

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-Seventh Session  
April 1, 2013**

The Senate Committee on Finance was called to order by Chair Debbie Smith at 8:05 a.m. on Monday, April 1, 2013, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 5100 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

**STAFF MEMBERS PRESENT:**

Mark Krmpotic, Senate Fiscal Analyst  
Alex Haartz, Principal Deputy Fiscal Analyst  
RJ Keetch, Committee Secretary

**OTHERS PRESENT:**

Laurie Squartsoff, Administrator, Division of Health Care Financing and Policy,  
Department of Health and Human Services  
Leah C. Lamborn, Chief Financial Officer, Division of Health Care Financing and  
Policy, Department of Health and Human Services  
Joyce Haldeman, Associate Superintendent, Clark County School District

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Steven L. Nielsen, Senior Vice President Development, Educational Facilities  
Development Services  
Michael Cate, Say Yes for Kids Committee  
Lindsay Anderson, Washoe County School District  
Mary Pierczynski, Nevada Association of School Superintendents  
Samuel McMullen, Las Vegas Metro Chamber of Commerce  
Jeff Mohlenkamp, Director, Department of Administration  
Chris Perry, Director, Nevada Department of Public Safety  
Leo M. Drozdoff, Director, State Department of Conservation and Natural  
Resources  
Michael J. Willden, Director, Department of Health and Human Services  
Keith Uriarte, Chief of Staff, American Federation of State, County and  
Municipal Employees, AFL-CIO, Local 4041  
James R. Lawrence, Administrator and State Land Registrar, Division of State  
Lands, State Department of Conservation and Natural Resources  
Kyle Davis, Nevada Conservation League  
William "Buzz" Harris, Tahoe Transportation District

**Chair Smith:**

I would like begin by discussing Senate Bill (S.B.) 459.

**SENATE BILL 459**: Makes a supplemental appropriation to and authorizes the expenditure of certain money by the Division of Health Care Financing and Policy of the Department of Health and Human Services for an unanticipated increase in caseloads for medical services and certain other costs. (BDR S-1190)

**Laurie Squartsoff (Administrator, Division of Health Care Financing and Policy, Department of Health and Human Services):**

Senate Bill 459 is a supplemental appropriation request for the Division of Health Care Financing and Policy. It authorizes expenditures for medical services, which have increased due to an unanticipated increase in caseload.

I will now read from my written testimony titled "2013 Testimony Form" (Exhibit C). I am in support of S.B. 459.

**Chair Smith:**

Are there any changes from the original bill?

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

There are no changes. We are comfortable with the numbers included in the bill.

**Senator Kieckhefer:**

Why does the authorization include this biennium and the next biennium?

**Ms. Lamborn:**

We are asking for an amendment to this portion.

**Chair Smith:**

The amendment will change the bill authorization to apply to the current fiscal year.

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

I am here to present S.B. 350, which is a request to amend *Nevada Revised Statute* (NRS) 387, related to the financing of the construction of schools and other projects.

**SENATE BILL 350**: Revises provisions relating to the capital projects of school districts. (BDR 34-1059)

Existing law allows certain taxes to be deposited to a school district fund for capital projects, which can then be pledged for bond repayments. This bill allows unpledged proceeds to be used for purchase agreements. Senate Bill 350 gives school districts additional tools to finance capital needs during this difficult economic time.

The bill also expands the allowable capital expenditures fundable through general obligations funds. The current statute allows for the purchase of school furniture and equipment. Senate Bill 350 will enable school districts to use general obligation funding to purchase motor vehicles, transportation equipment and educational equipment.

**Joyce Haldeman (Associate Superintendent, Clark County School District):**

A November 2012 ballot measure would have temporarily increased property taxes by 21.2 cents per \$100 in assessed valuation. The ballot measure would have provided funding for school construction, but the measure failed. Senate Bill 350 provides an alternative to fund projects.

I will now read from my written testimony in support of S.B. 350 ([Exhibit D](#)).

**Senator Kieckhefer:**

The bill includes a provision to “educate pupils.” What does this mean?

Technology upgrades are allowable under current law. Why is this provision needed?

**Ms. Haldeman:**

The bill allows school buses to be funded.

**Chair Smith:**

There appears to be language that allows funding for equipment to educate students and to allow the funding of furniture and other equipment.

