

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Eighth Session
April 23, 2015**

The Committee on Government Affairs was called to order by Vice Chairman John Moore at 8:38 a.m. on Thursday, April 23, 2015, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/78th2015. In addition, copies of the audio or video of the meeting may be purchased, for personal use only, through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman John Ellison, Chairman
Assemblyman John Moore, Vice Chairman
Assemblyman Richard Carrillo
Assemblywoman Victoria A. Dooling
Assemblyman Edgar Flores
Assemblywoman Amber Joiner
Assemblyman Harvey J. Munford
Assemblywoman Dina Neal
Assemblywoman Shelly M. Shelton
Assemblyman Stephen H. Silberkraus
Assemblywoman Ellen B. Spiegel
Assemblyman Lynn D. Stewart
Assemblyman Jim Wheeler
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None



GUEST LEGISLATORS PRESENT:

Senator Ben Kieckhefer, Senate District No. 16

STAFF MEMBERS PRESENT:

Jered McDonald, Committee Policy Analyst
Eileen O'Grady, Committee Counsel
Erin Barlow, Committee Secretary
Cheryl Williams, Committee Assistant

OTHERS PRESENT:

Michael Pagni, representing the Washoe County Water Conservation District
Steve Walker, representing Truckee Meadows Water Authority
Brent Gunson, Assistant City Attorney, City of Henderson
Yolanda King, Chief Financial Officer, Department of Finance, Clark County
Wes Henderson, representing Nevada League of Cities and Municipalities
Rocky Finseth, representing the Henderson Chamber of Commerce
Joshua Hicks, representing the Southern Nevada Homebuilders Association
David Goldwater, representing KB Home
Juanita Clark, representing Charleston Neighborhood Preservation
James Smack, Chief Deputy Controller, Office of the State Controller
Sherry L. Rupert, Executive Director, Nevada Indian Commission, Department of Tourism and Cultural Affairs
Warren Hardy II, representing the Virgin Valley Water District
Adam Mayberry, Community Relations Manager, City of Sparks

[Assemblyman Moore assumed the Chair.]

Vice Chairman Moore:

I will open the hearing on Senate Bill 311.

Senate Bill 311: Revises provisions relating to irrigation districts. (BDR 48-831)

Senator Ben Kieckhefer, Senate District No. 16:

Senate Bill 311 tries to address an impending public safety and water safety issue in Washoe County. It is a bill of general applicability, so it would apply to various other irrigation districts across the state. The primary purpose is because the outlet of Boca Reservoir, a federally owned reservoir that ranges

along the Truckee River from Lake Tahoe down into the Truckee Meadows and eventually into Pyramid Lake, is in need of a seismic retrofit. The Washoe County Water Conservation District, which is a partner with the federal government in that reservoir, is responsible for a percentage of the cost of that construction project. Current statute limits the debt capacity for such a conservation district to \$1 million. The percentage of the conservation district's share of the retrofit expense would exceed that amount. This bill is an effort to increase that debt limit up to \$6 million to allow the conservation district to indebt itself for its appropriate share of the costs of this important project for the water system that serves the Truckee Meadows.

Michael Pagni, representing the Washoe County Water Conservation District:

As Senator Kieckhefer indicated, the purpose of this bill is to resolve a potential conflict between federal and state law. As he indicated, under current state law, irrigation districts are authorized to enter into contracts with the federal government to construct, maintain, and operate federal works, including reservoirs. There is a debt limitation under the *Nevada Revised Statutes* (NRS) 539.477 which provides that irrigation districts cannot incur a liability or obligation under these contracts in excess of \$1 million aggregate. Under current federal law, specifically the Reclamation Safety of Dams Act ([Exhibit C](#)) from 1978, the Secretary of the Interior is authorized to perform modifications reasonably necessary to preserve the structural safety of dams. Under that Safety of Dams Act, 15 percent of the costs that the federal government incurs are required to be reimbursed by the project beneficiaries, or in this case, the irrigation districts. The Bureau of Reclamation, in our case, has recently conducted a seismic study and determined that structural repairs are needed to the Boca Dam. Their estimates for the work are as high as \$24 million. The potential reimbursable costs could be as high as \$3 million for the district, thus the need for the bill. The purpose and intent of this bill is to resolve the potential conflict between our obligations under federal law, which is to reimburse the federal government for that 15 percent, and our limitations under state law, which do not allow us to enter a contract in excess of \$1 million.

