

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-Seventh Session
May 28, 2013**

The Senate Committee on Finance was called to order by Chair Debbie Smith at 8:30 a.m. on Tuesday, May 28, 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 Barbara K. Cegavske, Senatorial District No. 8

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Laura Freed, Senior Program Analyst
Catherine Crocket, Program Analyst
Sheri Fletcher, Committee Secretary

OTHERS PRESENT:

Alan R. Coyner, Administrator, Division of Minerals
Julie Butler, Records Bureau Chief, Records and Technology Division,
Department of Public Safety
Martin Bibb, Retired Public Employees of Nevada

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Erin McMullen, Las Vegas Metropolitan Chamber of Commerce
Mendy Elliott, Northern Nevada Development Authority
Constance Brooks, Director of Government Relations, Nevada System of Higher Education
Luis Valera, J.D., Vice President, Government Affairs and Diversity Initiatives, University of Nevada, Las Vegas
Fred Lokken, M.A., Associate Dean, Truckee Meadows Community College
Patricia Anne Charlton, Senior Vice President, College of Southern Nevada
Carol Lucey, Ph.D., President, Western Nevada College

Chair Smith:

Senate Bill (S.B.) 370, S.B. 182 and S.B. 261 have been removed from the agenda. Proposed Amendment 9004 to S.B. 182, First Reprint, is attached as ([Exhibit C](#)); Proposed Amendment 9199 to S.B. 261, First Reprint, is attached as ([Exhibit D](#)); and Proposed Amendment 8979 to S.B. 261, First Reprint, is attached as ([Exhibit E](#)).

SENATE BILL 370: Makes various changes regarding administrative regulations.
(BDR 18-194)

SENATE BILL 182 (1st Reprint): Expands full-day kindergarten in public schools.
(BDR 34-138)

SENATE BILL 261 (1st Reprint): Revises provisions relating to door-to-door solicitation. (BDR 52-829)

We will begin the Work Session with S.B. 308.

SENATE BILL 308: Revises provisions governing certain tax exemptions for veterans. (BDR 32-644)

Mark Krmpotic (Senate Fiscal Analyst):

Senate Bill 308 revises provisions governing property tax exemptions for veterans and was heard in Committee on May 20. The bill amends *Nevada Revised Statutes* (NRS) 361.090 which provides property tax exemptions up to \$2,000 of assessed valuation for a bona fide resident of Nevada who has served a minimum of 90 continuous days on active duty during certain specified periods and who meets other conditions on or after January 1, 2001. The bill also amends NRS 371.103 which provides an exemption from governmental

services tax up to \$2,000 under the same criteria as the property tax exemption. The Department of Taxation submitted a fiscal note indicating a loss of property tax revenue generated for first quarter projects, general obligation bond issuances and the Distributive School Account totaling in aggregate approximately \$121,000 in fiscal year (FY) 2013-2014 and approximately \$133,000 in FY 2014-2015.

The Department of Taxation indicated in their fiscal note that section 1 of S.B. 308 expands the group of veterans who are eligible to qualify for property tax exemptions. However, Fiscal Analysis Division Staff received a copy of an email from Caleb S. Cage through Senator Patricia Spearman, that indicates this bill does not expand the group of veterans served, or who are serving, in the Iraq and Afghanistan wars who are eligible to qualify for exemptions currently because a medal has not been authorized for those wars by the federal government. Mr. Cage points out that the bill leaves a period of time open-ended, meaning that if future wars develop or additional conflicts develop that additional veterans could qualify for the exemption. Given the fact that veterans serving in these two wars are currently eligible for their exemptions, it would appear that would minimize, if not eliminate, the fiscal impact for the next biennium.

It was mentioned in testimony by Senator Spearman that veterans were being turned away by the Department of Motor Vehicles when applying for these exemptions. From Fiscal Staff's perspective, the fiscal note is very uncertain given the additional information that has been provided. Senator Spearman has submitted a proposed conceptual amendment to S.B. 308, ([Exhibit F](#)) which is available on the Nevada Electronic Legislative Information System. This would strike the language in section 1 of the bill "on or after January 1, 2001," and adds language in section 1, subsection 1, paragraph C, which states "including without limitation such a campaign or expedition which began on or after September 11, 2011." The amendment appears to better define those veterans who would be eligible for this exemption. I am not sure if the amendment will impact the fiscal portion of the bill.

Chair Smith:

I just received a forwarded email from Chris Nielsen, Executive Director of the Department of Taxation, which states that, based on their understanding of the bill, they no longer see a fiscal impact.

Senator Parks:

Over the last 25 years, we have repeatedly seen changes to this section of NRS 361.090.

There has been more of a change in recent years with the mobilization of both the National Guard and the U.S. Army Reserve that has put a slightly different face on this. I have reviewed it and I support this amendment.

SENATOR PARKS MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 308 WITH THE PROPOSED CONCEPTUAL AMENDMENT
DESCRIBED IN [EXHIBIT F](#).

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

The next bill is S.B. 328.

