

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-Seventh Session
May 23, 2013**

The Senate Committee on Finance was called to order by Chair Debbie Smith at 8:53 a.m. on Thursday, May 23, 2013, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 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. Hutchison, Senatorial District No. 6
Senator Aaron D. Ford, Senatorial District No. 11

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Catherine Crocket, Program Analyst
Heidi Sakelerios, Program Analyst
RJ Keetch, Committee Secretary

OTHERS PRESENT:

Ronald P. Dreher, Government Affairs Director, Peace Officers Research
Association of Nevada

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Constance Brooks, Director of Government Relations, Nevada System of Higher Education

Robert E. Roshak, Association Office, Nevada Sheriffs' and Chiefs' Association
A.J. Delap, Government Liaison, Office of Intergovernmental Services,
Las Vegas Metropolitan Police Department

Scott K. Sisco, Deputy Director, Nevada Department of Corrections

Mel Rosenberg, Chief Information Technology Manager, Nevada Department of Corrections

Greg Ferraro, Employers Insurance Group

Deonne E. Contine, Deputy Executive Director, Department of Taxation

David K. Morrow, Administrator, Division of State Parks, Department of Conservation and Natural Resources

Michael J. Willden, Director, Department of Health and Human Services

George W. Stevens, Chief Financial Officer, Clark County Board of Commissioners

Ken Retterath, Division Director, Washoe County Department of Social Services

Cadence Matijevich, City of Reno

Yolanda King, Clark County

Chair Smith:

We will begin the meeting with Senate Bill (S.B.) 174.

SENATE BILL 174 (1st Reprint): Authorizes the Governor to require the naming of a state building, park, highway or other property after a deceased member of the Armed Forces of the United States under certain circumstances. (BDR 27-853)

Senator Mark A. Hutchison (Senatorial District No. 6):

I am pleased to present S.B. 174, which is a bipartisan measure cosponsored by members of the Senate and the Assembly. It is designed to help Nevadans pay permanent, meaningful tribute to those who have served in the Armed Forces and have made the ultimate sacrifice. I want to pay particular attention and give recognition to all veterans in the room, including Senator David Parks. I appreciate all those who are currently serving in the Legislature who are former members of the Armed Forces.

The bill adds to the duties of the Nevada Veterans' Services Commission of the Office of Veterans' Services the ability to recommend to Governor Brian Sandoval names of service members from Nevada who gave

their lives in Operation Enduring Freedom or Operation Iraqi Freedom in order that a building, park, bridge or other piece of State-owned property can be named in their honor. The bill also creates the Nevada Will Always Remember Veterans Gift Account which will empower the account to accept donations, gifts and grants to be used to fund the design, procurement, installation of markers, plaques or statues and other matters for these memorials as appropriate. This account will be used to pay for the markers, signs and plaques. No General Fund money will be required for that purpose. The Senate Committee on Government Affairs heard testimony from Caleb Cage, Executive Director, Nevada Office of Veterans' Services and various other veterans in support of the bill.

Chair Smith:

We have a fiscal note from the Department of Conservation and Natural Resources Division of State Parks and the Nevada Office of Veterans' Services. We need someone here to discuss the fiscal note. Therefore, I will close the hearing on S.B. 174 and we will return to it when someone is present to discuss the bill.

I will now open the hearing on Assembly Bill (A.B.) 130.

ASSEMBLY BILL 130 (1st Reprint): Revises provisions requiring the Board of Regents of the University of Nevada to pay certain educational fees and expenses for certain dependent children. (BDR 34-187)

Ronald P. Dreher (Government Affairs Director, Peace Officers Research Association of Nevada):

I am here to introduce the bill on behalf of Assemblyman Crescent Hardy, who is currently in a meeting of the Assembly Committee on Ways and Means. I will read into the record his written presentation ([Exhibit C](#)), and I will follow with my presentation ([Exhibit D](#)).

Senator Kieckhefer:

Over the past 5 years, how many additional students would have been eligible for this if it had been effective?

Mr. Dreher:

I do not have that answer. As Chair Smith is aware, four students have been involved in this program for the past several years. Those four students are still

enrolled in the Nevada System of Higher Education. I do not believe the bill is retroactive, but I know it will become effective upon signing and approval.

On behalf of the peace officers of Nevada, we sincerely thank Assemblyman Hardy and all of the Legislators who cosponsored this legislation. We are asking your support of A.B. 130 which enhances the provisions of the existing statutes under which dependent children would be covered.

I was under the impression that there was no fiscal note attached to this but, in looking at Assemblyman Hardy's presentation, I see there is. This bill is about enhancing benefits to those currently in that system. When the bill was heard in the Assembly Committee on Education, we added an amendment at the suggestion of the Chair to ensure that there were no unintended consequences by clarifying that nonpublic contracted emergency medical technician employees would not qualify for this benefit, as specified on page 2 of [Exhibit D](#).

We certainly appreciate your support of A.B. 130.

Chair Smith:

The fiscal note is difficult to estimate, just as what we currently have in place has been difficult to estimate. This Committee may recall a situation a couple of years ago where we did not have enough funding for the other account because we were not able to estimate the necessary funds and we were not able to provide additional funding in the interim. Therefore, we had to privately raise the necessary funds.

Constance Brooks (Director of Government Relations, Nevada System of Higher Education):

The fiscal note we provided is based on the estimate of the four students Mr. Dreher mentioned. Without exact numbers, it was difficult to project the estimated costs. Therefore, we used the costs of the four students over the last 2 years to determine an estimate.

Robert E. Roshak (Association Office, Nevada Sheriffs' and Chiefs' Association):

We respectfully request your support of this bill.

A.J. Delap (Government Liaison, Office of Intergovernmental Services, Las Vegas Metropolitan Police Department):

On behalf of the Las Vegas Metropolitan Department, we would also like to express our support for this measure. We want to thank the sponsor bringing this bill forward and this Committee for hearing it.

Chair Smith:

The North Las Vegas Police Department Supervisors Association submitted a position letter dated May 22, 2013, ([Exhibit E](#)).

I will now close the hearing on A.B. 130 and open the meeting on A.B. 468.

ASSEMBLY BILL 468: Makes an appropriation to the Department of Corrections for an upgrade to and end-user training for the Nevada Offender Tracking Information System. (BDR S-1182)

Scott K. Sisco (Deputy Director, Nevada Department of Corrections):

I am the new Deputy Director for the Nevada Department of Corrections (NDOC) and this is my second day on the job. Here with me is Mel Rosenberg, our chief IT manager.

The bill before you was an appropriation contained within the Governor's budget in the amount of \$1.9 million to provide end-user training and upgrade to our Nevada Offender Tracking Information System (NOTIS). The Department presented this in both the budget overview and in the budget presentation.

Chair Smith:

Is the amount of \$1.9 million still correct?

Mr. Sisco:

Yes.

Chair Smith:

Can you describe to the Committee what the NOTIS does?

Mel Rosenberg (Chief Information Technology Manager, Nevada Department of Corrections):

The NOTIS is the primary system the NDOC uses to track the location of the entire offender population in our 20 facilities. It also calculates their sentences,

parole dates, release dates, victim notifications, communicates data back and forth with the Department of Public Safety and completes a host of other functions.

Senator Denis:

Is this an upgrade?

Mr. Rosenberg:

Yes, sir.

Senator Denis:

What does the upgrade entail? Are you upgrading the software or is there hardware associated with the database you are updating?

Mr. Rosenberg:

We are updating the software. The hardware is owned by the NDOC and is fully sufficient for our needs. The problem is that the system was purchased in 2005, implemented in 2007 and has never been upgraded. It will no longer support the newer operating systems that we will be moving to next year. Additionally, it uses versions of Oracle software that are no longer supported by Oracle. This security upgrade will bring us to a level that is supportable and maintainable.

Senator Denis:

Is there currently an annual licensing fee that automatically provides updates on this particular piece?

Mr. Rosenberg:

Unfortunately, we are paying a support fee. We purchased the licenses and we have the right to use the software. We pay for support, but that support does not include an upgrade path. It is similar to buying Microsoft Office, where a user purchases the license to use it and can pay for questions and answers; but, unless you were to pay extra for the insurance program, the user would not receive upgrades.

Senator Denis:

In the case of Microsoft, if you were to purchase Office software you would receive periodic upgrades, but not upgrades to the newer level that comes up.

Are you saying the software you purchased in 2005 is several versions past that now and that you are going to upgrade to the latest version?

