

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-Seventh Session
April 10, 2013**

The Senate Committee on Finance was called to order by Chair Debbie Smith at 8:35 a.m. on Wednesday, April 10, 2013, in Room 2134 of the Legislative Building, Carson City, 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

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Catherine Crocket, Program Analyst
Heidi Sakelarios, Program Analyst
Leslie Sexton, Committee Secretary

OTHERS PRESENT:

A. G. Burnett, Chair, State Gaming Control Board
James R. Lawrence, Administrator and State Land Registrar, State Land Use Planning Agency, Division of State Lands, Department of Conservation and Natural Resources
Mike McMahon, Administrator, Division of Welfare and Supportive Services, Department of Health and Human Services
Steve Fisher, Deputy Administrator, Program and Field Operations, Division of Welfare and Supportive Services, Department of Health and Human Services

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Sue Smith, Deputy Administrator, Administrative Services, Division of Welfare
and Supportive Services Department of Health and Human Services
Julia Teska, Office of Fiscal Accountability, Department of Education

Chair Smith:

You have received the Senate Committee on Finance, Closing List #3, April 10, 2013 ([Exhibit C](#)), for the Office of the State Treasurer and the State Gaming Control Board (GCB). Two budget accounts (B/A) of the Office of the State Treasurer will be held for a future meeting. We will begin with the Municipal Bond Bank Revenue account.

ELECTED OFFICIALS

TREASURER'S OFFICE

Treasurer - Municipal Bond Bank Revenue — Budget Page ELECTED-189
(Volume I)
Budget Account 745-1086

Catherine Crocket (Program Analyst):

The Committee has not previously reviewed this budget account. Staff has developed closing recommendations. There are no major closing issues.

Senator Kieckhefer:

Why is the revenue in the current fiscal year (FY) so much higher than in FY 2011-2012 and Governor Brian Sandoval's recommendations for FY 2013-2014 and FY 2014-2015?

Ms. Crocket:

It is based on the amount of bonds from local entities that the State purchases to allow local entities to get more favorable interest rates.

SENATOR KIECKHEFER MOVED TO APPROVE B/A 745-1086 FOLLOWING THE GOVERNOR'S RECOMMENDATION; TO AUTHORIZE TECHNICAL ADJUSTMENTS BY STAFF TO ALIGN BOND INTEREST PAYMENTS WITH THE AMOUNTS SHOWN ON THE AMORTIZATION SCHEDULE PROVIDED BY THE TREASURER'S OFFICE AND TO MAKE TECHNICAL ADJUSTMENTS RELATED TO INTERAGENCY TRANSFERS.

SENATOR PARKS SECONDED THE MOTION.

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

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Chair Smith:

We will now consider the budget for the Municipal Bond Bank Debt Service.

Treasurer - Municipal Bond Bank Debt Service — Budget Page ELECTED-191
(Volume I)
Budget Account 395-1087

Ms. Crocket:

The Committee has not previously reviewed this budget account. Staff has developed closing recommendations. There are no major closing issues.

SENATOR WOODHOUSE MOVED TO APPROVE B/A 395-1087 FOLLOWING THE GOVERNOR'S RECOMMENDATION; TO AUTHORIZE TECHNICAL ADJUSTMENTS BY STAFF TO ALIGN BOND INTEREST PAYMENTS WITH THE AMOUNTS SHOWN ON THE AMORTIZATION SCHEDULE PROVIDED BY THE TREASURER'S OFFICE AND TO MAKE TECHNICAL ADJUSTMENTS RELATED TO INTERAGENCY TRANSFERS.

SENATOR GOICOECHEA SECONDED THE MOTION.

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

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Chair Smith:

We will now consider the budget for the Endowment Account.

Treasurer - Endowment Account — Budget Page ELECTED-201 (Volume I)
Budget Account 101-1094

Ms. Crocket:

The major closing issue is the stabilization of the Prepaid Tuition Trust Fund.

E-126 Sustainable and Growing Economy — Page ELECTED-202

The 2011 Legislature approved the College Savings Board of Trustees' recommendation to transfer about \$1.32 million in each year from the Endowment Account to the Prepaid Tuition Trust Fund to improve the financial viability of the Trust Fund. The Executive Budget includes the Board's recommendation to increase this transfer by \$500,000, or 38 percent in each year, bringing the total annual transfer to approximately \$1.82 million. According to the Treasurer's Office, an independent actuary recommends that the Trust Fund attain a 120 percent funded ratio to protect contract holders against fluctuations in investment returns. The funded ratio of the Trust Fund was 104.6 percent at the end of FY 2011-2012. The independent actuary projects that transferring about \$1.82 million to the Trust Fund annually, including the \$500,000 recommended increase, would bring the funded ratio to 117.5 percent, assuming the transfer continues at the same level for 22 consecutive years.