[SENATE BILL 328 \(1st Reprint\)](#): Makes various changes relating to education.
(BDR 34-937)

Mr. Krmpotic:

This bill as amended revises the manner in which the federal and state funding for career and technical education may be allocated by the State Board of Education's State Board for Career and Technical Education and the purposes for which the money may be expended.

One fiscal note was submitted by the Department of Education (NDE) for approximately \$1.1 million in General Fund appropriations per year. At the May 21 hearing on this bill, Senator James Settelmeyer and the NDE indicated they had agreed on amendatory language which would remove the Department's fiscal note. That amendatory language is found in Proposed Amendment 9155 to S.B. 328 ([Exhibit G](#)). The Proposed Amendment was prepared for Senator Settelmeyer on May 21. Section 2 of the bill requires the executive officer of the Board to appoint a person to oversee programs of career and technical education. Section 3 provides that no more than

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7.5 percent of any State money appropriated shall be used by the Board for leadership and training activities.

Based on the amendment and the removal of the fiscal note, Fiscal Staff has no additional concerns.

Chair Smith:

Do we need anything further from the NDE on this?

Mr. Krmpotic:

No.

SENATOR KIECKHEFER MOVED TO AMEND AND DO PASS AS AMENDED S.B. 328 WITH PROPOSED AMENDMENT NO. 9155 AS DESCRIBED IN [EXHIBIT G](#).

SENATOR GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

We will now discuss S.B. 390 regarding hydraulic fracturing.

SENATE BILL 390 (1st Reprint): Requires the development of a hydraulic fracturing program for the State of Nevada. (BDR 46-929)

Mr. Krmpotic:

This bill was heard in Committee on May 21 and, as amended, requires the State Department of Conservation and Natural Resources, Division of Minerals and the Division of Environmental Protection (DEP) to jointly develop, on or before July 1, 2014, a program concerning hydraulic fracturing to assess the effects of hydraulic fracturing on the waters of Nevada.

The bill requires a person who engages in hydraulic fracturing to disclose each chemical used and provide notice to members of the general public concerning activities relating to hydraulic fracturing in the State.

Two fiscal notes were submitted, one from the Division of Minerals and one from the DEP based on the original version of S.B. 390. At the May 21 hearing, the DEP testified that the fiscal note submitted no longer applied. The Division of Minerals provided the Fiscal Division with a revised fiscal note on May 1 and testified at the May 21 hearing that its revised fiscal note had been reduced from \$940,000 over the biennium to \$190,472. The Division of Minerals is funded federally and through fees. Fiscal Staff considers the projections prepared by the Division of Minerals to be reasonable. This bill would become effective upon passage and approval. Based on the ability of the Division of Minerals to fund this program with federal funds and fees, Fiscal Staff has no additional concerns with S.B. 390.

Senator Kieckhefer:

Does the Division have \$190,000 in its reserves to fund this?

Mr. Krmpotic:

Based on review of their budget, the Governor's proposed budget for the Division of Minerals indicates they would have \$294,000 in reserve at the end of the biennium.

Alan R. Coyner (Administrator, Division of Minerals):

The Division currently has enough in reserve to accomplish this. In addition to the sage grouse program we are anticipating to fund in FY 2014-2015, our reserves will be low, especially with the price of gold dropping, and mining claims going down. However, we have effective ways within the Division to moderate that by cutting back on our contracting work. I am confident we can fund both projects.

Senator Goicoechea:

We need this program and I feel comfortable with this given the assurances from the Division of Minerals as well as the DEP.

SENATOR GOICOECHEA MOVED TO DO PASS AS AMENDED S.B. 390.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

We will now discuss S.B. 406 regarding tourism improvement districts (TID).

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

Mr. Krmpotic:

This bill was heard on May 8 and revises provisions governing tourism improvement districts. Section 1 of the bill prohibits, with limited exceptions, the municipality from pledging proceeds from local school support tax to finance the project within the TID. It also authorizes the municipality to create a TID that includes, within its boundaries, any property that is included in a redevelopment area, but prohibits using the financing or reimbursement mechanisms of both the TID and the redevelopment area for the project. Section 3 of the bill prohibits the financing of, or reimbursement for, a project that includes the relocation of the TID from another location outside the TID, and within 15 miles of the boundaries of the TID, if the relocation occurs within 6 months after the facilities located outside of the boundary of the district are closed.

A fiscal note was submitted by the Department of Taxation to modify its Unified Tax System (UTS). The fiscal note totals \$75,169 in FY 2013-2014. The Department testified that it was removing the fiscal note based on making changes to the UTS only when projects come online. Proposed Amendment 9292 to S.B. 406 ([Exhibit H](#)) is attached.

Chair Smith:

There is another amendment online that actually removes the relocation language. I have tried repeatedly to deal with the relocation language of existing projects. The current language states that an independent bond counsel is required to be involved and there would not be an impairment of the bonds on the existing project. The last thing that I want is to see the Legislature in court on any of these projects or to spend money on legal fees at taxpayer expense. I think this is wrong. I have had no assistance at all from the projects that are existing in trying to resolve this issue.