Mr. Rosenberg:

That is correct. We are currently using their software called Tag. We plan to upgrade to their next software called Elite. Within Tag we received upgrades and fixes and so forth. This is similar to moving between Office 2003 and Office 2010.

Senator Denis:

Is this a per-user license?

Mr. Rosenberg:

It is not a per-user license. We purchased the right to use the software for as many users as we wish. We are upgrading the version and the license goes with it. We are not repurchasing the license, we are paying them for their new version and the installation of the upgrade.

Senator Denis:

Are you upgrading Oracle as well?

Mr. Rosenberg:

Yes. We own the Oracle software, but since their software did not support the newer versions, when we install the upgrade we will be installing the newer versions of Oracle and running the software on that.

Senator Denis:

Is the Oracle upgrade included in this?

Mr. Rosenberg:

Yes.

Senator Denis:

Is the Oracle portion a per-user license?

Mr. Rosenberg:

Yes.

Mark Krmpotic (Senate Fiscal Analyst):

Fiscal Analysis Division Staff will look at the backup information associated with the appropriation and check to see if any adjustments are needed. This bill has been reviewed by the Assembly Committee on Ways and Means.

Chair Smith:

The hearing on A.B. 468 is closed. I am turning the gavel over to Senator Woodhouse to open the hearing on S.B. 479, which I will be presenting.

SENATE BILL 479: Revises provisions governing credits against the insurance premium tax. (BDR 57-1200)

Senator Woodhouse:

We will now open the hearing on S.B. 479 which revises the provisions governing credits against the insurance premium tax.

Senator Debbie Smith (Senatorial District No. 13):

I am here to present S.B. 479 which was originally heard in the Senate Committee on Commerce, Labor and Energy. There is a small fiscal note associated with the bill. I brought this bill forward because there are legal issues regarding the credits against insurance premium taxes and how long those can be used. It seemed appropriate to me that this body should try to resolve this issue once and for all, so that everyone involved on both sides of the issue knows where we stand and it can finally be put to rest.

I will ask Greg Ferraro to provide testimony about the issue and then we can consider the fiscal note.

Greg Ferraro (Employers Insurance Group):

The Senate Committee on Commerce and Labor heard this bill on April 10, and voted unanimously to move this bill forward. Due to the fiscal note, it had to come before the Senate Committee on Finance.

The purpose of S.B. 479 is to clarify the original intent of the 1999 Nevada Legislature. Between 1999 and 2008, the Department of Taxation allowed all private carriers to carry forward excess credits from the payment of the Department of Business and Industry's Division of Industrial Relations (DIR) assessments in the subsequent years and apply those excess credits to

subsequent year premium tax liabilities. This was consistent with the language in *Nevada Revised Statute* (NRS) 680B.036 which provides private carriers with a credit that is "equal to" DIR assessments.

This practice from the Department of Taxation changed in 2009. Since that time, there have been multiple administrative appeals and pending litigation over this issue. The purpose of S.B. 479 is to resolve the litigation among the parties. All parties are in agreement that private carriers may use any and all DIR assessments accrued against premium tax liability since July 1, 1999, until they are exhausted.

Senator Smith:

We should have someone here from the Department of Taxation who can discuss the fiscal note so we will understand how we need to move forward with this.

Deonne E. Contine (Deputy Executive Director, Department of Taxation):

The Department's fiscal note is related to changes to the Unified Tax System. Currently, the credit carryforwards are not tracked in our tax system. Therefore, we would need to spend resources for the IT solution and to have the staff install them. After discussing the bill with the proponents, and thinking about the timing of the bill, we have a slight adjustment in that we can contract out for the services versus having it ongoing. It is really about creating the system to put it in at this point. Our revised fiscal note is \$28,000.

Senator Kieckhefer:

Is the \$28,000 related to the expense of creating this carryforward system? The fiscal note states the Department has no way to estimate potential revenue loss. Is that still the case?

Ms. Contine:

That is correct. As stated in the fiscal note, this is a very small portion of the market of insurance premium tax. Approximately 1 percent of the \$200 million the Department collects for premium tax is for industrial insurance. Since we have not tracked this, we do not have the data.

Senator Kieckhefer:

Would it be a fraction of \$200 million?

Ms. Contine:

It would be a fraction of a fraction and, as it states in the fiscal note, the DIR assessment is generally larger than the premium tax liability for most insurance companies.

Senator Woodhouse:

We will now close the hearing on S.B. 479. I will return the gavel to Chair Smith.

Chair Smith:

I will now reopen the hearing on S.B. 174.

David K. Morrow (Administrator, Division of State Parks, Department of Conservation and Natural Resources):

It would be a bad idea to change the names of existing State parks since they were named for specific natural or cultural features and some of them have had the existing name for as long as 75 years. However, when the bill was reviewed previously it was noted that any change in a State park's name would require approval by the Legislature. That gave us more assurance that we would at least have the opportunity to come before the Legislature in support or against changing the name of a park.

Chair Smith:

Let us discuss the fiscal note associated with it.

Mr. Morrow:

If a name change was required the park signage and brochures would need to be changed. At least initially, it could have a detrimental impact on visitation since it would cause confusion to park visitors who are accustomed to the names of certain parks, such as the Valley of Fire State Park.

Senator Kieckhefer:

How exactly did you estimate the anticipated revenue loss of \$300,000 per year?

Mr. Morrow:

We tried to estimate. I will be honest. It is a subjective rather than objective calculation of what that loss may be. The majority of that loss would be from the loss of recognition that visitors would have and the marketing that we have

currently done to promote those parks. There would be an actual loss depending on which park would need to reprint their brochures or change the signage that currently exists in the park.

Senator Kieckhefer:

Where in the language does it state you will come back to the Legislature?

Mr. Morrow:

I did not note it, but when it came before the Committee previously the interpretation that the Legislative Counsel Bureau (LCB) gave to the Committee was that it would have to be reheard by the Legislature.

Senator Kieckhefer:

I do not see that in the bill.

Chair Smith:

We can take a look at that.

Senator Kieckhefer:

Having a fiscal note that is a guess is not necessarily helpful in this process.

Chair Smith:

Do you have any experience with other states? Have you contacted other states who have gone through name changes at their parks?

Mr. Morrow:

I have not. Most of the names in state parks are stable and were authorized or created when the park was created. I do not have a specific example of a name change at a State park. In Nevada, the names have been there for such a long period of time that individuals have become accustomed to them. In cases such as Berlin-Ichthyosaur State Park, the park was named after the ichthyosaur itself. Valley of Fire State Park, which has had its name for over 75 years, was named for the geological features of the park and is widely known across the Country and around the world.

Senator Goicoechea:

The Nevada Veterans' Services Commission will establish the criteria in conjunction with Governor Brian Sandoval. However, I believe the legislative intent was that we were not going to be renaming all the State parks. But, if

a new State park were established or a change was created within a State park, a name change would occur. I do not think we are going to change the name of Wild Horse State Recreation Area or some of these others. As I recall, a renaming process was not even considered.

Senator Parks:

Senator Goicoechea is correct in that it was not going to be a renaming of facilities and parks but, as things progress and the opportunity presented itself, we would entertain that. The Veterans' Services Commission, as well as the Governor, would have final say on this.

Chair Smith:

Perhaps we can talk with the sponsor about making some provisions regarding new buildings, highways or parks. We certainly hope to be building something new again.

I will close the hearing on S.B. 174 and we will transition to a Work Session. The first bill for consideration will be S.B. 320, which is Senator Hardy's bill regarding medical care in schools.

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

Mr. Krmpotic:

This bill was heard on May 8 in Committee. The bill provides that a pupil with diabetes must not be prohibited from enrolling in a public school. The bill also requires school nurses, or in certain circumstances local health officers or designees of a local health officer, to prescribe training for employees of public and private schools in the care and management of the disease to provide assistance to pupils with diabetes.

Multiple fiscal notes were submitted on this bill. The Department of Education (NDE) is requesting \$130,000 and \$140,000 each year of the biennium for a new education program professional position. The Department of Health and Human Services (DHHS) Health Division requests \$43,248 in fiscal year (FY) 2013-2014 to work with the NDE to develop a training program at various school districts.

During the hearing, the NDE testified that its fiscal note could be removed. Fiscal Staff also received correspondence from the Health Division regarding the removal of its fiscal note based on the amendment added to the bill.