**Ms. Haldeman:**

The intent is to only add funding of school buses.

**Steven L. Nielsen (Senior Vice President Development, Educational Facilities Development Services):**

The idea of leaseback/lease purchases for school districts has been around for 20 years. Many states have used these programs for education facilities and other government facilities. I used this idea in Arizona to build approximately \$1 billion in student housing for Arizona State University. Private capital is used to lessen the burden on government.

School districts are able to use tax-exempt bond financing using a nonprofit as the owner/borrower. We remove the profit motive. We provide the lowest cost nonrecourse funding, and transfer the property back to the school at the end of the lease term.

**Senator Denis:**

Where does the funding for the leaseback come from?

**Mr. Nielsen:**

The nonprofit corporation borrows the funds, builds the school facility and leases the facility back to the school. Neither the State nor the school district has a debt obligation. At the end of the lease, the school becomes the property of the school district.

**Senator Denis:**

What debt obligation does the nonprofit retain?

**Mr. Nielsen:**

The nonprofit remains obligated until the debt is retired. If the school district terminates its lease, the nonprofit would be obligated to seek a new tenant.

**Chair Smith:**

Does our statutory lease language cover how schools are bid, and built? Do these laws apply to this situation?

**Ms. Haldeman:**

I do not know.

**Chair Smith:**

We need to determine how the law applies to this proposal.

**Senator Kieckhefer:**

What are the general terms of these leases?

**Mr. Nielsen:**

The goal is to provide the lowest cost-financing possible. In Arizona, we are building a middle school that has a lease term of 40 years, with 5 years of interest-only payments.

**Senator Kieckhefer:**

Do the school districts develop their building plans themselves?

**Mr. Nielsen:**

We help the school district design the schools. The transaction is arm's length so we do not impact the school districts' credit capability. We also manage the facility and replace all major systems as a part of the deal.

**Michael Cate (Say Yes for Kids Committee):**

We support S.B. 350. School facilities are extremely important for school districts.

**Lindsay Anderson (Washoe County School District):**

We support S.B. 350. The Washoe County School District (WCSD) is facing capital challenges.

**Chair Smith:**

This approach still requires ongoing revenue to pay for the lease. In Washoe County, we do not have ongoing revenue. How would the WCSD use this tool?

**Ms. Anderson:**

This would help us reduce the large amount of up-front money needed to build a school. This approach provides more options for future school construction needs.

**Mary Pierczynski (Nevada Association of School Superintendents):**

We support S.B. 350.

**Samuel McMullen (Las Vegas Metro Chamber of Commerce):**

We strongly support S.B. 350.

**Chair Smith:**

We will close the hearing on S.B. 350 and open the hearing on S.B. 482.

**SENATE BILL 482:** Revises provisions relating to state financial administration.  
(BDR 31-1126)

**Jeff Mohlenkamp (Director, Department of Administration):**

Section 1 of S.B. 482 provides State agencies the ability to transfer funds between budget accounts. The Nevada Department of Corrections (NDOC) has this capability, but most other State agencies do not.

If S.B. 482 is approved, department directors would be able to transfer funds within their department and between budget accounts. This level of flexibility would be helpful. Because the State does not operate as nimbly, and as much like a business as we would like, it misses opportunities. Approval of this bill will not correct all of our problems, but it will help. The bill still requires Interim Finance Committee (IFC) approval to move funds between budget accounts.

Other states have more flexibility than Nevada. We want to be more in line with other states.

The Legislature cannot currently move funds between budget accounts during the interim. This bill will allow the IFC to authorize transfers.

The Budget Control Act of 2011, also known as Sequestration, may impact our budgets. We do not know what the impact of the Sequestration will be in future years. Having transfer flexibility may help us deal with impacts of the Sequestration.

The acceptance of gifts up to \$150,000 is allowed by NRS 353.335. However, NRS 353.220 restricts us to the work program level. There is a conflict, and Section 4 of S.B. 482 is an attempt to rectify this conflict.

**Chair Smith:**

Please provide examples of how this tool could be beneficial.

**Mr. Mohlenkamp:**

We often lack the State funds to leverage federal grant opportunities. Senate Bill 482 would allow us to respond better to federal grant opportunities.

During the last interim, we had a problem providing child care services. We did not have a mechanism to move funds.