However, there are more important things in this bill, and there is some cleanup language that we require for the Department of Taxation regarding proprietary information.

It has been brought to my attention, regarding the current Apple, Inc. project in downtown Reno, that if the project is leased and not owned, the laws will not apply to them. I would like to offer a conceptual amendment, to go along with the amendment this morning, that basically states that if the project is leased, rather than owned in the TID, and it is going to have these tax incentives, then all the laws still apply. The problem right now is there are no enforcement mechanisms if they lease rather than buy. It looks as if this may happen on that project.

SENATOR KIECKHEFER MOVED TO AMEND AND DO PASS AS AMENDED S.B. 406 WITH PROPOSED AMENDMENT 9292 AND TO ADD THE CONCEPTUAL AMENDMENT REGARDING LEASING PROPERTIES WITHIN THE TIDS.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

We will now begin discussions on S.B. 487.

SENATE BILL 487: Makes an appropriation to the Office of the State Treasurer for the Governor Guinn Millennium Scholarship Program. (BDR S-1175)

Mr. Krmpotic:

This bill makes an appropriation of \$5 million to the Office of the State Treasurer for the Governor Guinn Millennium Scholarship Program. The bill is effective upon passage and approval which means the appropriation would become effective in FY 2012-2013. Fiscal Staff has discussed this appropriation with the Treasurer's Office in light of the fact the State recently received increased tobacco Master Settlement Agreement (MSA) funds, 40 percent of which is to be directed toward the Governor Guinn Millennium Scholarship Program. We attempted to determine whether those funds increased the solvency period of the program to a point where the appropriation could be removed. Those discussions revealed the solvency period would cover the needs of the program through FY 2016-2017. If the appropriation were removed, the program would remain solvent 1 year less to FY 2015-2016 and

would leave approximately \$1 million available to carry forward into FY 2016-2017. Therefore, Fiscal Staff would recommend approval of the appropriation for the Millennium Scholarship Program, \$5 million of which would maintain the solvency period through FY 2016-2017.

SENATOR WOODHOUSE MOVED TO DO PASS S.B. 487.

SENATOR DENIS SECONDED THE MOTION.

Senator Kieckhefer:

How much of the additional MSA revenue that the State received was transferred to the Millennium Scholarship account?

Mr. Krmpotic:

The total is approximately \$8 million.

Senator Kieckhefer:

With that unanticipated transfer, is the \$5 million still required for stabilization in FY 2016-2017?

Mr. Krmpotic:

Yes. Fiscal Staff recently met with the Treasurer's Office to go over that exact point. When you consider that increased MSA money, along with the General Fund appropriation, the solvency period could be maintained through FY 2016-2017.

Senator Kieckhefer:

Was this bill submitted with the anticipation that revenue would be there?

Mr. Krmpotic:

I cannot say whether additional MSA money was anticipated at the time the appropriation was submitted. I seem to recall, in the original testimony provided by Department of Administration Director Jeff Mohlenkamp, that there would be solvency through FY 2016-2017. However, some of the underlying criteria and assumptions that are used in projecting the Millennium Scholarship Program have changed since that time. This bill was heard early in Session and, based on recent information, this appropriation, combined with the increased MSA money, will provide solvency through FY 2016-2017.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

We will now discuss S.B. 500. We have received two proposed conceptual amendments to this bill ([Exhibit J](#)) and ([Exhibit K](#)) in addition to one which Mr. Krmpotic will discuss.

SENATE BILL 500: Creates the Task Force on K-12 Public Education Funding.
(BDR S-1100)

Mr. Krmpotic:

Proposed Amendment 8776 to S.B. 500 ([Exhibit I](#)) would change the composition of the Task Force on K-12 Public Education Funding established under S.B. 500. The new membership would include the director of the Department of Education's State Public Charter School Authority, or his or her designee; one member appointed by the Nevada Association of School Superintendents in consultation with the Nevada Association of School Administrators; one member appointed by the Nevada Association of School Boards; one member appointed by the Nevada Parent Teacher Association; one member appointed by the Nevada State Education Association; two members appointed by the Governor, one of whom is a financial officer of a county school district and one of whom is a parent or legal guardian of a pupil enrolled in a public school in the State; and one member appointed by the Advisory Council on Parental Involvement and Family Engagement.

Lines 28 and 33 on page 2 of the Amendment change "teacher or administrator" to "educator." Line 34 specifies one member shall be appointed by "the Minority Leader of the Senate who is a Senator;" and page 3, line 1 indicates one member shall be appointed by "the Minority Leader of the Assembly who is an Assemblyman or Assemblywoman." Page 3, line 22 states "the Chair of the Task Force may appoint such subcommittees and working groups from within or outside the membership of the Task Force."

According to discussions with Senator Woodhouse, there would be a change to the language to appoint a technical advisory committee that is comprised of one person with school finance knowledge. The others would include one representative each from the two largest school districts and a third

representative from a rural school district to make up this technical advisory committee in lieu of a Task Force. A zero fiscal note was submitted by the Legislative Counsel Bureau (LCB). The fiscal impact is dependent upon how many interim committees are authorized by the 2013 Legislature.