Senator Hardy also proposed Amendment No. 8766 ([Exhibit F](#)), which I believe is available on the Nevada Electronic Legislative Information System. Section 9, page 3, of [Exhibit F](#), strikes the word "each" and adds "if a school nurse, or if a public school does not have a school nurse, the principal of the public school approves a request pursuant to section 10 in this act." The school nurse shall prescribe a training program. It addresses certain schools that do not have school nurses.

Section 10, page 3, added new language. Sections 11.5 and 12 state that if a school nurse or if a private school does not have a school nurse it affords for that provision as well. Senator Hardy also proposed a conceptual amendment ([Exhibit G](#)) to address a concern by the Chair that public schools also include charter schools. Senator Hardy proposed that such language be added to the amendment to S.B. 320. It appears, for the most part, that the fiscal impact on the State agencies has been removed from this bill.

Chair Smith:

I would like to clarify for the Committee that I spoke with the LCB Legal Division about the issue of adding charter schools and was advised that it is not necessary that the digest be constructed to clarify that public schools always include charter schools, unless otherwise noted. That amendment is not necessary. I would entertain some discussion and a possible motion.

Senator Kieckhefer:

This bill is a positive step in helping students who suffer from diabetes. I am comfortable that there is no requirement that anyone has to do this if they do not wish to.

Senator Denis:

I appreciate Senator Hardy working on this to make sure it happens and keeping me updated. It is important to both of us to assist the children that need help and at the same time be able to work with the schools and the limitations that they have.

Chair Smith:

I want to be clear that this is voluntary, because we received copious amounts of emails regarding this subject. I hope that at the hearing that those concerns were put to rest. We want to be sure that everyone knows that this is a voluntary situation and school employees are not being required to do this if they do not wish to do so.

SENATOR KIECKHEFER MOVED TO AMEND AND DO PASS AS AMENDED S.B. 320 WITH PROPOSED AMENDMENT NO. 292 AS ORIGINALLY PRESENTED BY SENATOR HARDY AT THE TIME THE BILL WAS FIRST HEARD.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

We will now hear S.B. 374, the bill we heard last week on medical marijuana establishments.

SENATE BILL 374 (1st Reprint): Provides for the registration of medical marijuana establishments authorized to cultivate or dispense marijuana or manufacture products containing marijuana for sale to persons authorized to engage in the medical use of marijuana. (BDR 15-89)

Alex Haartz (Principal Deputy Fiscal Analyst):

This bill was heard in Committee on May 16 and provides for the registration of medical marijuana establishments authorized to cultivate, dispense and/or manufacture products containing marijuana for sale to persons authorized to use medical marijuana.

The Health Division submitted a fiscal note of \$291,500 for FY 2013-2014 and \$219,000 in FY 2014-2015, with projected annual operating costs of approximately \$135,500 beginning in FY 2015-2016. The Committee heard testimony from Marla McDade Williams from the Health Division that the fiscal note reflected the anticipated costs of the registration activities only, and did not include regulatory costs which had not yet been identified. The Agency

expected those to be identified as the regulations and program were being developed. Their fiscal note also contained an annual operating reserve for cash flow purposes since this program is intended to be fee funded.

In S.B. 374, the fees set forth in section 12 would fund the Health Division's operating costs with any balance to be deposited to the Distributive School Account, budget account (B/A) 101-2610, from the General Fund. Section 19.6 states a flat fee of \$10 will be charged on each sale and transaction by a dispensary. That fee revenue is to be deposited to the General Fund as well.

EDUCATION

K-12 EDUCATION

NDE - Distributive School Account — Budget Page K-12 EDUCATION-17
(Volume I)
Budget Account 101-2610

A conceptual amendment was offered by Senator Tick Segerblom at the hearing to amend S.B. 374. This would either authorize the Health Division to receive a temporary advance from the General Fund, which would be paid back by the fees once they were collected, or to use revenue from the existing medical marijuana registry program to initially develop the program and to adopt regulations.

In response to the Committee's questions, Ms. McDade Williams indicated that the Agency did not at that time have a position on the issue of either receiving a temporary advance or using medical marijuana registry fee reserves to support the initial operating costs. Fiscal Staff spoke with the Agency this morning and they indicate there are sufficient medical marijuana registry fee revenues in B/A 101-4547 to fund the initial operating costs and, therefore, they would not need a temporary advance from the General Fund.

HUMAN SERVICES

PUBLIC HEALTH

HHS-DPBH - Marijuana Health Registry — Budget Page DHHS-PUBLIC
HEALTH-137 (Volume II)
Budget Account 101-4547

As drafted, S.B. 374 becomes effective upon passage or approval. For the purposes of the Health Division, approval includes adopting regulations that are contained in Section 20. Otherwise, the effective date is January 1, 2014, for all other purposes.

Chair Smith:

I will remind everyone this was passed out of the policy committee. It seems we have a clear understanding of the fiscal note and that their reserve is sufficient to fund the start of this program with the fees being reimbursed within this biennium.

Senator Kieckhefer:

There was discussion that this bill still required some additional amendments. I do not feel comfortable voting for a bill when we know it will be amended on the other side. However, we have a system that is currently broken and this is an important piece of legislation. With trepidation, and without knowing what the final form is going to look like, I am prepared to vote for it.

Chair Smith:

The good news is that it always comes back to us in some form or another. We will attempt to keep close tabs on that. I appreciate your comments. I am aware there are many possible amendments out there. I felt it would be better for us to clear the fiscal note on this and get it moving in order for the proponents to work together to resolve the policy issues in the Assembly policy hearing. Then we hope to have a clear understanding of where that leaves us.

Senator Goicoechea:

Most people do not understand that we are required to allow for medical marijuana in the *Constitution of the State of Nevada*. What we have currently in place will not work. Having addressed the fiscal notes, I am willing to see it move ahead. While I would like to see some changes in the policy, and there are some amounts that I do not like, I am willing to support it in order to get moving to see if we can fix it.

Chair Smith:

We need an amended version of the bill. To clarify the document before you ([Exhibit H](#)) is "Conceptual Amendment S.B. 374 (R1)" authorizing the Health Division to receive a temporary advance. I just want to be clear about the amendment.

Mr. Krmpotic:

We could add the temporary advance language to the amendment which would allow the Agency to begin the program. However, I would suggest, at least at this point, that such language include a sunset provision.

SENATOR DENIS MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 374.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

I will now open S.B. 407 regarding the Teachers and Leaders Council.

SENATE BILL 407 (1st Reprint): Revises provisions governing the statewide performance evaluation system for teachers and administrators.
(BDR 34-143)

Mr. Krmpotic:

This bill revises the timetable for implementation of a Teachers and Leaders Performance Evaluation System to delay implementation of the evaluation system and the associated performance pay program for an additional year. This delay would allow for a pilot testing program and a validation study. Although school districts may choose to begin their programs prior to that time, decisions about an educator regarding employment status or disciplinary action may not be based upon the validation study. The Teachers and Leaders Council is required to make recommendations to the State Board of Education concerning the evaluation of counselors or librarians and other licensed educational personnel. The measure provides for a pilot program for peer review and evaluations in certain schools.

“Proposed Amendment 9127 to Senate Bill No. 407 First Reprint” ([Exhibit I](#)) contains appropriations in section 16 and section 16.3. In section 16 there are appropriations of \$50,000 in each year of the biennium to the NDE for costs associated with the Teachers and Leaders Council. The \$50,000 each year is recommended to be appropriated from the Educational Trust Fund account, which is the gift card account within the NDE, rather than funded with General Fund appropriations. Section 16.3 appropriates \$1.3 million that was to be made to the Interim Finance Committee (IFC), for later access based on the reporting requirements that are included in section 16.3. Last week, when the Department of Education budgets were closed, that \$1.3 million was included in the NDE budget, but it was placed in reserve for the NDE to approach the IFC based on the requirements set forth in section 16.3. Therefore, that appropriation has been removed from the bill and language has been added to section 16.3 that delineates the NDE and the process to request that money be transferred.

NDE - Educational Trust Fund — Budget Page K-12 EDUCATION-31 (Volume I)
Budget Account 101-2614

Based on the budget closings approved by the money committees last week and the proposals put forth in this amendment, there would be no additional fiscal impact to the General Fund as a result of passage of this bill should Proposed Amendment No. 9127 be adopted.

Senator Kieckhefer:

It takes a long time to get anything done in government and getting it done right takes even longer. It is important that we get this done right. This will allow us to start investing money more wisely back into education. It will also allow us to reward those who are excellent in their profession by more adequately reflecting, with our expenditures, the values we are placing on excellence and success and it will aid those who need additional help. It is critical that we get this right. Although I am disappointed by the time frame things take in government, at this point it is necessary.

