouraged to inquire within the Taxicab Authority for the purposes of presenting and demonstrating technology products that may assist the Taxicab Authority in meeting its needs as a regulator.

Third, no State data shall be accessed, used or made available to FTi during the RideIntegrity preTIR vendor demonstration.

Fourth, the RideIntegrity preTIR vendor demonstration shall be independent of all State computer systems in that no software agent, component or application may be installed on any State computer.

Fifth, the Taxicab Authority Administrator shall develop expectations for deliverables, outputs and reports that will be used to evaluate the RideIntegrity preTIR vendor demonstration's success and further refine application and system requirements for further planning and analysis.

Sixth, there shall be no financial or other obligation or commitment between the Taxicab Authority and/or the State and FTi. The RideIntegrity preTIR vendor demonstration is for the evaluation of requirements and part of a process for further planning, and not for the direct acquisition of a product or service. The direct acquisition of a product or service must take place within the framework of the State's normal IT planning, budgeting and vendor acquisition.

The bill contains a policy component and a fiscal component. The fiscal component is a prime reason that the proposed system needs proper vetting by the EITS pursuant to State law. As originally written, the bill proposed to charge 22 cents per fare to cover the expense of RideIntegrity. Last year, there were 27 million fares in Clark County. If RideIntegrity had been in place, they would have realized \$6.5 million in fees for 1 year. The total budget for the Taxicab Authority is \$5 million. Although FTi has tried to amend the bill by eliminating the reference to the 22 cents, the testimony here today was that the fee would likely be 18 cents to 22 cents and would likely be paid by the passenger in an economy that is just now struggling to recover. The Taxicab Authority is not technologically sophisticated and is not capable of determining what the fee should be. They have not proposed to hold a competitive bid process. To be fair to all stakeholders in the industry, NRS 242 should be respected and a TIR submitted when the data produced by the RideIntegrity preTIR vendor demonstration is found to be useful.

Mr. James:

The voluntary means by which the taxicab companies have attempted to stop long-hauling have been insufficient and have not included sophisticated IT. Any operator of for-hire vehicles or taxicabs could have invested \$8 million to form a company to develop a proprietary technology to aid in the regulation of the industry. No entity, other than FTi, did so. Within the past 2 years, we have

introduced this technology in Nevada, San Francisco, Chicago and New York. Other jurisdictions are vetting our system now.

Nothing we are doing is intended to circumvent State laws. We are asking that, if the Legislature finds that there is a problem, regulators adopt technology to solve it. We do not seek to change processes.

Chair Smith:

We will have our Fiscal Division Staff examine the issue of how the fees are used and what, if any, processes might be circumvented by this bill.

The bill requires a two-thirds majority vote for passage because the original bill had a specific fee included in the language. If amended, the bill would still require a fee, but the regulatory body would determine the specific amount. Therefore, it would still require the two-thirds majority for passage. Have you considered capping the required fee?

Mr. James:

We would be willing to set the cap at the original 22 cents. We would be willing to replace the word "shall" with "may" to enable the regulatory body to enact the fee if they deem it appropriate. Please consider that a friendly amendment. There is nothing in our amendment that attempts to circumvent any existing procurement process for technology or the role of any technology agency.

Chair Smith:

We will direct our Fiscal Staff to prepare a proposal that will follow State processes more closely and include your suggestions. They will also evaluate the propriety of a two-thirds majority vote.

Neal Tomlinson (Frias Transportation Infrastructure):

I have represented clients before the Taxicab Authority for 9 years. In January, the Taxicab Authority approved what they deemed a pilot program. As a result of opposition raised by Mr. Gordon, they reconsidered the decision at their May meeting. Mr. Miller testified that the program satisfies all of the requirements of EITS at this time, so he recommended that they change the designation from "pilot program" to "vendor demonstration." The NTA has approved this vendor demonstration program. The Taxicab Authority has approved it twice. The NRS applies at a later time.

Mr. James:

The bill requires a report to the 2015 Legislative Session on how any system is implemented during the interim.

Senator Denis:

How extensive is the vendor demonstration program?

Mr. Tomlinson:

The program includes up to 150 vehicles. The regulatory agencies will have a regulatory dashboard on which they can view the trips of those vehicles in real time and in past time. They will be able monitor and track the vehicles on a regular office computer. They will be using a Web-based browser program.

Senator Denis:

Will the demonstration only include one product?

Mr. Tomlinson:

Yes; and it will be paid for, in full, by FTi.

Senator Denis:

When the vendor demonstration project is completed, do you anticipate that the agency will proceed through the regular procurement process through EITS?

Mr. Tomlinson:

Yes.

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Chair Smith:

Seeing no one else wishing to speak, the hearing on S.B. 430 is closed. Seeing no public comment, the meeting is adjourned at 12:44 p.m.

RESPECTFULLY SUBMITTED:

Leslie Sexton,
Committee Secretary

APPROVED BY:

Senator Debbie Smith, Chair

DATE: _____

<u>EXHIBITS</u>				
Bill	Exhibit		Witness / Agency	Description
	A	1		Agenda
	B	1		Attendance Roster
S.B. 84	C	1	Senator David R. Parks	State Board of Equalization Time Spent by Board Members on Hearings and Preparation Time
S.B. 84	D	1	Senator David R. Parks	State Board of Equalization Caseload
S.B. 430	E	38	Mark A. James	Auditor's Report
S.B. 430	F	11	Mark A. James	Proposed Amendment
S.B. 430	G	2	Marc C. Gordon	Letter of support from San Francisco Municipal Transportation Agency
S.B. 430	H	12	Marc C. Gordon	Gordon letter to Taxicab Authority