SENATOR WOODHOUSE MOVED TO AMEND AND DO PASS AS AMENDED S.B. 500 WITH PROPOSED AMENDMENT 8776 TO S.B. 500.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

We will now discuss S.B. 517.

SENATE BILL 517: Makes an appropriation to Teach for America, Inc.
(BDR S-1233)

Mr. Krmpotic:

This bill, which was heard yesterday, is an appropriation of \$1 million in FY 2013-2014 and \$1 million in FY 2014-2015 for Teach for America, Inc. These appropriations have been discussed at length by the money committees and received favorable testimony in yesterday's hearing. The language in Section 1 of Proposed Amendment 994, lines 1 and 2, states the General Fund makes an appropriation to Teach for America to support education in Nevada. Theoretically, appropriations are made to State agencies and those agencies transfer the funds to the entity. From a mechanical standpoint, and I believe Mr. Mohlenkamp would probably be agreeable to this, these appropriations would probably be booked into the Special Appropriations Account within the Department of Administration and the Department would then transfer these monies to Teach for America. I do not believe that would be an issue with the Director if that is the way this was handled from a mechanical standpoint.

Senator Woodhouse:

I support this, but I have to state for the record:

The reason why I support this project is that it does allow the Clark County School District the opportunity to fill some needed positions in some extremely at-risk schools, particularly math, science and special education teachers. I feel confident that is the direction they will go with these dollars. I appreciate the enthusiasm and the energy of these new teachers and particularly some of the letters I have received from principals who have Teach for America teachers in their schools. I think those are positive things. As an educator myself, I still have concerns about a program that only brings the teachers in for 2 years, 3 years, and then they are gone. That disruption in a school, I think, is concerning to me.

And the second part of that is, again, as an educator who has more degrees than you want to know about, I just think that as teachers move through their careers, we have all worked so hard to continue to always get better, always have an opportunity to experience the new things that are happening in our field and put them in our classrooms. And I think it is concerning because these young people are not staying here and are moving on. I think our students deserve career teachers, career educators, and I am concerned about the level of—the “art of teaching” is what I call it—those methods courses that teachers take in order to deliver the concept knowledge that our students need. Because both of those things go together, and so I will be supporting it, but for those reasons I did want to put it on the record about my true feelings about this bill.

Chair Smith:

I would echo some of the same sentiments. We are underfunding education and we should spend all the money we can on the teachers who are in our schools. This is a good investment. Strong research shows what a difference a great teacher and a dedicated classroom for 2 years make in the life of a child. We struggle to find teachers in those hard-to-fill schools and hard-to-fill positions. This program, even with the testimony of the opponents yesterday, is known to be a strong program with strong professional development. Teach for America demonstrates what happens when you solidly invest in your teachers. If only we could do that across the board for our other teachers. This is a solid investment for us. If we can change dropout rates, or send more children on the path to

graduation because of our small investment in this program, then I am all in because we know we have to close that achievement gap and we have to get more children graduating.

Senator Kieckhefer:

I agree with your sentiments regarding the need to invest in our teachers. This also speaks to the need to adequately reflect, monetarily, where our value is and where we want to put our value within the education system. We operate under a system whereby we put the same value on a physical education teacher at an affluent high school that we do on a math teacher in an at-risk inner city school. If people want to say they have the same value to the educational system they can make that case, but I do not necessarily agree. If we operate where we treat everyone equally without reflecting the value and importance individuals have within the system to achieve academic success for our students, then we are selling ourselves short. We need to examine how we can invest in a program that recruits and retains traditional educators. Teach for America is a very good program and I support it strongly, but we need to examine the overall system and how we place our value within the system.

Senator Denis:

After visiting classrooms in my district where several of these educators teach, the thing I appreciate most about the Teach for America program is that when they sign up for this program, they know what they are getting into and they want to be there. A lot of hard work needs to be done and there are many challenges with the students, especially with the English-language learners. We have not been adequately funding many of these schools. I also agree that we need to put our value where our needs are. As we move forward, I hope that we can continue to invest in all of our children, especially where there are specific needs. I am supportive of this. It is a small dollar amount in the big picture, but we will receive valuable rewards from it. I hope we can provide similar incentives to all of our teachers.

Senator Parks:

As I understand it, for every dollar we spend we receive \$4 back as part of this program. Is that correct?

Chair Smith:

We heard in the testimony yesterday that this funding would result in a total of \$8 million.

SENATOR DENIS MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 517 WITH PROPOSED AMENDMENT 994.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

We will now discuss S.B. 519.

SENATE BILL 519: Authorizes the Director of the Department of Corrections to apply on behalf of a prisoner for a determination of Medicaid eligibility. (BDR 16-1230)

Mr. Krmpotic:

This bill was heard yesterday. This is a budget implementation bill that amends NRS 209 by stating the Director of the Nevada Department of Corrections (NDOC), or his designee, may, after informing an offender, apply for a determination of eligibility for Medicaid on behalf of the offender. This bill was requested at the time the NDOC medical budget was closed a couple of weeks ago. General Fund monies were removed from the budget in estimating the reimbursement of certain outside medical expenses of the NDOC by Medicaid. Fiscal Staff recommends approval of S.B. 519.