Pursuant to *Nevada Revised Statute* (NRS) 353B.160(10), the Board of Trustees of the College Savings Plans of Nevada is required to modify the terms of subsequent prepaid tuition contracts to ensure actuarial soundness as determined by the annual actuarial study required pursuant to NRS 353B.190.

SENATOR KIECKHEFER MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT E-126 TO INCREASE THE ANNUAL TRANSFER OF PROGRAM MANAGEMENT FEE REVENUES TO THE PREPAID TUITION TRUST FUND IN B/A 101-1094, BY \$500,000 IN EACH YEAR OF THE 2013-2015 BIENNIUM.

SENATOR GOICOECHEA SECONDED THE MOTION.

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

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Ms. Crocket:

The other closing items are listed on pages 13 through 15 of [Exhibit C](#).

E-125 Sustainable and Growing Economy — Page ELECTED-202

SENATOR PARKS MOVED TO APPROVE B/A 101-1094 WITH APPROVAL OF THE GOVERNOR'S RECOMMENDATIONS IN DECISION UNIT E-125 AND TECHNICAL ADJUSTMENTS MADE BY STAFF NOTED ON PAGES 13 THROUGH 15 OF [EXHIBIT C](#), AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS RELATED TO THE TREASURER'S OFFICE INTERNAL COST ALLOCATIONS.

SENATOR WOODHOUSE SECONDED THE MOTION.

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

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Chair Smith:

We will consider the account for the Higher Education Tuition Administration.

Treasurer - Higher Education Tuition Admin — Budget Page ELECTED-207
(Volume I)
Budget Account 603-1081

Ms. Crocket:

There are no major closing issues with this budget account. Other closing items are on page 18 of [Exhibit C](#).

The Governor recommends \$1,345 in FY 2013-2014 to replace one desktop computer and associated software in accordance with the Enterprise Information Technology Services (EITS) recommended replacement schedule.

E-710 Equipment Replacement — Page ELECTED-210

The Governor recommends revising the Treasurer's Office cost allocation methodology. The Fiscal Analysis Division has received Budget Amendment Nos. A130011081 and A130021081, which adjust cost allocations within this

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account, as well as other statewide rate adjustments. However, amendments have not been received to fully implement the revised methodology in all Treasurer's Office budget accounts. Accordingly, technical adjustments to the amendments received for internal cost allocations may be necessary.

E-800 Cost Allocation — Page ELECTED-210

E-801 Cost Allocation — Page ELECTED-210

SENATOR DENIS MOVED TO APPROVE B/A 603-1081 AS RECOMMENDED BY THE GOVERNOR, INCLUDING THE GOVERNOR'S RECOMMENDATIONS IN DECISION UNITS E-710, E-800 AND E-801, AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS.

SENATOR KIECKHEFER SECONDED THE MOTION.

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

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Chair Smith:

We will now consider the account for the Millennium Scholarship Administration.

Treasurer - Millennium Scholarship Administration — Budget Page ELECTED-214
(Volume I)

Budget Account 261-1088

Ms. Crocket:

There are no major closing issues for this account. There is one other closing item noted on page 21 of [Exhibit C](#).

The Governor recommends revising the Treasurer's Office cost allocation methodology. The Fiscal Analysis Division has received Budget Amendment Nos. A130011088 and A130021088, which adjust cost allocations within this account, as well as other statewide rate adjustments. However, amendments have not been received to fully implement the revised methodology in all Treasurer's Office budget accounts. Accordingly, technical adjustments to the amendments received for internal cost allocations may be necessary.

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E-800 Cost Allocation — Page ELECTED-217
E-801 Cost Allocation — Page ELECTED-217

SENATOR KIECKHEFER MOVED TO APPROVE B/A 261-1088 INCLUDING THE GOVERNOR'S RECOMMENDATIONS IN DECISION UNITS E-800 AND E-801, AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS RELATED TO INTERNAL COST ALLOCATIONS.

SENATOR WOODHOUSE SECONDED THE MOTION.

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

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Chair Smith:

We will move to the account for Unclaimed Property.

Treasurer - Unclaimed Property — Budget Page ELECTED-222 (Volume I)
Budget Account 101-3815

Ms. Crocket:

There are no major issues with this account. There are two other closing items on page 23 of [Exhibit C](#).