Chair Smith:

I appreciate your sentiments. I have worked on this for a while and I share your frustration about wanting to see things happen quickly. I also know it is important that we get it right, because mistakes can affect many lives and careers. Much work has been done to make this right and I appreciate those

who have put so much effort into it. Additionally, a document entitled "Amendment For S.B. 407 submitted by StudentsFirst" is attached ([Exhibit J](#)).

Senator Woodhouse:

I was not here during the last Legislative Session when this was one of the key bills regarding educational reform. I think we are moving one more step toward that effort. I support the idea of slowing this down in order to get it right. We have seen states that moved forward too fast and suffered severe consequences to their educational system, fiscal stability and, most importantly, how it affected their teachers and the students they serve. Senate Bill 407, with the amendment, is the best way for us to go at this point.

Senator Denis:

I was involved during the interim when the Governor's Association Team for Nevada spoke with representatives from North Carolina and Colorado, which were two of the states that approved legislation too quickly. We are learning from their mistakes. The most important thing about this particular bill is that it helps our teachers to improve. We have great teachers, but they need help. This will evaluate how to provide that help. While it may seem like it is a long process, it will save us time because we are doing it right. I appreciate this and support it.

SENATOR DENIS MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 407 WITH PROPOSED AMENDMENT NO. 9127.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

We will remove S.B. 3 from the Work Session agenda until tomorrow in order to resolve a couple of issues. We want to make sure the technical aspects are accurate. Also submitted by the Nevada Association of Counties (NACO) is a document entitled "Proposed Amendments to S.B. 3" ([Exhibit K](#)).

SENATE BILL 3: Revises provisions governing the amount of money allocated for medical assistance to indigent persons in certain counties. (BDR 38-263)

We will now consider S.B. 481.

SENATE BILL 481: Extends the temporary waiver from certain minimum expenditure requirements for textbooks for school districts and the temporary allowance for an increase in class sizes for grades 1 through 3. (BDR S-1132)

Mr. Krmpotic:

This bill was heard on May 17 in Committee. In its present form, the bill would extend the temporary waiver on textbook expenditures by school districts and would provide for the flexibility of language regarding class size reduction. "Proposed Amendment 9136 to Senate Bill No. 481" ([Exhibit L](#)) strikes the class size flexibility provisions from the bill since those provisions will be included in the education funding bill which will be heard by the Committee next week. The bill would simply include the textbook waiver. I believe there was supportive testimony from the various school districts that day.

Chair Smith:

I think everyone on this Committee is familiar with the issue since we have had to do this now for a couple of budget cycles.

Senator Woodhouse:

I understand this is something we need to do, but it is heartbreaking that we must continue to do this. I will be voting for it, but I want to put on the record that "when the time comes when Nevada is in a better situation that we need to make sure we do what we need to for our schools regarding textbooks and class size reduction." It is difficult to continue to do this.

Chair Smith:

As I have stated in previous hearings, it is difficult when it becomes routine to do these things.

SENATOR GOICOECHEA MOVED TO AMEND AND DO PASS AS AMENDED S.B. 481 WITH PROPOSED AMENDMENT NO. 9136.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED (SENATORS PARKS AND ROBERSON WERE ABSENT FOR THE VOTE).

* * * * *

Chair Smith:

We will now hear S.B. 452.

SENATE BILL 452: Revises provisions governing assistance provided to indigent persons. (BDR 38-1085)

Mr. Krmpotic:

This bill was heard in Committee on April 24. In its present form, the bill allows the Board of Trustees of the Fund for Hospital Care to Indigent Persons, also called the Indigent Accident Fund (IAF), to commit money to obtain higher rates of reimbursement for hospital care provided to recipients of Medicaid at certain hospitals. The bill contains three optional uses: enhanced rates for reimbursement to hospital care provided to Medicaid recipients; supplemental payments to hospitals for the provision of hospital care; and to satisfy any portion of the obligation of a county to pay the nonfederal share of expenditures.

During the closure last week of B/A 101-3243, the Medicaid account, information was provided to the money committees indicating that a portion of the 1 cent *ad valorem* tax revenue in the Indigent Supplemental Account, B/A 628-3244, could be used to reduce the Clark County contribution for the disproportionate share hospital (DSH) program. Therefore, it was suggested that S.B. 452 could be amended to allow the *ad valorem* tax to be utilized for a purpose which would more equitably distribute the money. Fiscal Staff has discussed this with the Agency. This is part of a larger agreement that has been reached with Clark County and it has been communicated to Fiscal Staff that the upper payment limit percentage match has recently been agreed to with Clark County.

HUMAN SERVICES

HEALTH CARE FINANCING AND POLICY

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HHS-HCF&P - Nevada Medicaid Title XIX – Budget Page DHHS-DHCFP-45
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Budget Account 101-3243

HEALTH AND HUMAN SERVICES DIRECTOR'S OFFICE

HHS-DO - Indigent Supplemental Account — Budget Page DHHS-DIRECTOR-31
(Volume II)
Budget Account 628-3244

Fiscal Staff would bring the Committee's attention to "Proposed Amendment 9176 to Senate Bill No. 452" ([Exhibit M](#)). The Agency worked with the LCB Legal Division on this to meet the provisions discussed in the budget closing last week. This is also required to maintain the contributions to B/A 101-3243.

Page 4, section 7 of Proposed Amendment No. 9176 directs a portion of property taxes to the Intergovernmental Transfer Program account, B/A 101-3157, in the General Fund not later than January 1, 2014, and not later than January 1 of each year thereafter. The Board of County Commissioners in each county shall remit to the State Controller an amount equal to the amount collected by the Board of County Commissioners pursuant to NRS 439B.340 for the previous year's credit to the supplemental account. Fiscal Staff understands that some language in this amendment needs to be changed. Mr. Willden will address those changes.

HHS-HCF&P - Intergovernmental Transfer Program — Budget Page
DHHS-DHCFP-13 (Volume II)
Budget Account 101-3157

Michael J. Willden (Director, Department of Health and Human Services):

We started working on this legislation before this Legislative Session began. During the Legislative Commission's Budget Subcommittee meeting, we discussed the possibility of federalizing the indigent accident supplemental funds in order to bring in additional federal dollars. That has evolved several times over the 4-month period we have been working on this. There is a general consensus among the NACO members and the Nevada Hospital Association so we can move forward with this legislation and the amendment.

I want to highlight five things in the amendment. We have specifically left out some of the details that we will need to iron out between the group in a Memorandum of Understanding or a contractual relationship. I provided a bubble chart ([Exhibit N](#)).

Senator Kieckhefer:

Is Proposed Amendment No. 9176 inclusive of the additional amendments proposed by Clark County or are those separate?

Mr. Willden:

Clark County's amendments are separate. On page 2 of the amendment, section 3, subsection 2, we requested the language change from "shall or must make an assessment" to "may be required by the Board." There may be an instance in the way we pay rates or supplemental payments, or how the funds are used, in which we may not need to use this proposed Hospital Assessment Account in this mechanism. Therefore, we wanted that language to be more flexible.

Last night Bill Welch, with the Hospital Association, identified an oversight in section 2 that needs to be revised in this amendment. Lines 20 and 22 state "If an agreement is entered into pursuant to section 2 of this act, each hospital in the State, other than a hospital operated by a federal, State or local government agency or a hospital certified as a critical access hospital." We need to eliminate the language starting after "other than" and strike the language "a hospital operated by a federal, state or local government agency or." The sentence would read "If an agreement is entered into pursuant to section 2 of this act, each hospital in this State, other than a hospital certified as a critical access hospital." Therefore, we eliminate the public hospital piece of that. That needs to be eliminated because the public hospitals will participate if there is an assessment given to a hospital in this section.

Chair Smith:

Will you repeat that?

Mr. Willden:

The language on line 20 would remain the same. On line 21, we would keep the language "each hospital in this State, other than" and then strike the words "a hospital operated by a federal, state or local government agency or." The

intent is that the only exemptions under the assessment would be critical access hospitals.

On pages 3 and 4 of section 7, the amendment discusses the sources of the IAF. Two sources of funds currently come into B/A 628-3244: the 1.5 cents that has traditionally supported the IAF, and the 1 cent supplemental. This section "hardwires" the 1 cent supplemental to go into B/A 101-3157 to support the DSH program. All the county contributions and supplemental contributions will support the DSH program and that will reduce Clark and Washoe Counties' ongoing participation in the program.