SENATOR KIECKHEFER MOVED TO DO PASS S.B. 519.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

We will now discuss Assembly Bill (A.B.) 465.

ASSEMBLY BILL 465: Creates the General Services Division in the Department of Public Safety. (BDR 43-1150)

Mr. Krmpotic:

This is also a budget implementation bill, which would establish the General Services Division within the Department of Public Safety (DPS) and replace the Records and Technology Division which was established by the 2007 Legislature. Section 2, subsection 8 of the bill establishes certain duties of the General Services Division and includes executing, administering and enforcing provisions of NRS 179A.075 regarding records that the Central Repository for Nevada Records of Criminal History, or Central Repository, maintains. It also provides for dispatch services for the Department. The budget decision implemented by the money committees was to consolidate dispatch services within the DPS under the General Services Division and involves transferring dispatch positions from the Nevada Highway Patrol to this new budget account.

Section 2, subsection 8, paragraph (c) states that maintenance of the records of the Department will be determined by the Director. This is in reference to the warrants function that would be moved to the General Services Division. Section 3 indicates the Central Repository is created within the General Services Division. Therefore, the General Services Division would encompass the Central Repository in this new budget account, and dispatch services, the warrant function and some technology support. The bill becomes effective on July 1. This budget implementation bill is required to implement the budget decisions that were made a couple of weeks ago by the money committees.

Chair Smith:

We had a statement from the Nevada Wildlife Coalition yesterday about whether this bill would somehow create a gun registry associated with S.B. 221. Therefore, I asked Ms. Butler for her testimony before the Committee.

SENATE BILL 221 (2nd Reprint): Makes certain changes relating to public safety. (BDR 14-943)

Julie Butler (Records Bureau Chief, Records and Technology Division, Department of Public Safety):

This bill is the authorizing legislation for the General Services Division. It authorizes the director of the Department to consolidate all records of the DPS within one location if at some time in the future he or she wishes to do that. As we acquire dispatch services, we will acquire some of the records that we did not have previously, that is to say those records generated by the

computer-aided dispatch system and the records management system. Consequently, we needed a mechanism for storing those records.

In terms of any sort of gun registry, federal law prohibits us from maintaining a database of those individuals who are legally authorized to purchase firearms. We are required by federal law, pursuant to the Brady Handgun Violence Prevention Act of 1993, to destroy those records within 24 hours of the transaction being processed. Therefore, we will not be creating a database of gun owners.

SENATOR DENIS MOVED TO DO PASS A.B. 465.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

That completes our Work Session. We will now discuss S.B. 518 regarding the Public Employees' Benefits Program (PEBP) rates.

SENATE BILL 518: Establishes for the 2013-2015 biennium the subsidies to be paid to the Public Employees' Benefits Program for insurance for certain active and retired public officers and employees. (BDR S-1235)

Mr. Krmpotic:

This bill establishes PEBP rates for the upcoming biennium. These rates reflect the previous actions of the money committees. Laura Freed is here to present the details of the bill.

Laura Freed (Senior Program Analyst):

This is a budget implementation bill. The amounts are calculated to ensure sufficient funding is collected from each budget account that pays into PEBP so that PEBP has operating funds for the upcoming biennium. The numbers in the bill match the base subsidy amounts that I presented to the joint money committees at the PEBP closing on May 14 and May 17.

Section 1 of the bill sets the active employee monthly contribution for a filled position. Section 2, subparagraph 1, sets the base subsidy for non-Medicare retirees based on 15 years of service credit and is scaled up or down based on the retirees' actual years of service credit. Section 2, subparagraph 2, sets the base contribution for Medicare retirees. I would like to note that this subparagraph requires a technical amendment. Line 32, pertaining to the Medicare base contribution to the health reimbursement accounts, states "to a maximum of \$200 per month," but should actually state "to a maximum of \$220 per month."

Section 2, subparagraph 3 provides the onetime \$2 per month, per year of service, increase in the Medicare retirees' health reimbursement arrangements for both years of the upcoming biennium. Section 2, subparagraph 4 reiterates language that already exists in NRS 287.046 stating that any future retiree who was hired after January 1, 2010, does not receive subsidies unless that retiree has 15 or more years of service credit. That language was added to the statute through S.B. No. 427 of the 75th Session. Section 2, subparagraph 5 states that any subsidy that exceeds the actual monthly premium cost must be credited to PEBP. Section 3 indicates this bill will become effective July 1.

Martin Bibb (Retired Public Employees of Nevada):

We are in support of S.B. 518. It is particularly important for our Medicare retirees because, unlike the early retirees or preMedicare-aged retirees and some of the active employees, they have not had any restoration from the excess reserves that this Committee has heard about in previous hearings. We think this bill addresses some of those concerns.