The bill would resolve this conflict by specifically carving out contracts entered into in accordance with the Safety of Dams Act under federal law, allowing the district to incur indebtedness up to \$6 million. That gives us a little leeway, as federal contracts can end up escalating as they go through the process and in case this particular project goes higher. It would also authorize the board of directors to enter into that reimbursement contract with the federal government under the Safety of Dams Act. There are specific regulations on reimbursement contracts with irrigation districts, and this would authorize us to enter that and allow these separate assessments on the lands to be repaid over time.

The bill also includes clean-up language which will allow us to round up to the nearest acre on our assessments. That will make administration a little easier. I did speak with Rusty Jardine, the manager of the Truckee-Carson Irrigation District out in Fallon. He could not attend because he had a meeting, but he wanted me to indicate that the Truckee-Carson Irrigation District is in support of this bill.

Vice Chairman Moore:

Are there any questions from the Committee? [There were none.] I will take testimony in support of S.B. 311.

Steve Walker, representing Truckee Meadows Water Authority:

The Truckee Meadows Water Authority uses the Boca Reservoir for storage of the municipal water supply through droughts. As we move into the Truckee River Operating Agreement, Boca Reservoir becomes even more important for drought storage with an agreement with the Pyramid Lake Tribe. We are in support of this bill.

Assemblywoman Neal:

When you have done this in the past, what was the percentage for the index revenue bonds? Was it less than 5 percent?

Steve Walker:

I do not know any of the activities in the past. I know that Boca was built with Bureau of Reclamation money years ago. It was reimbursed by the irrigation district, but I cannot answer your question. I would suggest that the council for the irrigation district might be able to.

Michael Pagni:

The federal Safety of Dams Act sets forth the interest rate that would apply for irrigation projects. It is a 50-year repayment schedule, and the interest rate is tied to the treasury under that act. In our case, on these types of projects it will be much lower than 5 percent, and it will be set forth by the federal statute. The rate will depend on the percentage allocated to industrial, municipal, and irrigation uses. The rates will vary depending on what the reimbursable purpose is, but it will be lower than the current 5 percent.

Assemblywoman Neal:

Did you upload the most recently published index of revenue bonds?

Michael Pagni:

I did not, but I would be happy to upload the rates that are referenced in that law for the Committee. [Also provided written testimony ([Exhibit D](#)),

informational PowerPoint ([Exhibit E](#)), and support letter from the Truckee-Carson Irrigation District ([Exhibit F](#)).]

Vice Chairman Moore:

Are there any further questions? [There were none.] Is there anyone else supporting S.B. 311? Is there anyone opposed? [There was no one.] Is there anyone neutral? [There was no one.] Will the bill sponsor please come forward?

Senator Kieckhefer:

I have no further comment other than to thank you and the Committee for hearing this bill.

Vice Chairman Moore:

I will close the hearing on S.B. 311. We will take a 20-minute recess.

[The Committee recessed at 8:49 a.m. and reconvened at 9:09 a.m.]

Vice Chairman Moore:

I will open the hearing on Senate Bill 47 (1st Reprint).

Senate Bill 47 (1st Reprint): Makes various changes relating to the Consolidated Local Improvements Law. (BDR 22-421)

Brent Gunson, Assistant City Attorney, City of Henderson:

I am here to discuss Senate Bill 47 (1st Reprint), which deals with local improvement districts. We are specifically seeking to amend the *Nevada Revised Statutes* (NRS) Chapter 271, which is concerned with improvement districts. We refer to them in the City of Henderson as local improvement districts (LID). I know that other municipalities refer to them as special improvement districts. Regardless of their name, they serve the same purpose.