Historically, the nonfederal share of the DSH program has only been funded by Clark and Washoe Counties. This brings all of the counties to the table in supporting the program. The 1 cent will be deposited directly into B/A 101-3157. That generates approximately \$8 million per year and would offset what we need Clark and Washoe Counties to provide in the way of intergovernmental transfers (IGT) to run the DSH program.

Senator Kieckhefer:

Currently we are receiving IGT money from Clark and Washoe counties to fund the DSH program and we anticipate there will be reductions in those contributions. Will the 1 cent supplemental, that will generate approximately \$16 million over the biennium, offset those reductions?

Mr. Willden:

Yes.

Senator Kieckhefer:

How many hospitals, outside of Clark and Washoe Counties, receive DSH payments? Do most hospitals receive DSH payments of some kind?

Mr. Willden:

Yes, most hospitals receive DSH payments.

Senator Kieckhefer:

Is there a way to keep the DSH solvent while more adequately allowing some share in the IGT?

Mr. Willden:

Yes. There has been much angst over the last 2 years, particularly from Clark County, about them funding most of the nonfederal share of the DSH program. As we have gone through the negotiations over the last year, Clark County has clearly indicated they believe the other counties should be contributing to the fund. This mechanism accomplishes that and keeps the Medicaid Voluntary Contribution and Provider Tax Amendment of 1991 net State benefit whole so we do not have to compensate with General Fund dollars.

Senator Kieckhefer:

Has Clark County finalized their agreement with the State over the percentage share?

Mr. Willden:

The agreement is not finalized, but we sent a letter along with the draft contract to Clark County a week or 10 days ago. As I understand it, the Clark County Commission voted on Tuesday of this week to support of our recommendations that the Upper Payment Limit program (UPL) will be funded at a 50 percent contribution rate in both FY 2013-2014 and FY 2014-2015, contingent upon the approval of the 1 cent supplemental to offset their ongoing obligations to the DSH program. It has been communicated to me that they are supportive, conceptually, although they still need to sign the contract. I have been assured that they will.

Senator Kieckhefer:

Is that 50 percent split consistent with how we close the budget?

Mr. Willden:

Yes. At the top of page 4, section 7, subsection 4 of [Exhibit M](#), is new language to achieve the maximum flexibility going forward given the conditions of acquiring federal match wherever we can and as a result of the changing climate in the Affordable Care Act (ACA) where more and more people will be Medicaid eligible or will receive insurance through the Silver State Health Insurance Exchange or marketplace. The dynamics of financing indigent health care are going to change rapidly over the next 2 years. We will know more about that in about 1 year as things develop.

Subsection 4 addresses a money or revenue stream that is spelled out in NRS 439B.340. This is the revenue stream that we refer to as the “free care obligation” that hospitals are currently required to pay. Pursuant to NRS 439B, each hospital’s net revenues are assessed on a retrospective basis and then they are assigned an amount of free care obligation or indigent care that they must provide each year. If they provide that level of free care, they become eligible to bill the counties for the free care they provide in excess to their obligation threshold. If they do not provide that amount of free care, they are required to write a check to the State which is then forwarded to the county and used to finance free care obligations for those hospitals that overprovided versus the ones that underprovided.

That revenue stream will change in the future. In an agreement with the group, the hospitals that do not meet their free care obligations will still write the checks going forward. Those checks now are written in the amount of about \$1.5 million collectively per year and that could grow to as much as \$12 million or \$13 million per year in the future. This is because if more and more people are on Medicaid, or have insurance, the hospitals will have a more difficult time meeting their free care obligation and, therefore, will need to write larger checks under this statute. The hospitals will still write their free care checks which will still go to the counties. As a result of this new agreement, whatever money is received under this revenue stream — let us say it is \$1.5 million per year going forward — the counties will, in turn, write us a check for the same amount of money that they receive from the hospitals. Therefore, if Clark County receives \$1 million from checks written by hospitals for their free care obligation, Clark County will, in turn, write a check to the State for \$1 million. Then we will bring that revenue stream into B/A 628-3244 and we will use it to get federal match funds and make additional Medicaid payments to hospitals. Those are the two changes in section 7.

In section 8 on page 5 of the amendment, we need to change the language on lines 35, 36, and 37 regarding the free obligation revenue stream which states money collected must be paid to the county in which the hospital paying the assessment is located. Current language specifically states money collected in Clark County has to remain in Clark County and money collected in Washoe County has to remain in Washoe County. We need to strike the specificity there and allow some generic language that states that money collected can be used on a statewide basis. We cannot limit it to each county.

Section 9 contains a request to change the effective date of the legislation. Some of you may recall that last session there was a difference of opinion between some of the local district attorneys and LCB Legal Division Staff as to when the law could be implemented. We would prefer to have the language read "upon passage" to avoid arguments.

I think it is important to see how the flow of the funds would work. If you refer to [Exhibit N](#), at the top of the page, there are three revenue streams. On the left-hand side, under the "NRS 428.185" bubble is the 1.5 cents property tax that currently comes into the IAF. That will generate roughly \$12 million going forward.

On the far right-hand side of the chart is the "NRS 428.285" bubble which is the Indigent Supplemental Account. This is the 1 cent fee that generates about \$8 million into the fund.

In the upper middle of the chart is the new revenue stream that I just spoke about regarding NRS 439B.340 payments. Those would be the three revenue sources going forward into B/A 628-3244 that will generate approximately \$21 million per year. As indigent services decline, because of the ACA, it may grow to about \$30 million to \$33 million per year.

The left-hand side of the chart, under "NACO," shows payment to NACO of about \$60,000 per year to manage indigent accident claims. The bubble to the right is the 1 cent that we will be hardwiring into B/A 101-3157. That will offset Clark and Washoe Counties' obligations in the DSH program, which collectively saves Clark and Washoe Counties \$8 million that they will no longer be required to pay.

We intend to use the balance of the funds to make additional payments to hospitals whether those are rate enhancements, or supplemental payments, which is what we prefer. We would use the balance of the money in the fund to match federal dollars essentially tripling the dollars and making enhanced rate payments to hospitals or supplemental payments to hospitals.

There may be some ongoing residual claims from highway accidents and catastrophic claims that have been historically paid out of this fund. Once you have used the funds the way we propose, a new revenue stream to pay the traditional indigent accident supplemental catastrophic accounts will be

generated through the creation of the Hospital Assessment Account, which is described in section 3 of the amendment. Minus the critical access hospitals, the hospitals that benefit from these rate enhancement or supplemental payments made by Medicaid will be assessed dollars based on a formula that the Board of Trustees will create. That money will come back into this Hospital Assessment Account to pay the indigent claims.

The bubble chart titled "Board of Trustees" indicates language in the bill allows the Board of Trustees to decide to use funds in this account to offset the county match program. This relates to S.B. 3 and the ongoing discussions we have had with the counties over the years as to how we fund the county match program, which is our long-term care nursing home program. In FY 2013-2014 and FY 2014-2015, the counties are scheduled to contribute approximately \$30 million per year of their dollars to support the county match program. We match that \$30 million with approximately \$50 million in federal money to pay out long-term care claims. The counties have asked that we have flexibility in the bill so that if funds are not needed for the other purposes in this bill, B/A 628-3244 funds may be used to offset their obligations in the county.

I want it on the record that:

the intent of the working group is to get the flexibility in the bill at this time, however, we do not believe the Board of Trustees will need to pull the trigger on this over the next biennium should you pass S.B. 3 and give the rural counties the relief they need. That intent would be spelled out in our Memorandum of Understanding between the counties, the State and the hospitals.

We talked extensively about adding more specificity to the bill, but it bogs us all down and we are trying to stay flexible, generic and maximize federal dollars. We have an agreement which will work and will bring in much needed additional federal dollars.

Chair Smith:

We have been consumed with these complex solutions over the last few days. We appreciate all the hard work that has gone into getting this resolved.

Senator Kieckhefer:

On the top line in the middle of [Exhibit N](#), in the "Unmet Free Care Obligations" bubble, there are some hospitals that will have to pay because they do not provide enough free care. There are hospitals that will be getting checks now because they provided free care beyond their statutory obligations. What is the dynamic in that cost shift? Who is winning and who is losing?

Mr. Willden:

In FY 2011-2012, Centennial Hills, Desert Springs Hospital, Southern Hills Hospital, Spring Valley Hospital, and Summerlin Hospital wrote checks, because they did not provide enough free care. None of the hospitals in Washoe County wrote checks in FY 2011-2012.