Chair Smith:

Hearing no further comments, I will close the hearing on S.B. 518. This is a budget bill that we need to move forward and there are no issues with the bill.

Ms. Freed:

I would recommend an "amend and do pass as amended" as a result of the change from \$200 to \$220 on line 32.

SENATOR DENIS MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 518 WITH THE TECHNICAL CHANGES TO LINE 32.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Smith:

We will now opening the hearing on S.B. 391.

SENATE BILL 391 (1st Reprint): Directs the Legislative Commission to appoint a committee to conduct an interim study concerning the governance structure of and funding methods for community colleges in this State. (BDR S-952).

Senator Barbara K. Cegavske (Senatorial District No. 8):

This measure is amended and requires the Legislative Commission to adopt an interim study concerning the governance structure and funding system for Nevada community colleges. I have followed the debates of the two money committees with regard to funding the Nevada System of Higher Education (NSHE). There is much to be discussed regarding whether we are supporting the mission of our community colleges and whether the funding needs are sufficiently addressed in the approved funding formula.

Nevada is one of a handful of states that governs its community colleges exclusively at the State level and funds its community colleges, State colleges and research universities using the same funding apparatus. The shortcomings of this arrangement are many and include "mission creep" which puts the community colleges in direct competition with the universities and state colleges for students and dollars. There are challenges in effectively representing the local and economic demographic needs of the community colleges.

Regarding sustainability, the per-pupil state subsidies for rural community colleges and difficulty establishing local workforce development and training relationships enable community colleges to access federal grant funds. As an example, in 2011, Nevada was unable to apply for a portion of a \$2 billion community college career training grant made available through a partnership between the U.S. Department of Labor and Department of Education. In a story examining the grants, "The Chronicle of Higher Education" noted that Nevada, the state with the highest unemployment rate, was among the states that did not have a qualifying program. Last year, Nevada's Department of Employment, Training and Rehabilitation issued a report entitled "Moving Nevada Forward:

A Plan for Excellence in Workforce Development” which outlines Nevada’s State Plan for the Workforce Investment Act of 1988. The report notes that studies of our training delivery mechanism revealed that we have not utilized our strongest and most flexible higher education component, the community college system, to any great degree. Furthermore, the report states that the interaction and collaboration between the local workforce, board and industry sector employees or the regional development authorities has not been adequate or consistent.

While the weakness of the present systems is obvious, changing the manner in which the State operates its community colleges can be complicated. Fortunately for Nevada, there are plenty of examples in other states that we can review in an interim study. Community colleges are often expected to fulfill distinct, and in some instances, divergent roles. Senate Bill 391 will provide us an opportunity to address the untangling of Nevada’s community colleges and perhaps this will ultimately enable them to focus on the academic and economic needs of their local communities. At a minimum, community colleges exist to offer associate degrees for aspiring professionals, or those planning to transfer to a 4-year university. They provide workforce training and development to meet the needs of the local economy, typically resulting in a certification for students. They offer college preparation for students who have completed high school but need to transition prior to the full rigors of university academics.

As amended, section 1 of S.B. 391 provides a legislative declaration concerning the importance of community colleges to the State’s economic development efforts, their presence in underserved rural communities and their response to the needs of employees in the surrounding communities within their service areas. Section 2 requires the Legislative Commission to appoint a six-member committee to study methods of governance and financing for Nevada’s community colleges. Section 3 sets forth the scope of the review to include the option of shifting administration of the system to the NDE and, if deemed advisable, the bill outlines the components involved in such a transfer. Also, section 3, lines 9 through 11 on page 3, state that should such a transfer be deemed advisable, the amendment calls for review of other options for improving the governance structure and funding methods of Nevada’s community colleges.

It is vital that we take steps to ensure a strong future for our community colleges by linking them with their local communities and school systems which

act as their source of human capital. This bill lays the groundwork to accomplish this goal.

Erin McMullen (Las Vegas Metro Chamber of Commerce):

We are here today to lend our support to S.B. 391. This is a very important policy discussion that we need to have in order to look at the economic development and diversification of our State as well as the future role of community colleges in Nevada. Unlike nearly all other states in the Nation, we are still one of the only states that has one government structure for three levels of education. In order to effectively serve and fulfill the education and workforce needs of our communities and our State, particularly at the local level, we need to review all available options to determine whether to establish local boards or community college districts, etc.

We are losing out on federal grant development money which could serve the needs of the community colleges as well as the students. There is a strong nexus between businesses and community colleges. Community colleges provide the training and education needed for students to be workforce ready, to acquire employment and to fulfill the needs of the local communities.

Mendy Elliott (Northern Nevada Development Authority):

The economic needs of our community are evolving, especially in northern Nevada. This bill will provide us the opportunity to review the current system, the governance, the type of funding mechanism that needs to be put into place, and to ensure we can meet the needs of our community as well as the workforce needs of our community. We will have future business opportunities, such as the powdered milk company that is going to be built in Churchill County, which will require well-qualified individuals who will primarily come from the community colleges.