The Governor recommends \$6,540 in FY 2013-2014 to replace two desktop computers, two laptop computers and associated Microsoft Office software in accordance with the EITS recommended replacement schedule

E-710 Equipment Replacement — Page ELECTED-225

The Executive Budget recommends revising the Treasurer's Office cost allocation methodology. The Fiscal Analysis Division has received Budget Amendment Nos. A130013815 and A130023815, which adjust cost allocations within this account, as well as other statewide rate adjustments. However, amendments have not been received to fully implement the revised methodology in all Treasurer's Office budget accounts. Accordingly, technical adjustments to the amendments received for internal cost allocations may be necessary.

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E-800 Cost Allocation — Page ELECTED-225
E-801 Cost Allocation — Page ELECTED-225

SENATOR WOODHOUSE MOVED TO APPROVE B/A 101-3815 AS RECOMMENDED BY THE GOVERNOR, AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS RELATED TO INTERNAL COST ALLOCATIONS.

SENATOR PARKS SECONDED THE MOTION.

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

BUDGET CLOSED.

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Chair Smith:

We will now consider the GCB budget accounts.

COMMERCE AND INDUSTRY

GAMING

GCB - Gaming Control Board — Budget Page GAMING CONTROL BOARD-9
(Volume I)

Budget Account 101-4061

Heidi Sakelarios (Program Analyst):

The first major closing issue relates to travel and training. The Governor recommends \$95,436, \$41,961 of which is General Fund monies, in each year of the 2013-2015 biennium for travel and training for GCB members and staff to effectively regulate the gaming industry in Nevada.

The Executive Budget indicates that additional funding totaling \$3,547 per year is needed for out-of-state travel for Gaming Lab employees to attend lab manager and jurisdictional meetings and to meet with manufacturers. The GCB indicates participation in the lab managers' meetings and jurisdictional meetings would allow staff opportunities to discuss uniformity in technical standards for

approving gaming devices and gaming associated equipment, compliance issues, and regulatory matters with cross-jurisdictional impact.

The Executive Budget indicates that additional funding, totaling \$55,894 per year, is needed for in-state travel based on an increase in the number of audits to be conducted, field inspections of gaming devices, and attendance at Board and Commission meetings. According to the GCB, Gaming Lab staff will meet, either in Reno, or in Las Vegas, 26 times per year.

The 2011 Legislature approved the Governor's recommendation to increase the overall expenditure authority for travel by \$29,899 in each year of the 2011-2013 biennium. However, in FY 2011-2012, the GCB expenditures were \$68,487 less than legislatively approved. The GCB indicates that staff vacancies in the Gaming Lab resulted in a reduction in out-of-state travel expenditures in FY 2011-2012. Additionally, the GCB indicates that nearly half of the reversion for in-state travel during FY 2011-2012 was attributed to a temporary, agency-imposed suspension of travel for Gaming Lab employees due to the vacancies in the Gaming Lab. The remainder of the reversion for in-state travel during FY 2011-2012 was due to a reduction in the number of trips within the State and the length of time needed to complete out-of-town audits. The Agency indicates travel expenditures for the 2013-2015 biennium are projected to increase from the actual expenditures incurred during FY 2011-2012. The GCB indicates that the in-state travel projections included in the Executive Budget are based on the GCB established audit cycles, which require more audits to be completed during the 2013-2015 biennium, and U.S. General Services Administration rates for lodging and per diem, which vary based on the destination and travel period.

The Executive Budget recommends registration fees, totaling \$750 per year, for the International Association of Gaming Regulators (IAGR) conference, which provides Board members with access to other gaming regulators from around the world, and is vital for exchanging information, discussing policy and fostering cooperation with other gaming regulators both domestic and abroad. The GCB Chairman is currently treasurer of the IAGR.

The Executive Budget recommends \$35,245 each fiscal year of the coming biennium for training, technical manuals, and online training courses for Gaming Lab personnel to keep pace with rapid technological advancements in the gaming industry.

E-230 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-11

SENATOR KIECKHEFER MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT E-230 IN B/A 101-4061.

SENATOR DENIS SECONDED THE MOTION.

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

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Ms. Sakelarios:

The second major closing issue relates to the elimination of technology positions. The Executive Budget proposes to eliminate ten unclassified positions in the Technology Division, resulting in a reduction of \$1,077,462, \$263,297 of which are General Fund monies, in FY 2013-2014 and \$1,095,940, \$269,020 of which are General Fund monies, in FY 2014-2015. The positions recommended for elimination are currently vacant and include three audit agent positions and seven electronic lab engineer positions. Assembly Bill (A.B.) No. 279 of the 76th Session allows the GCB to utilize independent testing laboratories to inspect and certify gaming devices and equipment, rather than performing inspections and certifications directly. The implementation of A.B. No. 279 of the 76th Session and the increased use of independent testing laboratories have reduced the Agency's staffing needs. The GCB has testified that they do not anticipate any further staffing reductions because of using independent testing labs.