Local improvement districts are designed to assist developers and communities to build and install infrastructure within new development. They have been instrumental in the development of Nevada to date. The way they work is that when a developer takes down a new tract of land, the developer will come to the city with a development plan and a list of projects they hope to construct. The city then reviews those projects. A district engineer will include those projects in what is statutorily called an engineer's report. Then the city will create the district by ordinance. Along the way, typically bonds will be sold to create a fund of money to pay for these improvements. The bonds will then be acquired by the city, become public projects, and the owners of the properties

will then pay off the bonds over time through assessments. That is a brief background on LIDs.

In 2011, the Legislature passed a very important bill that allowed cities and counties to modify improvement districts. This was important at that time because we had just been through the recession and had several districts that required modification. Specifically, the Inspirada project in the City of Henderson had just been through bankruptcy, and we had been approached by the developer with the hope that they could modify the list of projects in the district. After several months and many discussions, we were able to accomplish that, and now Inspirada is a very successful project, one of the most successful projects in the country.

It was because of that legislation that we were able to do that. But through that process, we found a few tweaks that might really help the process in the future. That is one of the reasons we are here today. We are seeking a few changes, and I would like to go over those with you briefly. The first change I would like to discuss is in section 22 of the bill. It deals with modifications for projects or changes that are functionally equivalent. In order to accomplish this change, a project needs to be determined by the project engineer to be functionally equivalent to the existing described project.

I will give you an example as to how this might work. Recently at Lake Las Vegas, we had originally planned a gravity water tower to serve water to the community. The way this would work is that this water reservoir would be built, and gravity would feed water down to the homes that would be built there. The developer came to us and indicated that once they had been out there to look at the property and get a sense of what it would take to build this water project, they decided it would be much cheaper and effective to complete the project through a pump system. Since this project was functionally equivalent to the original project and it provided the exact same benefit to the property owners, we figured it would be a benefit to move forward with that type of project. This is the type of change we are seeking to accomplish. It is not a major change like in Inspirada where there were numerous attorneys involved. In that case, it took several months to accomplish, and we completely redid the entire project list. This would be a very minor change for one project that would still accomplish the same objective but through a different path.

We believe this would save developers significant time and money. Going through the modification process that exists now requires us to seek the approval of bondholders. We found that getting all the bondholders, developers, the city, the trustee and all their attorneys in the room can cost in excess of

\$1 million like it did for Inspirada. For very minor changes such as this, we feel it is extremely efficient.

Another change we are seeking is because we have certain properties that have still not fully recovered from the economic downturn. When we have an assessment on a property and that assessment goes into default, we have a foreclosure sale similar to what the county does with their tax sales. If the property does not sell at the foreclosure sale, then the city becomes the custodian of that property in a way. By statute, interest has to accrue on that property at a rate of 12 percent per year. Whoever comes to buy the property will have to pay that interest. The problem is that at 12 percent a year, the penalties in interest on the property may exceed the increase in the value of property prices. Therefore, it becomes very difficult to sell that property. The legislation in this bill would allow the city, if the city is the holder of that property after the foreclosure sale, to waive the 12 percent interest rate. It would make the property a lot more marketable and easier for potential developers to purchase and develop.

Currently, if a property is sold at a tax sale, purchasers of that property at the sale are not required to pay the assessment that the city may assess on the property. Every other lien is wiped out, such as mortgages and mechanics liens, through a sale at the county, but our assessment is not. To eliminate the confusion of having a property owner who purchases from the county and one who purchases from the city with a coequal superpriority loan, this bill would require purchasers at the county to first go to the city to pay off their assessments prior to receiving a deed. This ensures that purchasers of properties sold at county tax sales will have clear title to the property and will not be stuck with an assessment lien that they were unaware of.

Another change we are seeking to accomplish through this bill is to create a new tool that we refer to as "neighborhood improvement districts." Although this is a change that occurs throughout the bill, we are really just looking to make one change. Right now, under NRS Chapter 271, you can have a commercial area revitalization project. The way that works is that property owners can come together and create a district in a commercially zoned area in which they can create beautification projects through this commercial area revitalization district. This bill seeks to eliminate the requirement that the land be zoned commercially and also allow it to be zoned residentially. This would allow residents to also have a mechanism to come together and create a beautification district identical to what is now referred to as commercial area revitalization districts.