Senator Kieckhefer:

They wrote checks and those funds were distributed to other hospitals that provided excess free care. Is that correct?

Mr. Willden:

Correct, those funds would be given to Clark County. As other hospitals that served more than their indigent load are allowed to bill Clark County Social Services for the free care that they provided to indigents, then Clark County Social Services pays them based on Medicaid rates. The shift here is to try to get the dollars into the system globally and acquire the federal match which will benefit all hospitals by the additional supplemental payments that we will make out of the Medicaid program.

Senator Kieckhefer:

I would phrase it the other way. The losers in my scenario would be the hospitals that would not be receiving the checks based on their excess free care.

Mr. Willden:

They would be winners by receiving the enhanced Medicaid reimbursements.

Senator Goicoechea:

What can we anticipate in the Hospital Assessment Account, if and when this comes to fruition?

Mr. Willden:

The general discussion in the work group is to create in the Hospital Assessment Account a pool of \$8 million to \$9 million to pay the indigent accident supplemental claims. We are going to collectively work together as a group between the NACO Board of Trustees, the State and the hospitals. I cannot say enough good things about the working group. We have spent many hours trying to figure out how to make this work. We will need to look at the financing of indigent health care very differently over the next 2 years. The focus is changing and we will need to see what kinds of claims are coming in to see what the volume of those claims looks like. We will make adjustments based on that scenario going forward.

Senator Goicoechea:

Are you going to hold it in abeyance until we get this fund created?

Mr. Willden:

Yes.

Senator Kieckhefer:

Regarding the "Use of Funds" bubble in the middle of [Exhibit N](#), in what order are these decisions made? It appears that it is up to the Board to determine the ultimate distribution purposes. Will \$60,000 per year automatically go to NACO, as well as the 1 cent from the Indigent Supplemental Account? Ultimately, will the remaining funds be moved into the Medicaid program or will it be used to provide the county relief under the 8 cent cap, which is a Board decision?

Mr. Willden:

That is correct. The first priority is to pay the \$60,000 NACO administrative fee. Any funds not hardwired into the DSH program would be used to make supplemental payments to hospitals. If you look at the middle of the bubble chart where it indicates we will create \$21 million, and you subtract roughly \$8 million that is hardwired into the DSH program, the remainder of \$13 million that would run down through the right side of the bubble chart. We would match that \$13 million with approximately \$21 million in federal funds, resulting in \$34 million or \$35 million worth of supplemental hospital payments. Those hospitals that received the supplemental payments, minus the critical access hospitals, would be assessed money to come back into the fund. The traditional Indigent Supplemental Account funds are around \$8 million or \$9 million. The last trigger to be pulled would be the county match trigger. We have agreed that

this will not happen for a couple of years, but we want the flexibility down the road as we see where these dollars are necessary.

Senator Kieckhefer:

When you said earlier that you would not expect to pull the trigger on this during the biennium, were you referring to the county match portion?

Mr. Willden:

Yes, only the county match. We want to pull the trigger on everything else.

Senator Kieckhefer:

The county match piece under S.B. 3 is something that would need to be carved out before any money actually gets transferred through the Medicaid program. This is because you could not run it through the Medicaid program to get the enhanced match and then use some of those funds to offset the county obligations under the county match program, correct? Would it have to be carved off to the side if they do decide to pull the trigger, before you shift the \$21 million, or whatever it is that year, into the Medicaid program?

Mr. Willden:

That is a detail we have to work out with the Board. The intent in S.B. 3 is once the counties have fully assessed an 8 cent tax, they can then access the pool of money we created in closing the budget. There is a pool of approximately \$1.3 million. Once the three rural counties who qualify have fully hit the 8 cent taxing limit, they could access the \$1.3 million pool. If, in the future, we are going to use some of the property tax revenue stream to offset the county match program, then the triggers are more vague. That will be a detail that we need to work out and clarify in the 2015 Legislative Session.

Senator Kieckhefer:

I just want to make sure we are protecting the right side of the chart in [Exhibit N](#).

Mr. Willden:

Absolutely. The working group's intent is to protect the right side of the chart.

Mr. Krmpotic:

If the Committee wishes to approve the amendment and the changes indicated by Mr. Willden, Fiscal Staff would immediately have the LCB Legal Staff incorporate the changes in the amendment and, if the Committee wished to see the amendment again, we can do that.

Chair Smith:

We also have an amendment from Clark County.

George W. Stevens (Chief Financial Officer, Clark County Board of Commissioners):

I would like to respond to the Senator's questions regarding the Commission's actions relative to the UPL payment and the provision in this bill to use the supplemental funding. The Board discussed it on Tuesday and unanimously approved the proposal that was put before them. We will go forward now with the actual agreements which put that in place.

Our proposal ([Exhibit O](#)) fits with what Mr. Willden has been talking about with regard to how the ACA changes the landscape dramatically in terms of how county indigents receive their medical treatment as part of the Medicaid program. Currently, Clark County provides medical services to qualified indigents with the funding derived from the medical assistance property tax rate pursuant to NRS 428.295. The vast majority of those indigents receive their treatment at the University Medical Center (UMC). However, with the implementation of the Medicaid expansion most, if not all, of these individuals will be transitioning to Medicaid coverage. Current Medicaid rates only pay about 48 percent of the costs of services at UMC. This is less than the direct costs of those services which comprise about two-thirds of the actual cost structure of the hospital. We then make up the balance of that with supplemental DSH and UPL payments. The funding for that comes from Clark County and the federal government.

As the county indigents transition over, Clark County will need to transfer increasing amounts of money to the State to support the UPL program. In part, the intent of this amendment is to clarify that the county indigent tax rate can be used to fund a portion of the required State match for the federal programs. That will ensure that we will continue to have funding available to keep expanding the UPL program and to help to expand the State Medicaid program.

We also have a provision in this amendment that will address a critical problem at UMC. Because many reimbursement rates do not cover the costs of services, funding is built into those rates to provide for replacement of capital equipment. For example, the original costs of UMC's equipment on the books is \$98.5 million. However, as of June 30, 2012, \$84.1 million, or 85 percent of this equipment, was fully depreciated and more than \$11 million of this equipment is considered obsolete. We have no way to replace equipment. There is little money in the county budget for capital as is the case in most governmental entities across the State. Our thought here was that as these county indigent patients transition to Medicaid, there may be an opportunity to free up some of this indigent rate and set that amount at more than 2 cents of the total rate so that the county commissioners can make grants to the hospital to buy equipment. We would like your favorable consideration of this amendment. We think it will help, along with the other provisions of S.B. 452, to transition to the new expanded State Medicaid program.

Chair Smith:

This is the first that I have seen of this. We have been talking about this all Session and I have not had a conversation with anyone about this idea.

Senator Kieckhefer:

I am confused. The tax levied pursuant to NRS 428.285 is the 1 cent supplemental that I thought you just said your Board unanimously agreed to put into this new pool of IAF to go through Medicaid to enhance reimbursement rates to the hospitals. If we are pulling that out, it undermines the entire purpose of the bill, in terms of how I would see it.

Mr. Stevens:

The tax rate that is levied pursuant to that statute is actually a 10 cent tax levy. One cent of that is then transferred to the supplemental fund. The balance of the 9 cents is maintained by the County in a separate fund and is used for the indigent care that is provided to county indigents.

Senator Kieckhefer:

Are you talking about the remainder of your 9 cent rate for indigent care being used for capital needs?

Mr. Stevens:

A portion of it would be used for capital needs and then the balance would be used to be able to make our IGAs to the State.

Mr. Willden:

As Mr. Stevens indicated, the global indigent financing comes from the three mechanisms on the bubble chart in [Exhibit N](#). Under NRS 428.185, which is the left-hand side of the chart, counties can be required to send us the 1.5 cents. On the right-hand side of the chart, counties can assess 6 cents to 10 cents for indigent services. If they are at the maximum 10 cents, they are required to send us the 1 cent supplemental. Therefore, there is 9 cents left that the hospitals use to provide indigent services. A portion of that 9 cents gets sent into Medicaid to support the county match program. In rural counties they send their full 8 cents, while in urban counties they may send 3 cents, 4 cents or 5 cents. For example, Clark County has 9 cents left after they send in their 1 cent supplemental. Let us assume they are only sending 4 or 5 cents to support the county match program. They use the difference through their county social services program to provide indigent health care, since those indigents will not be a county obligation because they are going to move over to Medicaid. That tax rate will no longer be used to support county indigent services. They are proposing the authority to invest 2 cents of the remaining money into capital improvements in the hospital.