E-235 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-11

SENATOR GOICOECHEA MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT E-235 IN B/A 101-4061.

SENATOR KIECKHEFER SECONDED THE MOTION.

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

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Ms. Sakelarios:

The other closing items are listed on pages 27 through 28 of [Exhibit C](#).

The Governor recommends transfers from the GCB Investigation Fund account of \$3,000 in each year of the 2013-2015 biennium to establish a host fund for refreshments and meals provided during meetings with visiting dignitaries. According to the State Administrative Manual, section 2636, agencies with activities associated with economic development or tourism marketing, which have a legislatively approved host fund, may incur authorized expenditures for hosted dignitaries. The GCB indicates that meetings with federal and other state gaming officials and foreign dignitaries qualify as economic development for the state and the gaming industry.

E-225 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-11

The Executive Budget recommends a General Fund appropriation of \$2,500 in each year of the 2013-2015 biennium to outsource microfilming and document scanning. The GCB indicates that its in-house imaging program is unable to accommodate the Agency's imaging service needs. The GCB is collaborating with the State Library and Archives on large projects that do not have immediate deadlines. However, time-sensitive projects are better suited for outsourcing. Using a local vendor for projects in Las Vegas reduces shipping costs and increases the security of sensitive data during transport.

E-237 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-12

The Governor recommends General Funds totaling \$10,000 in each year of the 2013-2015 biennium be used for confidential investigations. The NRS requires that the funds transferred to the revolving account be in \$10,000 increments. The GCB indicates that lack of funding could prohibit their ability to gain access to targeted locations while conducting their covert operations.

E-236 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-12

The Governor recommends General Fund reductions totaling \$665 in FY 2013-2014 and \$1,212 in FY 2014-2015 resulting from the discontinuation of the EITS Web hosting services. The GCB indicates that it relocated its Website to a non-EITS server during FY 2011-2012; therefore, these services are no longer necessary.

E-244 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-13

The Governor recommends General Funds totaling \$354,373 in FY 2013-2014 and \$85,497 in FY 2014-2015 for replacement of computer equipment in accordance with State replacement schedules.

E-712 Equipment Replacement — Page GAMING CONTROL BOARD-14

The Governor recommends class code and position title changes for 26 unclassified positions. This decision unit has no fiscal impact.

E-811 Unclassified Changes — Page GAMING CONTROL BOARD-14

Senator Denis:

What is the volume of imaging work being outsourced?

Ms. Sakelarios:

The documents include data that will be loaded into their investigations databases.

Senator Denis:

I compare the \$2,500 figure with the cost of a high-quality scanner at about \$5,000. I wonder why an agency-owned scanner was not requested, unless the volume of work would preclude an office-sized scanner.

Ms. Sakelarios:

The GCB previously testified that their in-house imaging program does not have the capability to accommodate the additional workload. It is primarily a staffing issue, rather than a hardware issue.

Senator Denis:

The outsourcing of their Web hosting seems to run counter to our efforts to consolidate State information technology services for security reasons.

Chair Smith:

This instance of outsourcing will actually reduce the State budget.

SENATOR DENIS MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATIONS IN B/A 101-4061 INCLUDING DECISION UNITS E-225, E-236, E-237, E-244, E-712 AND E-811, AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS.

SENATOR KIECKHEFER SECONDED THE MOTION.

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

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Ms. Sakelarios:

Fiscal staff requests authority to make technical adjustments to the GCB account based on the final passage of A.B. Bill 7. The bill would expand the membership of the Gaming Policy Committee to include a representative of academia with knowledge of gaming and would authorize the appointment of an advisory committee on gaming education. According to the fiscal note submitted by the GCB, the fiscal impact of this legislation would total \$85,889 in FY 2013-2014 and \$85,837 in FY 2014-2015.

ASSEMBLY BILL 7 (1st Reprint): Revises provisions relating to the Gaming Policy Committee. (BDR 41-333)

SENATOR WOODHOUSE MOVED TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS TO B/A 101-4061 BASED ON FINAL PASSAGE OF A.B. 7.

SENATOR PARKS SECONDED THE MOTION.

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

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Chair Smith:

We will move to the budget for the Gaming Commission.

GCB - Gaming Commission — Budget Page GAMING CONTROL BOARD-17
(Volume I)
Budget Account 101-4067

Ms. Sakelarios:

The major closing issue in this account relates to travel and training. The Governor recommends General Funds totaling \$26,748 in FY 2013-2014 and \$25,870 in FY 2014-2015 for travel and training for Gaming Commission members and staff to effectively regulate the gaming industry in Nevada.