There are a few other minor changes we are seeking through this bill. One is to eliminate the 1,500-foot notice requirement when we do a modification. The reason for that is because the current statute can be interpreted to mean that the 1,500-foot notice requirement begins at the edge of the district. People who live 1,500 feet away from the district would still be getting notice of modification. This created significant confusion among residents when we modified the Inspirada LID. People were wondering if their district was being modified, because they did not live in the Inspirada district. The change we are seeking would require us to provide notice to people actually living in the district. Those are the people who are affected and who really need to have notice. It would eliminate confusion from people getting notice for a district they do not live in.

Those are the primary changes we are seeking to accomplish. We have met with numerous other parties in hopes of gaining support for this bill. We have worked with the southern and northern Nevada homebuilders associations, and we have the support of various homebuilding organizations, homebuilders, and developers. We also have the support of various counties throughout the state, and we believe this will provide a good avenue for us to complete and improve upon the bill that was passed back in 2011.

Assemblyman Stewart:

Can you go over the neighborhood improvement districts? How would they be notified and how would these be assessed, and what would happen if someone could not or did not pay the assessment fee?

Brent Gunson:

The way the commercial area revitalization districts currently work is that the district itself presents a budget to the city or municipality for the projects. The city and the district work together in determining exactly what the assessments will be going forward. Those assessments are assessed by the city and enforced in the same way other assessments are in improvement districts. There are a few ways it can work. The property owners within the commercial area revitalization district can also form their own organization that can manage the district. That organization would then contract with the city, and the city would basically be there to collect the assessments and enforce the assessment process.

Assemblyman Stewart:

What if there is a business in that district that is bankrupt? How is that taken care of? Would the same thing happen if there is an empty house in the neighborhood district?

Brent Gunson:

If there is an empty house or a bankrupt project, then the city would, I assume, become a creditor in the bankruptcy to enforce the assessment, just like in any other improvement district. If there was an empty home, the property owner would be responsible for paying the assessment.

Assemblyman Stewart:

So you would hold the open, town-hall type meetings with the homeowners in that proposed district, and then they would have a chance to voice their opinions and there would be a vote and majority rule? Would that kind of process happen?

Brent Gunson:

Absolutely. A majority of the residents and property owners in the district would be involved. A majority would have to come together and present the idea to the city. Then the city would have public hearings and create the district through an ordinance. There would be a public hearing and notice process. There is also language in the current statute that allows the city to create a district unilaterally that would require more than two-thirds of the property owners. I do not see that ever happening in a residential area at all. That would probably only happen in a commercial area. But that would need a more than two-thirds majority to consent.

Assemblywoman Neal:

While considering section 18, subsection 2, paragraphs (c) through (e), I looked at the legislative history. Tell me about paragraph (d). Under the law, the funds that were created recycle themselves and pay for future projects or additional things. In existing law, the legal fees and other costs were not included as costs that could be paid out of those assessments. Why are we adding that?

Brent Gunson:

The purpose is that when the district is set up, a surplus deficiency fund is also created. When a district closes out, some of the money that is left over is put into this surplus and deficiency fund. It is like a rainy day fund that the city can use for different districts, no district in particular, but any district. As it stands now, the city can use the money to pay for delinquent bonds, the issuance of refunding bonds, and collecting delinquent assessments. We have not been able to use the money for those purposes, so the money has just been inefficiently sitting there. We had the modification of Inspirada, which was extremely expensive, almost cost-prohibitive. Fortunately, the developers for Inspirada were a national brand of builders and could foot the bill. But in many cases, we will not have that. In order to avoid the city having to draw from its general fund to amend a district at the request of a developer, we would like to

use that money that has been set aside for that purpose. The way I see it, that case would be a rainy day.

Assemblywoman Neal:

I was reading the minutes from 2005 with John Swendseid when they changed the surplus amount from \$10,000 to \$25,000. Now you are changing it from \$25,000 to \$50,000. In that meeting in 2005, they said the intent of that existing law is that you refund everything over \$10,000 to the former owners of the property. They suggested changing it from \$10,000 to \$25,000 because of what you called the surplus and deficiency fund. It was there to make up for the shortfalls in other districts. The \$10,000 went all the way back to 1970, and \$25,000 was changed in 2005. Now you are asking for, as I understand, that anything over \$50,000 would then be given a different threshold. What does that mean if the intent behind it was to set it up to take care of shortfalls in other assessment districts? Now the amount that will be refunded is a lot higher than \$25,000.