The NDOC has the ability to transfer funds between accounts. They have not abused this ability.

**Senator Kieckhefer:**

Is IFC approval required to transfer funds?

**Mr. Mohlenkamp:**

Transfers can take place without IFC approval if the transfer is under 10 percent of the account balance or up to \$75,000.

**Senator Kieckhefer:**

I think the IFC process is often overly burdensome for Executive Branch agencies.

**Chris Perry (Director, Nevada Department of Public Safety):**

Last calendar year, we had an IFC Contingency Account request to cover a fuel shortfall. The request was for less than \$75,000. If S.B. 482 is approved, we would be able to handle similar issues without the IFC. I support S.B. 482.

We also could have avoided an IFC Contingency Account request for \$10,000 when we closed an investigation building in Las Vegas.

The Nevada Highway Patrol (NHP) will be requesting a supplemental appropriation to fund dignitary protection. The NHP has a very small General Fund balance so the only option is to request IFC contingency funding. If S.B. 482 is approved, the NHP would be able to transfer funds for dignitary protection.

**Chair Smith:**

Would you still come to the IFC for work-program approval?

**Mr. Perry:**

Yes, that is correct.

**Senator Goicoechea:**

Is the threshold \$75,000?

**Mr. Perry:**

Yes, but most of our requests would be greater than the proposed \$75,000 threshold and require IFC approval.

**Leo M. Drozdoff (Director, State Department of Conservation and Natural Resources):**

I support approval of S.B. 482. The State Department of Conservation and Natural Resources (DCNR) has 10 budget accounts. The ability to move funds among these budgets, especially between budgets that share the same federal grant funding, would make a lot of sense.

I will now read from my written testimony titled "Senate Bill 482" ([Exhibit E](#)).



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

The Department of Health and Human Services (DHHS) will be appropriated approximately \$1 billion for each of the upcoming 2 years. This appropriation is spread out amongst about 50 General Fund budget accounts.

The DHHS has 10 different exceptions that allow us to receive and move funds between accounts. We are allowed to move money between 13 budget accounts.

We are not able to move funds between biennium years for early intervention services, mental health services, disability services or aging programs.

The DHHS has precedence for having the flexibility to move funds among budget accounts. In 2008, S.B. No. 2 of the 24th Special Session was approved allowing the DHHS 1 year of flexibility to deal with budget reductions. A similar bill was passed in 2010: A.B. No. 3 of the 26th Special Session.

If S.B. 482 is not approved, we will need additional flexibility in "back-language." We need flexibility to deal with the Patient Protection and Affordable Care Act, also known as the Affordable Care Act (ACA). For example, there are substantial savings built into our mental health budget because additional mental health patients are Title XIX of the Social Security Act, also known as Medicaid, eligible. Funds are moving from the mental health budget to the Medicaid budget. If more people need to get their mental health services via the Medicaid budget, we need the flexibility to make budget adjustments.

The indigent accident fund will diminish in importance as people enroll in Medicaid or other health care options offered by the ACA. Having flexibility in the indigent accident account is important.

There is a need for flexibility in the juvenile justice budgets.

There is also a need for flexibility between programs that are established in northern Nevada and southern Nevada.

**Keith Uriarte (Chief of Staff, American Federation of State, County and Municipal Employees, AFL-CIO, Local 4041):**

I am opposed to S.B. 482. The IFC helps to provide a forum for full discussion of issues. The examples that have been provided by the agencies are hypothetical situations. It is important that the IFC make decisions about specific requests for the transfer of funds.

**Senator Parks:**

If the bill is approved, will the agencies report to the IFC regarding the justification for transfers?

I am concerned about using operating funds to fund capital expenses.

**Mr. Mohlenkamp:**

If the Committee would like all budget transfers to come before the IFC in the beginning, I am willing to consider this type of approach. This way there will be a track record of all transfers. Even if not all transfers come before the IFC, a record of the transfers will be triggered by the work-program process.

**Senator Smith:**

We will now open the hearing on S.B. 489.

**SENATE BILL 489:** Extends the deadline for issuing bonds for the program of conservation and protection of natural resources approved by the voters in 2002. (BDR S-1153)

**James R. Lawrence (Administrator and State Land Registrar, Division of State Lands, State Department of Conservation and Natural Resources):**

I support approval of S.B. 489. The bill extends the authority of the 2002 voter-approved resource and conservation program, also known as Q1.