The request includes out-of-state travel, totaling \$6,174 in FY 2013-2014 and \$6,906 in FY 2014-2015, for one Commission member to attend the IAGR conferences. The conference location in FY 2013-2014 is Oslo, Norway. The IAGR has not announced the location for FY 2014-2015. Out of-state travel was not requested by the Commission, nor approved by the Legislature, for the 2011-2013 biennium. The Agency testified that Commission members often utilize funding from conference sponsors, other organizations or their own personal resources to pay for out-of-state travel because of State travel or funding limitations.

This request includes in-state travel, totaling \$18,923 in FY 2013-2014 and \$17,313 in FY 2014-2015, for Commission members and the one part-time staff member to travel for Commission matters. The Agency indicates the increased funding will allow Commission members and the senior research specialist to travel to Commission and administrative meetings.

This decision unit includes training costs totaling \$1,651 in each year of the 2013-2015 biennium, for the senior research specialist to travel to, and attend, the Las Vegas Gaming Expo to gain specialized training on the technology advancements in the gaming industry that can be used to advise the Commission on highly technical matters.

During the budget hearing, the Agency testified that the travel budget for the Commission was less than budgeted for the 2011-2013 biennium because the current Commission members have utilized videoconferencing. As new members may be appointed to the Commission, there is concern that they may choose to meet in person.

E-230 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-18

SENATOR KIECKHEFER MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION, INCLUDING DECISION UNIT E-230, TO CLOSE B/A 101-4067, AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS.

SENATOR WOODHOUSE SECONDED THE MOTION.

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

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Chair Smith:

We will now consider the GCB Investigation Fund.

GCB - Gaming Control Board Investigation Fund — Budget Page GAMING CONTROL BOARD-21 (Volume I)
Budget Account 244-4063

Ms. Sakelarios:

There are no major closing issues and one other closing item for this account.

Each of the enhancement units in this account reflect the Investigation Fund transfers necessary to correspond with the proposals reflected in the GCB account, B/A 101-4061. The details of the proposals are included in the highlights for the GCB account on pages 24 through 28 of [Exhibit C](#).

SENATOR GOICOECHEA MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATIONS TO CLOSE B/A 244-4063, AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS THAT MAY BE

NECESSARY AS A RESULT OF THE COMMITTEE CLOSING OF
B/A 101-4061.

SENATOR KIECKHEFER SECONDED THE MOTION.

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

BUDGET CLOSED.

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Chair Smith:

The hearing on Senate Bill (S.B.) 480 is now open.

SENATE BILL 480: Makes an appropriation to the State Gaming Control Board to change from a COBOL-based technology system to a modern technology system. (BDR S-1183)

A.G. Burnett (Chair, State Gaming Control Board):

This appropriation is for consultants to assist us with the alpha migration from antiquated COBOL-based software. The GCB and the Gaming Commission use this software to record the license status of individuals and entities who have obtained Gaming Commission approval, to record the status of gaming employees, to record activities pursuant to confidential enforcement cases, as a repository for the statuses of licensees and the history of any disciplinary action that may have been conducted, to record the identity of landlords, and to record the finances and revenues received from licensees. Those finances and revenues include gaming taxes, fees and fines. We use the software to record revenue charges from our investigators and our Gaming Lab. We use it to record employee registration fees. We have 443 nonrestricted licensees. We have 1,404 revolving accounts with balances totaling approximately \$10.4 million.

We need additional funding of approximately \$2 million in the 2013-2015 biennium. We anticipate the need for additional funding of approximately \$4.3 million in the 2015-2017 biennium and approximately \$4.4 million in the 2017-2019 biennium. The total estimated cost for our migration from a COBOL-based system is approximately \$10.7 million. This is

our best educated guess. Final costs will be dependent on timing, what we are able to implement and who we are able to utilize for the migration.

The current appropriation and one-shot request are adequate to meet our needs in the upcoming biennia. We want to be flexible, to reduce duplication of data entry and to maintain real-time access to data for our auditors and revenue collectors, investigators and enforcement staff.

The information presented to this Committee on February 5 has not changed. It is available on the Nevada Electronic Legislative Information System.

Chair Smith:

Seeing no questions or public comment, the hearing on S.B. 480 is closed.

The hearing on S.B. 461 is now open.