The Northern Nevada Development Authority (NNDA) wants to be part of the solution and we pledge to be involved in this process. You have our commitment that if this bill is passed, we will work with Legislators to ensure the system that is developed will be supported by the NNDA.

Senator Kieckhefer:

I grew up in Illinois and I think most of the community colleges there are governed by a local government. Why is so much focus given to the NDE considering everything we are going through with kindergarten through Grade 12 (K-12)?

Senator Cegavske:

Brenda J. Erdoes with the Legal Division of the LCB felt the NDE was the most logical area to place both the federal and State funding. When the bill was originally being drafted, we were uncertain about funding sources so we included a study to determine those sources. That is not where the focus is. This is something that I hope will be debated.

Fiscal Staff also indicated that funds can go through the NDE, and then have a separate board if that is what the study suggests. The NDE is a logical choice because it is positioned to be the nexus for high schools, community colleges and employers. We need to focus on the children who are dropping out. They do not know where they want to go or what they want to do. We need to help them to become engaged with the community colleges to guide them into the job market, as Ms. Elliott suggested. We want a trained workforce. That is not happening right now. We want to save the children who are dropping out. We want to give them the path to a career.

Senator Kieckhefer:

Would the appointment be fully controlled by one party? The way I read this, it looks like there will be six Democrats on the committee, unless Senator Denis is feeling generous and wants to appoint three Republicans.

Senator Cegavske:

I did not look at it that way. Approximately 95 percent of our studies are performed by Legislators who are appointed. That is what we have done in the past and that is a normal practice. I envisioned having Legislators on the board and subcommittees to work on the individual issues to bring back to the full committee.

Senator Kieckhefer:

I appreciate that. I would hope that we could potentially obtain appointing authority for some of the minority members of the body instead of having it all rest with the Majority Leader and Madam Speaker.

Chair Smith:

Some of our bills indicate that there would be three members on the committee, one of whom must be a member of the minority party; or the minority party leader may make the appointment as is the case with S.B. 500, which we just heard.

The sponsor and I discussed this prior to the meeting. I was curious about the thought process with having all Legislators on the committee versus some community representatives, as we did in the higher education study that was completed last interim and that we just passed in the K-12 funding formula study. I was interested in the Chamber of Commerce's position on this because I know the Chamber had representation on the higher education formula study committee.

Ms. McMullen:

We had a representative on the Committee to Study the Funding of Higher Education from S.B. No. 374 of the 76th Session who was one of the few private sector people, if not the only one, on the committee. We felt it was very important and appreciated being part of the discussion at that level. We reviewed the NSHE's amendment late last evening. Our biggest concern is making sure the businesses are at the table and are adequately represented, from both northern and southern Nevada, since the issues and needs are very different in those two regions. However, I have not had a chance to take that back to our full committee.

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

Representatives are here from the College of Southern Nevada, University of North Las Vegas, Truckee Meadows Community College and Western Nevada College who also wish to testify today.

As mentioned earlier, we have a proposed amendment to S.B. 391, entitled "Senate Bill 391 – Interim Study Concerning Community Colleges Proposed Amendment on Behalf of the Nevada System of Higher Education, May 23, 2013" ([Exhibit L](#)). The intent of our amendment is to broaden the composition and the scope of work for the proposed interim study committee concerning community colleges in Nevada, and to require the committee to examine how community colleges can best meet the education and workforce needs of our State.

Our amendment is divided into three sections: membership, the work and scope of the community and committee operations. We have suggested that the membership include 11 voting members and 4 nonvoting members. Our suggested membership is modeled after S. B. No. 374 of the 76th Session and A.B. No. 203 of the 72nd Session. Precedent has been set with respect to

higher education interim studies. We suggest that there be three Senators, three Assembly members, three members of the NSHE Board of Regents, two members appointed by the Governor and one of the two voting members should be a county representative who would have a voice in discussing what may be available in terms of local funding.

We suggest there should be four nonvoting members appointed by the Governor. With respect to the work and scope of the committee, rather than limiting the focus toward only the feasibility of the NDE, we suggest broadening the scope in the following areas: to determine whether there are new expectations for community colleges in light of the State plan for economic development; to review national and best practices for community college governance and funding; to examine effective relationships between local school districts and community colleges and to make recommendations to strengthen such programs; and to examine effective relationships between business and the community colleges as Ms. McMullen mentioned earlier.

We need to examine the efficiencies of our current integrated system and look for ways to improve. We have made suggestions as far as the designation of the chair, the provision of staff, the per diem travel for voting members, the provision of hearings, the fiscal appropriation of the work of the committee, consultants and reports to the Legislative Commission.

Senator Woodhouse:

Regarding the 11 voting members, one of the 2 members who will be appointed by the Governor is identified as being from county government. I understand Ms. McMullen's suggestion that there be someone from the business community from both the north and south. Therefore, we may want to increase the number to three members. If we approve this, I want to make sure we have the alignment with what the needs are of businesses within our communities.