Senator Kieckhefer:

Is the 2 cents you are referring to just an example and not necessarily the precise amount?

Mr. Willden:

They are indicating in this amendment that they would never exceed 2 cents, so it is up to 2 cents.

Senator Kieckhefer:

We have made many assumptions about Medicaid rates based on the ACA and I am both worried and skeptical that those rates will come to fruition. For people who do not sign up for insurance, one way or another, whose obligation are they at that point? Are they still the county's obligation?

Mr. Willden:

I will guarantee that indigents with health care needs going to a county social service agency or to a hospital will be moved into Medicaid to get their bills paid. If the income of the county's employees, social services workers, and hospital employee social services workers is under 138 percent of the federal poverty level, they will be integrated into Medicaid. The unknown pool are individuals who have income under 138 percent of the poverty level and who have not presented themselves with a health care need. How does outreach locate those individuals?

Chair Smith:

Mr. Stevens, regarding your amendment in section 1 where "medical" is removed and it states "allocate money for assistance," is that new language or is that in Mr. Willden's amendment as well?

Mr. Stevens:

I am going to ask my colleagues from Washoe County to address that, since we put that in at their request.

Ken Retterath (Division Director, Washoe County Department of Social Services):

Taking "medical" out of that section allows us to make the rest of the bill consistent. Currently, we use these for programs such as boarding homes. For example, when someone comes out of the hospital with a bone infection, we place them in a boarding home to help them get better so they do not end up back in the hospital. Currently, we list it as a medical prevention program. By taking "medical" out, it still makes us responsible to the statutes. These funds are still going to be used pursuant to NRS 428.

Chair Smith:

Mr. Willden, do you have an opinion on that particular item?

Mr. Willden:

I do not have an opinion. From looking at county financial reports that are submitted to me, I would say the things listed are never specifically for medical treatments. It is room and board types of things that I have seen in their annual reports.

Chair Smith:

Can someone explain the intent of section 4?

Mr. Stevens:

The change in section 4 will allow both Clark and Washoe Counties to use any available indigent dollars, after they have paid all their eligible indigent claims, to make their IGTs pursuant to the DSH program.

Chair Smith:

Why was that language not included in the main amendment or agreement? It appears this other amendment is related to the capital construction issue.

Mr. Willden:

The agreement between the Office of the Governor, my office and Clark County was that we were attempting to make the Medicaid budget whole by hardwiring the 1 cent supplement. We did not go beyond the other potential uses of this 6 cent to 10 cent cap rate. The counties are indicating that as the ACA evolves, a portion of that tax rate may not be needed to pay for the things that are the current priorities, such as the 1 cent supplemental and the county match program. If they do not have other indigent services to pay for, they are asking for the flexibility to be able to use the balance of the tax rate to offset their IGT obligations to support either the DSH or the UPL program that they currently must fund out of their General Fund appropriations.

Chair Smith:

Are the funds in section 3 still considered to be used for indigent care? This is clearly a shift to move from that to capital costs.

Mr. Willden:

Historically, they have not been used for capital funds. The amendment states that up to 2 cents could be used for capital improvements.

Mr. Stevens:

You are correct. We are taking tax money that was used to pay claims to UMC to provide for the indigent care and shifting it to help improve the physical plant for the purpose of providing indigent care. If you do not have the clinical equipment to treat the patients, it is difficult to provide the proper care that they need.

Senator Kieckhefer:

The physical facility of UMC which, if I am correct, is really the only hospital that will qualify for this, is a critical component of providing indigent care in Clark County. The excess rate out of the 10 cent rate, after paying the 1.5 cents and 1 cent, would then be available to use for the IGT instead of General Fund dollars. This would free up county general fund dollars because I assume you currently use General Fund money for the IGT. You would now be able to use this dedicated rate to fund the IGT and that would be available to you, Clark and Washoe Counties. Additionally, in Clark County, at the discretion of the county commissioners, some of this rate could be used to pay for the capital facility at UMC. Is that correct?

Mr. Stevens:

That is correct.

Chair Smith:

I am going to defer this until tomorrow in order to ensure that we have all the answers rather than making a hasty decision. I am frustrated because we have worked on this all Session and we are down to the last bit of getting this issue resolved and decide that we are going to use indigent care funds to fund capital improvements. This is a big policy decision in my mind. Thank you for your work and for being here.

Let us move on to S.B. 484.

SENATE BILL 484: Makes an appropriation to the Mental Health Information System Account of the Division of Mental Health and Developmental Services of the Department of Health and Human Services for new software to implement the Department's technology policies. (BDR S-1181)

Mr. Krmpotic:

This is a one-shot appropriation of \$204,000 to the Mental Health Information System account, B/A 101-3164, of the DHHS Division of Mental Health and Developmental Services (MHDS). I believe the bill was heard on April 19. It would provide for new software to implement the Department's technology policies. In reviewing the backup information to this one-shot appropriation, it was indicated to us that \$78,000 of the one shot includes client management software that was consistent with what the Enterprise Information Technology

Division (EITS) presented to the IFC in April. In other words, there was an overlap between what EITS requested and what the MHDS was requesting in their budget. We have received some mixed information regarding the need for the MHDS to build in some EITS assessments if the \$78,000 is removed from the appropriation. There is some uncertainty with respect to which EITS services would be provided and at what cost, if any, that would be provided. At this point, Fiscal Staff would recommend that the \$204,000 be reduced by \$78,000. However, Fiscal Staff is going to continue to work with EITS and the Agency to ascertain if anything else would be needed to facilitate the interface with EITS. If there is some other sum that needs to be added, it could be added in the Assembly Committee on Ways and Means if the bill has moved on.

BEHAVIORAL HEALTH

HHS-DPBH - Mental Health Information System — Budget Page
DHHS-BEHAVIORAL HLTH-42 (Volume II)
Budget Account 101-3164

SENATOR KIECKHEFER MOVED TO AMEND AND DO PASS AS
AMENDED S.B. 484.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

* * * * *

Chair Smith:

We will now hear S.B. 485.

SENATE BILL 485: Appropriates to and authorizes the expenditure of money by the Division of Welfare and Supportive Services of the Department of Health and Human Services for the integration of eligibility rules for the Temporary Assistance for Needy Families program and the Supplemental Nutrition Assistance Program into the eligibility system. (BDR S-1180)

Mr. Krmpotic:

We are trying to obtain additional information and verification of the costs in the federal matching share for S.B. 485 for the Welfare Technology System.

Fiscal Staff would request this be withdrawn and brought before the Committee at another date.

Chair Smith:

We will move S.B. 485 to another agenda and we will now hear S.B. 165.

SENATE BILL 165 (1st Reprint): Provides for transferable tax credits to attract film and other productions to Nevada. (BDR 32-781)

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

I have submitted a handout titled "Proposed Amendment 9215 to Senate Bill 165," ([Exhibit P](#)) and my narrative ([Exhibit Q](#)).

This amendment is a culmination of discussions between several different entities including the Governor's Office. I am happy to present to you some of the amendments I think will make this more palatable for those who were otherwise concerned about the bill.

Proposed Amendment No. 9215 proposes on page 7, line 38 and page 8, lines 1 and 2, to amend the first reprint of S.B. 165 to transform the transferable Tax credit program into a pilot project for the issuance of transferable tax credits to attract film and other productions to Nevada. The proposed changes include restricting the pilot project to 4 years by limiting the period during which a producer of a qualified production may apply for a certificate of eligibility for transferable tax credits on or before January 1, 2018 and providing that the transferable tax credits cannot be issued after January 1, 2019.

On page 3, lines 13 and 14, the live entertainment tax provision was removed as a tax to which transferable tax credits may be used. The additional auditing requirements that provided for audits by the Department of Taxation, or the State Gaming Control Board, were also removed because they are no longer necessary. Under section 8, subsection 3, paragraph (e) of the first reprint of the bill, an audit is required of the production to be performed by an independent certified public account to ensure compliance with the requirements of the bill have been met before the certificate of eligibility for transferable tax credits is issued. This can be found on page 3, lines 30 and 31, page 8, lines 20 through 45 and page 9, lines 1 through 20.

On page 7, lines 41 and 42, we also reduced the amount of the transferable tax credits that may be issued from \$35 million to \$20 million per fiscal year. That is a reduction of \$50 million from the first bill which I presented. We have gone from \$50 million to \$20 million for purposes of this particular bill. Additionally, on page 8, line 21, we reduced the maximum amount of compensation that is allowed as a credit for a person providing labor services on a production from \$1 million to \$750,000.