SENATE BILL 461: Makes an appropriation to the Division of State Lands of the State Department of Conservation and Natural Resources for the replacement of equipment beyond its normal scheduled replacement. (BDR S-1187)

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

We support S.B. 461. It provides a one-shot appropriation of \$29,553 so that the Agency's computer hardware and software purchases conform to the computer replacement schedule. During the past two biennia, our computer replacement purchases were not included in our budget requests in order to meet the budget reduction targets. The result has been that the computers have exceeded the warranty life of the equipment. We have been resourceful in repairing our computers with salvaged parts from retired computers. Employee workstations continue to become less functional and less reliable. We have computers still running on the Microsoft XP platform. That platform will not be supported by Microsoft after July 1, 2014.

Much of our Agency operations center on our State Land Office. We maintain a database of Agency-owned land and land authorizations. We serve other agencies with their land needs. We interact with U.S. Bureau of Land Management. We bill and collect revenue for the use of State lands.

We continue to experience increased software-compatibility issues as we electronically interact with outside entities. Our concern is that a delay in replacing our computer hardware and software another 2 years will have an adverse impact on our business operations and our support to other State agencies.

We ask for your special consideration of this item because it was not possible to include it in our Agency budget submittal and also meet the target for a flat budget.

Chair Smith:

Seeing no questions or public comment, the hearing on S.B. 461 is closed.

The hearing on S.B. 485 is now open.

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)

Mike McMahon, (Administrator, Division of Welfare and Supportive Services, Department of Health and Human Services):

The Patient Protection and Affordable Care Act of 2010 (ACA) created an opportunity for states to expedite the process for determining eligibility for Medicaid and the children's health insurance programs. In Nevada, the latter is referred to as the Nevada Check-Up program. The process uses an eligibility engine programmed with the State's unique eligibility requirements. When an application is entered into the system, the engine determines eligibility by comparing the data entered with the rules programmed into the system, thus allowing an expedited determination of eligibility for those programs. The technology can be expanded to include other social service programs such as the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), for the USDA Special Supplemental Food Program for Women, Infants and Children (WIC) and others simply by including the requirements of those programs in the engine. We wish to expand the capacity of the eligibility engine to create a one-stop process for determining eligibility for a broad range of services and programs.

We are in phase one of building the engine for Nevada Medicaid and Nevada Check-Up applications under the ACA which will go online January 1, 2014. The appropriation under S.B. 485 will allow us to move to phase two and add SNAP, TANF, WIC and other types of programs effective July 1, 2014.

The General Fund appropriation of \$452,100 will be used to leverage approximately \$10.5 million in federal funds for the project. The total allocation for the project is approximately \$11 million.

Senator Kieckhefer:

Following the completion of phase two, which programs run by the Department of Health and Human Services (DHHS) will use this eligibility engine? Is the goal to have all programs run by the Department use this eligibility engine? Will that include disability services?

Mr. McMahon:

If one eligibility engine could do that, the applications procedures for all Nevadans would be easier. Income eligibility for disability services can be determined now. The functional assessments for disability services are beyond what we can do with the eligibility engine. The DHHS, Division of Health Care Financing and Policy, Medicaid Services typically makes those assessments.

Senator Kieckhefer:

Following the expenditure authorized by S.B. 485, will every application be run through the eligibility engine?

Mr. McMahon:

Access Nevada, an online application process, is in place now and accounts for approximately 20 percent of the applications we receive. When the eligibility engine is connected to it, all applications will then go through the engine to give us an initial determination of eligibility. Expanding the engine's database of additional programs' rules will allow us to expedite the application process for those programs as well.

Steve Fisher (Deputy Administrator, Program and Field Operations, Division of Welfare and Supportive Services, Department of Health and Human Services):

Phase two of the creation of the eligibility engine will be accomplished by the appropriation in S.B. 485. The plan is to incorporate TANF and SNAP rules in

the engine. The intent of phase three would be to add WIC and other Department programs.

Senator Kieckhefer:

Would the engine be cross-divisional? You run eligibility screening for the divisions. The DHHS Division of Mental Health and Developmental Services handles applications for the disability programs. Would we be moving all eligibility determinations, except functional assessments, through your Division under a potential phase three?

Mr. Fisher:

Other agencies could use the eligibility engine through their own automated systems by feeding the engine with their rules and receiving a determination from the engine.

Senator Kieckhefer:

We may be confusing the term "eligibility engine" with the term "application process." I would like to see one place for citizens to go to do both.

What is the matching percentage we will receive from the \$452,100 General Fund appropriation in S.B. 485?

Sue Smith (Deputy Administrator, Administrative Services, Division of Welfare and Supportive Services Department of Health and Human Services):

It is over 95 percent, a high federal match. It is based on the current federal reimbursements rates under the ACA.

Senator Kieckhefer:

Are those the rates negotiated by the Governor with U.S. Health and Human Services Secretary Kathleen Sebelius?