Ms. Brooks:

That is a great suggestion. We are certainly open to expanding the committee. If that means designating, or suggesting, that the Governor's appointees be someone from the business community both from the north and south, that is something that we can consider and would support. Economic development is something that is very important to NSHE, in particular the alignment of our community colleges to the workforce needs of our State.

Luis Valera, J.D. (Vice President, Government Affairs and Diversity Initiatives, University of Nevada, Las Vegas):

We support this amendment as submitted by NSHE, as well as Senator Woodhouse's suggestion.

Fred Lokken, M.A. (Associate Dean, Truckee Meadows Community College):

I am here representing our President, Dr. Maria Sheehan. We also support the proposed amendment and think that this would be an improvement to the committee, should you decide to pass this legislation.

Senator Goicoechea:

Why would you have membership on the committee that was not voting, especially if we want to bring these people to the table?

Ms. Brooks:

As I stated before, both in 2003 and 2011, the membership that we have suggested is mirroring the membership from those two committees. We found that was a successful membership, especially given the most recent study of our funding formula for higher education. We think it was comprehensive to expand the committee. As far as having voting and nonvoting members, there were some that provided more policy expertise whereas the Legislators that were present on the committee were able to make the decisions moving forward. We found that this was a good hybrid. It was at the suggestion of your colleagues in 2003 and 2011.

Patricia Anne Charlton (Senior Vice President, College of Southern Nevada):

I would like to speak from a neutral position on this bill. Overall, the bill is unnecessary. If the bill should move forward, however, amendments by Ms. Brooks should be incorporated into the overall strategy.

Carol Lucey, Ph.D. (President, Western Nevada College):

While I am taking a neutral position regarding the composition of the committee being discussed, I am not at all neutral about the need for an interim study. I have been President of Western Nevada College for 14 years. When I first came to Nevada, I was excited to be part of the diversification of the Nevada economy. We have worked at assisting the economy of Nevada in developing a more diverse base. However, we have done as much as we could have done. It is time for us, as a State, to look at some structural issues about how our community colleges are funded and governed. I applaud the move to look at it in

a studied way with some support for what is happening nationally to make community colleges strong partners for state economic development. I strongly support an interim study.

Senator Woodhouse:

If we move forward with this amendment, would you consider where you might be in involving a community college faculty member, or members, in this community? Right now, it appears they are nonvoting.

Ms. Brooks:

That is correct. Within the amendment, section 1, subsection b, describing membership, we suggest that there be three representatives of Nevada's counties, business interests, community college faculties or administration. There is an opportunity to have a faculty member, or even a community college staff person, who might be able to provide insight and expertise.

Senator Woodhouse:

I want to make sure that if we broaden this from the original scope, as Senator Cegavske has brought forward, that we ensure we have all of the voices coming in to make decisions. If we move forward with the interim study, it will be a big step and I want to make sure we do it to the best of our ability.

Ms. Brooks:

I will be happy to work with you in order to ensure that your concerns are addressed.

Senator Goicoechea:

The community colleges, especially the small institutions, need to be moving forward with a business plan. They cannot be dependent on what the outcome of this study is going to provide to them. They need to remain whole, but they also need to start planning for the future.

Senator Cegavske:

I want to thank you for the opportunity to present this bill. I think it will be an invaluable tool for the future of Nevada, and I encourage your support. I do like Senator Kieckhefer's recommendation that we ask the Majority and Minority Leaders of both Houses to make the appointments as we have done in the past.

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Chair Smith:

Hearing no further comments, I will close the hearing on S.B. 391. This meeting is adjourned at 9:59 a.m.

RESPECTFULLY SUBMITTED:

Sheri Fletcher,
Committee Secretary

APPROVED BY:

Senator Debbie Smith, Chair

DATE: _____

<u>EXHIBITS</u>				
Bill	Exhibit		Witness / Agency	Description
	A	2		Agenda
	B	5		Attendance Roster
S.B. 182	C	18	Senator Debbie Smith	Proposed Amendment 9004, First Reprint, May 20, 2013
S.B. 261	D	10	Senator Justin C. Jones	Proposed Amendment 9199, First Reprint, May 24, 2013
S.B. 261	E	9	Senator Justin C. Jones	Proposed Amendment 8979, First Reprint, May 16, 2013
S.B. 308	F	1	Senator Patricia Spearman	Proposed Conceptual Amendment
S.B. 328	G	6	Senator James A. Settlemeyer	Proposed Amendment 9155 to S.B. 328 First Reprint, May 21, 2013
S.B. 406	H	12	Fiscal Analysis Division	Proposed Amendment 9292 First Reprint, May 25, 2013
S.B. 500	I	4	Fiscal Analysis Division	Proposed Amendment 8776, May 7, 2013
S.B. 500	J	I	Rorie Fitzpatrick	Proposed Conceptual Amendment
S.B. 500	K	1	Steve Canavero	Proposed Conceptual Amendment May 5, 2013
S.B. 391	L	2	Constance Brooks	Interim Study Concerning Community Colleges Proposed Amendment on Behalf of NSHE May 23, 2013