We also enhanced the pilot project by including authority for cities and counties to grant abatements of local permitting and licensing fees to a producer of a qualified production for which a certificate of eligibility for transferable tax credits has been obtained. This has been approved by the Office of Economic Development as part of the pilot project in requiring annual reporting for the Governor and the Legislature regarding the project. It also adds a provision that the bill will expire by limitation on July 1, 2023. That date was selected so that we can ensure that the enforcement provisions for the program remain in effect until all of the transferable tax credits have been used or expired.

These changes are an effort to assuage any concerns that any interested parties have had. We have come to a place where, hopefully, we can count on the support of the Committee to approve this.

Senator Denis:

We are trying to create enough of an incentive that the film industry will want to come here. We have been told that they really just need an excuse to come because we have a great infrastructure and all the different things available here. I think what you have put together is a good start and, hopefully, we will see some great economic benefit from all of this. We want to create an industry. We want them to come and build things and stay and continue. I think this is a good opportunity to have that start.

Senator Ford:

I know this is not the policy committee, but I want to reiterate the economic development component of this. It is about creating jobs and a new industry. The most recent example is the movie *Iron Man 3*. North Carolina has a comparable plan where they give an incentive of \$20 million. They were able to get *Iron Man 3* to film there and generate \$180 million worth of spending in North Carolina, creating 2,000 jobs over 83 different communities and using nearly 800 different vendors. It is a great opportunity to put people to work. As

you have indicated, Hollywood needs an excuse, as opposed to a reason, to come here.

Chair Smith:

You may recall our discussion regarding business licenses.

Senator Ford:

Yes, we will need to amend this to require business license fees to be paid by the production companies.

Chair Smith:

For the Committee's edification, I noticed online when applying for a business license the other night that motion picture companies are exempt from purchasing a business license. It was my suggestion that if we are going to give them an incentive to come here, they should purchase a business license. I think it is an important feature to include.

Senator Denis:

I just want to make sure that if they are required to get the business license they are eligible for a business license until they set up something permanent here. I believe we are talking about the State business license. What about the local businesses and things like that?

Chair Smith:

I am not sure what you are asking.

Senator Denis:

If the production companies are coming in to film and they are coming in for a limited period of time, do they have the ability to qualify for the license? I just do not want this to be held up because they cannot apply and get a license because they do not have a permanent location.

Senator Ford:

I do not know the answer to that.

Chair Smith:

I will get an answer to that today. We have passed another bill out of this body requiring anyone who does business with the State to have a business license. I feel strongly that individuals who are receiving incentives should be required to

obtain a business license, but we want to make sure that it flows well. Problems regarding the ability to do business are things that we hear about all the time from businesses.

Cadence Matijevich (City of Reno):

I might be able to help expedite this. If that exemption is removed, local governments would be able to process a business license of these companies throughout the ordinance. It does not matter if they have a permanent address in the State. If they are going to conduct business, their permanent address can be out of state or outside of the City and they can still obtain a business license.

Senator Denis:

I do not know what the process is. I would hope that if they are coming in to do something, there will not be a delayed process. That would be a disincentive if it will take them a long time to acquire these business licenses. I just want to make sure that this is not going to happen.

Ms. Matijevich:

I do not believe that in our licensing process we would consider them a general business. It would not be a privileged license that would require background checks or anything of that nature. We can generally process a business license within 1 or 2 days. They would be required to obtain their State business registration first. State law requires that they would first register with the Office of the Secretary of State. From that point, we would be able to process their business license application.

Yolanda King (Clark County):

I want to echo the comments made by Ms. Matijevich. Our process is the same and I do not foresee that there would be any issues or delays related to the permitting.

Chair Smith:

Based on the conversation regarding your amendment allowing for the cities and counties to abate permitting and licensing fees, we are not just talking about them obtaining a business license. They may require traffic control and health inspections or other types of things. Is it a much bigger issue than just the business license?

Ms. Matijevich:

Yes. This is a good way for us to participate, knowing that it is directly tied to the benefit we are going to receive in our own local jurisdiction. In the City of Reno, we do not charge a fee for film permits in trying to incentivize that and have adopted an incentivized fee structure for our city services should, for example, the use of police be required. For many years we have had, by ordinance, a reduced fee rate to help support this and we see this as being complementary legislation to some of the policies that we have already at the local level.

Chair Smith:

Let us talk about the fiscal note.

Mr. Krmpotic:

The Department of Taxation submitted a fiscal note on this bill, totaling \$45,576 in the first year of the biennium and \$55,599 in the second year, to cover personnel and related costs to implement the bill. The primary reason behind the fiscal note is the Department of Taxation has determined that a tax examiner position would be required to assist in tracking the tax credits. This position would begin October 1.

Other fiscal notes were submitted, but I do not believe they had any fiscal impact. The Office of the Governor submitted a zero fiscal note. Local governments also showed no fiscal impact.

Chair Smith:

I would like to get this bill moving over to the Assembly. Enough work has been put into it by numerous individuals to resolve and clarify the technical issues, as well as the significant policy issues.

Senator Kieckhefer:

I am voting in the affirmative and reserve the right to change my vote on the Senate Floor as we go forward, which may be tomorrow. For now, I would like to make sure the bill keeps going.

Chair Smith:

You certainly always have your right to change your vote. Please let me know before the floor vote.

Senator Roberson:

I am a cosponsor of the bill. I voted for the bill in the Senate Committee on Revenue and Economic Development. There have been changes and I am still working with Senator Ford on those changes and making sure I am comfortable. I will vote today to move it out of Committee. Based on further conversations with Senator Ford, I also reserve my right to change my vote on the floor.

Chair Smith:

I would ask you to do the same, especially as quickly as we are moving.

Senator Goicoechea:

I am going to go along the same lines. It is better for me, but it is still a significant investment and I look forward to talking with Senator Ford. I also will be supporting the measure here today and will notify Chair Smith and Senator Ford if something changes.

Chair Smith:

We have considered this item before, although I do not recall this level of effort being put into making it happen. We are at the point where we need to make a decision about whether we want to be in this industry, or not try to have some economic development around the film industry. We see what is happening in other states. We see the companies who are leaving California and looking to film in other places. This is clearly a pilot program that can be repealed if it demonstrates it does not work. We have heard a considerable amount of information lately about all of the opportunity we have in this State. I am excited about it and I look forward to seeing what it brings to the State. With that, I will be supporting this bill as well.

SENATOR DENIS MOVED TO AMEND AND DO PASS AS AMENDED
A.B. 165 WITH PROPOSED AMENDMENT NO. 9215, ADDING THE
BUSINESS LICENSE LANGUAGE.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

With no further comments, I will adjourn the meeting at 11:20 a.m.

RESPECTFULLY SUBMITTED:

Annette Teixeira
Committee Secretary

APPROVED BY:

Senator Debbie Smith, Chair

DATE: _____

<u>EXHIBITS</u>				
Bill	Exhibit		Witness / Agency	Description
	A	2		Agenda
	B	6		Attendance Roster
A.B. 130	C	7	Assemblyman Crescent Hardy	Written Testimony
A.B. 130	D	3	Ronald P. Dreher	Written Statement
A.B. 130	E	2	Sergeant Leonard Cardinale	Position Letter
S.B. 320	F	14	Senator Joseph P. Hardy	Proposed Amendment 8766
S.B. 320	G	1	Senator Joseph P. Hardy	Proposed Conceptual Amendment
S.B. 374	H	1	Senator Tick Segerblom	Conceptual Amendment S.B. 374 (R1)
S.B. 407	I	4	Senator Debbie Smith	Proposed Amendment 9127
S.B. 407	J	1	Craig Hulse	Amendment for S.B. 407 Submitted by Students First
S.B. 3	K	3	Jeff Fontaine	Proposed Amendments
S.B. 481	L	3	Legislative Counsel Bureau Legal Division	Proposed Amendment 9136
S.B. 452	M	6	Legislative Counsel Bureau Legal Division	Proposed Amendment 9176
S.B. 452	N	1	Michael J. Willden	Proposed Scenario Indigent Accident Fund (IAF)
S.B. 452	O	2	George W. Stevens	Clark County 2013 Legislative Session Proposed Amendment May 23, 2013
S.B. 165	P	11	Senator Aaron D. Ford	Proposed Amendment 9215
S.B. 165	Q	1	Senator Aaron D. Ford	Narrative