Ms. Smith:

No. It is from the ACA for the \$27 million project.

Chair Smith:

Seeing no questions or public comment, the hearing on S.B. 485 is closed.

The Work Session on S.B. 157 is now open.

SENATE BILL 157: Revises provisions relating to the budgets of school districts.
(BDR 34-849)

Mark Krmpotic (Senate Fiscal Analyst):

This bill, as introduced, relates to the budgets of school districts. It requires, within the limits proscribed by law, the superintendent and the board of trustees to establish criteria in preparing the budgets of school districts. At the hearing, Proposed Amendment No. 7754 ([Exhibit D](#)) was presented that would correctly reflect the duties of the superintendent and the board of trustees. There was concern by Committee members.

Chair Smith:

At the hearing, Dr. Dotty Merrill, Executive Director of the Nevada Association of School Boards, testified with Senator Mark A. Hutchison on this bill. They agreed that Proposed Amendment No. 7754 was necessary and beneficial to the bill.

SENATOR KIECKHEFER MOVED TO AMEND AND DO PASS AS AMENDED S.B. 157.

SENATOR GOICOECHEA SECONDED THE MOTION.

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

* * * * *

Chair Smith:

The Work Session on S.B. 350 is now open.

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

Mr. Krmpotic:

This bill revises provisions relating to capital projects for school districts. Existing law provides that proceeds of certain taxes deposited in the school district fund for capital projects may be pledged to the payment of bonds and other obligations issued to finance the construction of buildings for schools and other capital projects. This bill authorizes the use of such proceeds to make

payments pursuant to installment purchase agreements or lease purchase agreements entered into for those purposes. Section 2 of the bill expands a list of authorized purposes to include the purchase of motor vehicles and other transportation-related equipment and equipment used to educate pupils. At the hearing, the Committee expressed concern about section 2 of the bill regarding the potential expansion of the use of these proceeds and the phrase "without limitation" in paragraph (e).

Senator Kieckhefer:

I have concerns about the language in section 2, subsection 1, paragraph (e), "including, without limitation, equipment to be used to educate pupils." From the testimony at the hearing, I conclude that the intent is related to transportation needs. If this is correct, we could strike that language.

Chair Smith:

I raised an issue at the hearing about section 1, subsection 5, paragraphs (a) and (b) that would allow a private entity to design and build a school and subsequently enter into a lease-purchase agreement with the school district. Without further study, I am uncomfortable instituting a new system of building schools. I talked to the sponsor of the bill about amending the bill to delete that language and to further work on the language of the bill. Is there any objection to that idea?

Senator Goicoechea:

I have no objection as long as we will continue to look at it.

Chair Smith:

We need more detail about how the bill will be implemented. We have similar opportunities in other parts of statutes. Since this bill is not exempt, we need to take action today to keep it moving.

SENATOR KIECKHEFER MOVED TO AMEND AND ADOPT AS AMENDED S.B. 350 BY STRIKING THE REFERENCE TO LEASE-PURCHASE AGREEMENTS IN SECTION 1, WITH THE UNDERSTANDING THAT SUCH LANGUAGE WILL BE RECONSIDERED AT A LATER DATE, AND BY STRIKING "INCLUDING, WITHOUT LIMITATION, EQUIPMENT TO BE USED TO EDUCATE PUPILS" FROM SECTION 2, SUBSECTION 1, PARAGRAPH (E).

SENATOR GOICOECHEA SECONDED THE MOTION.

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

* * * * *

Chair Smith:

The Work Session on S.B. 185 is now open.

SENATE BILL 185: Revises the limitation on the principal amount of bonds and other securities that may be issued by the Board of Regents of the University of Nevada to finance certain projects. (BDR S-914)

Mr. Krmpotic:

This bill will increase the bonding authority for the University of Nevada, Reno from the current level of \$348,360,000 to \$427,715,000. At the hearing, the Nevada System of Higher Education provided a list of projects ([Exhibit E](#)) that would be considered with the increased bonding authority.

SENATOR KIECKHEFER MOVED TO DO PASS S.B.185.

SENATOR PARKS SECONDED THE MOTION.

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

* * * * *

Chair Smith:

The Work Session on S.B. 477 is now open.

SENATE BILL 477: Revises provisions relating to the basic support guarantee per pupil for school districts and the allocation of special education program units. (BDR 34-499)

Mr. Krmpotic:

The bill was submitted on behalf of the Committee to Study a New Method For Funding Public Schools, funded and authorized by S.B. No. 11 of the

76th Session. The hearing on S.B. 477 was held on April 8. Section 1 of the bill places in statute certain factors to be used in distributing kindergarten through Grade 12 (K-12) education dollars to school districts. The Committee had concerns about the language in section 1, subsection 2, paragraph (h), "Any other factors specified by the Department by regulation." Staff discussed this with the Department of Education, which indicated that this language could provide the Department with some flexibility to consider adding any other factor that might be included in regulation. It was pointed out that regulations would come before the Legislative Commission for consideration and perhaps the State Board of Education (SBE).