I will now read from my written testimony titled "Statement of Jim Lawrence, Administrator, Division of State Lands" ([Exhibit F](#)).

**Senator Kieckhefer:**

Have we extended bonding authority once already?

**Mr. Lawrence:**

Yes, we have extended the bonding authority in the past.

**Senator Parks:**

What appropriations are left to allocate?

**Mr. Lawrence:**

There are remaining allocations in the Division of State Lands, of the DCNR grant program, the Division of State Parks, DCNR improvements program, and the Department of Wildlife (NDOW) habitat improvement project.

The Division of State Lands, DCNR grant program has about \$21 million of authority remaining. The Division of State Parks, DCNR improvements program has approximately \$3 million in remaining authority. The NDOW has approximately \$3 million in authority for their critical habitat projects.

**Kyle Davis (Nevada Conservation League):**

We support S.B. 489. Numerous great conservation projects have been funded because of the Q1.

**William "Buzz" Harris (Tahoe Transportation District):**

We support S.B. 489. The Tahoe Transportation District is funded by grants. We support safety, conservation and economic development projects. We have successfully obtained Q1 grants in the past. We would like to see these grants continue. We are hopeful that bonding capacity can be established again.

**Chair Smith:**

Are there any projects that are ready to be built?

**Mr. Lawrence:**

Yes, the Division of State Parks has a list of projects worth approximately \$19 million. The NDOW has critical wildlife projects, and wildfire restoration projects that are ready to go. The Division of State Lands is a grants program, so we do not have projects ready to go. When bonding capability was available, we had approximately \$20 million in projects that were ready to be built.

**Chair Smith:**

We will now close the hearing on S.B. 489.

**Mark Krmpotic (Senate Fiscal Analyst):**

Beginning this week, the money committees will begin closing budgets. In each of the budget accounts, there are decision units that cannot be closed until the Committee closes certain budget accounts that allocate costs.

Fiscal Staff requests that the Committee grant Staff the authority to make technical adjustments to these line items, in the budget accounts, as they are closed. Staff requests the authority to adjust the payroll and personnel assessments, the Department of Enterprise Information Technology Services (EITS) allocations, purchasing assessments, the Attorney General allocations, building rents, vehicle insurance, property and contents insurance and the statewide cost allocations once they are finalized.

I will now read from my written testimony titled "Authority to Make Technical Adjustments" ([Exhibit G](#)).

SENATOR DENIS MOVED TO AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS IN LINE ITEM CATEGORIES M-100, STATEWIDE INFLATION, M-300, ADJUSTMENTS TO FRINGE BENEFITS RATES, E-670, REDUCE SALARIES FOR 2013-2015 BIENNIUM, E-671, FREEZE SALARIES FOR FY 2013-2014, E-672, SUSPEND LONGEVITY FOR 2013-2015 BIENNIUM; AND TO MAKE ADJUSTMENT TO PAYROLL AND PERSONNEL ASSESSMENTS, EITS ALLOCATIONS, PURCHASING ASSESSMENTS, ATTORNEY GENERAL ALLOCATIONS, BUILDING RENTS, VEHICLE INSURANCE, PROPERTY AND CONTENTS INSURANCE AND THE STATEWIDE COST ALLOCATION ONCE THEY ARE FINALIZED.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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**Chair Smith:**

Seeing no other business before the Committee, the meeting is adjourned at 9:11 a.m.

RESPECTFULLY SUBMITTED:

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RJ Keetch,  
Committee Secretary

APPROVED BY:

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Senator Debbie Smith, Chair

DATE: \_\_\_\_\_

<b><u>EXHIBITS</u></b>				
<b>Bill</b>	<b>Exhibit</b>		<b>Witness / Agency</b>	<b>Description</b>
	A	1		Agenda
	B	5		Attendance Roster
S.B. 459	C	1	Laurie Squartsoff	2013 Testimony Form
S.B. 350	D	2	Joyce Haldeman	Testimony
S.B. 482	E	2	Leo M. Drozdoff	Testimony
S.B. 489	F	2	James R. Lawrence	Testimony
	G	1	Mark Krmpotic	Testimony, Authority to Make Technical Adjustments