Section 1, subsection 3, paragraph (a) mandates that the Department shall review the factors set forth in subsection 2 at least every 6 years. During the interim study, it was indicated that the last such review had taken place in 2004.

Section 1, subsection 3, paragraph (c) mandates that the Department shall "develop and post on the Internet Website maintained by the Department an informational pamphlet concerning the administration of the *Nevada Plan for School Finance*." This was generally supported by the Committee at the hearing on April 8. Since the bill would become effective July 1, the question arises whether the Department would be able to post such a pamphlet by that date. Because the language says "develop and post," there appears to be some flexibility with that deadline.

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

To address the Committee's concerns about adding "Any other factors specified by the Department by Regulation," I submit NRS 385.080 which mandates that our regulations must go to the SBE and through the Legislative Commission process. This provides many opportunities for public input. Any addition to regulations that we may propose would be the result of the evaluations of the funding methods for special education conducted every 6 years according to section 1, subsection 3, paragraph (b) of the bill. Under NRS 385, the Department must convene ongoing groups to study K-12 funding. The requirements of S.B. 477 will fit well with what we already do. Department recommendations to the SBE and the Legislative Commission for regulation changes originate from these ongoing study groups.

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Senator Kieckhefer:

Ms. Teska's remarks resolve my concerns with that language.

Ms. Teska:

The Department has every intention of having a basic explanation of the current equity allocation model posted on the Internet by July 1.

SENATOR DENIS MOVED TO DO PASS S.B. 477.

SENATOR PARKS SECONDED THE MOTION.

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

* * * * *

Chair Smith:

The Work Session on S.B. 489 is now open.

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)

Mr. Krmpotic:

This bill would extend the deadline to June 30, 2019, for the issuance of certain general obligation bonds to protect, preserve and obtain the benefits of the property and natural resources of the State. At the hearing, the Committee had questions relating to the availability of Question 1 (Q1) bond funds. The Governor recommends a modest number of Q1 projects for the 2013-2015 biennium. At the hearing, Mr. Lawrence indicated that approximately \$21 million would be available for State lands, about \$3 million would be available for State parks and approximately \$3 million would be available for wildlife.

Additional information will be presented to this Committee and the Assembly Committee on Ways and Means soon regarding the bonding authority for the 2013-2015 biennium and revised property tax projections and how they will affect the State's ability to issue Q1 debt and general obligation debt to support the State's Capital Improvement Program.

Senator Goicoechea:

At this point, is there any remaining bonding capacity?

Chair Smith:

No. According to testimony at the hearing, the State is constantly looking for more capacity.

Senator Goicoechea:

Does S.B. 489 simply extend the deadline for issuing bonds if additional capacity becomes available?

Chair Smith:

It does. At the hearing, I specifically asked if the Department has projects in line for bond funding if we find additional bonding capacity, which I want to find.

SENATOR GOICOECHEA MOVED TO DO PASS S.B. 489.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

* * * * *

Chair Smith:

I am pulling Senate Joint Resolution 6 from the Work Session agenda today because a proposed amendment was not germane. I want to commend the Youth Legislature for their hard work in bringing that legislation forward and for their pursuit of a suitable amendment.

SENATE JOINT RESOLUTION 6: Proposes to amend the Nevada Constitution to create the Governor Guinn Millennium Scholarship Trust Fund.
(BDR C-47)

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Chair Smith:

Seeing no comments from the Committee and no one wishing to offer public comment, the meeting is adjourned at 9:45 a.m.

RESPECTFULLY SUBMITTED:

Leslie Sexton,
Committee Secretary

APPROVED BY:

Senator Debbie Smith, Chair

DATE: _____

<u>EXHIBITS</u>				
Bill	Exhibit		Witness / Agency	Description
	A	2		Agenda
	B	2		Attendance Roster
	C	31	Mark Krmpotic, Senate Fiscal Analyst	Senate Committee on Finance, Closing List #3, April 10, 2013
S.B. 157	D	2	Mark Krmpotic, Senate Fiscal Analyst	Proposed Amendment 7754 to <u>S.B. 157</u>
S.B. 185	E	1	Mark Krmpotic, Senate Fiscal Analyst	NSHE Additional Bonding Authority Request pursuant to <u>S.B. 185</u>