Brent Gunson:

The amount that is used in the fund will be used for shortfalls. That is one of its purposes. If any district that is within the city has a shortfall, or if the city has a problem collecting bonds because we are not collecting enough assessments, then that surplus and efficiency fund can be used. One reason we wanted to change this was because we came pretty close to that in the last economic downturn. Fortunately, we have been able to pay our bonds, but we have had to draw on our reserve fund. If we were to have another real estate crash similar to the one we had recently, it would be very difficult to survive and continue paying our bonds without a little padding. This seeks to provide us a little more padding to pay that if necessary. It has not been amended since 2005, so it has been a long time. The additional \$25,000, from the perspective of a refund, is fairly minimal when you consider how many people are getting this refund. For example, in Inspirada, there will be approximately 7,000 units when it is built out. It comes out to \$3 or \$4 per unit. The expense of that refund can be astronomical. We have to track down the people who need to be refunded. If a person prepaid 10 years ago, they deserve the refund. We have to track them down, and the administrative costs are extremely high. Part of this change is meant to help us out in that regard.

Vice Chairman Moore:

Are there any more questions? [There were none.]

Yolanda King, Chief Financial Officer, Department of Finance, Clark County:

We are in support of the bill. There were some amendments that were placed in the Senate Committee on Government Affairs that were concerns with the

treasurer and collections of assessments. Those concerns have been addressed, and therefore we are in support of the bill as amended.

Wes Henderson, representing Nevada League of Cities and Municipalities:

We are in support of this bill. We believe it adds flexibility to an existing economic development and quality of life tool that our municipalities use.

Rocky Finseth, representing the Henderson Chamber of Commerce:

We also wanted to put our support of this very important piece of legislation on the record. [A letter of support from the Henderson Chamber of Commerce ([Exhibit G](#)) will become part of the record.]

Joshua Hicks, representing the Southern Nevada Homebuilders Association:

I am here in support of this bill. We have been working with Henderson on this and think this is an important tool that they, homeowners, and developers can use for their communities.

[Assemblyman Ellison reassumed the Chair.]

Assemblywoman Neal:

My question is from section 28 of the bill. When I got my information, I understood that the county had been selling property without giving notice of the other assessments that were on the property. When I heard that, I did not get it. When I was reading the minutes from 2005, it said that in 2005 they had to change their assessment priority to match what the property tax priority was, and then there was a period of redemption. How did the county not give notice? One example was that there was approximately \$600,000 in property taxes in assessment on one property, and the people who bought it had no notice of that and thought they were getting a great deal. Then Henderson said they owed \$600,000. How is it possible that you did not provide that information?

Yolanda King:

I have no idea what exactly you are referring to, so I would have to ask the county treasurer. It sounds like there was a specific situation, so I would have to talk to you about it after the meeting.

Assemblywoman Neal:

When we have this conversation, I would like to find out how the priority of assessment liens got changed from 2005 until now. The purpose of the bill in 2005 was to correct, and to say the city has the same lien against the property as it would for someone who has not paid property taxes. How could that fall out of notice and someone not knowing it was attached to their deed? I am

assuming the reason why the bill says the county treasurer may not issue a quit claim deed is for that very reason.

Yolanda King:

I know the county treasurer had concerns with the noticing language in the bill as originally written. Some of that was amended, and they are okay with how the amendment is. But I do not know the answer for the priority of assessments and how notification works.

Chairman Ellison:

Assemblywoman Neal, I think you answered my question. Were the same questions asked in the Senate Committee on Government Affairs?

Yolanda King:

I do not recall those same types of questions.

Wes Henderson:

I do not recall hearing those questions in the Senate Committee on Government Affairs.

Chairman Ellison:

I hope we can get those questions answered soon.

David Goldwater, representing KB Home:

We wanted to add our support to this important piece of legislation.

Chairman Ellison:

Is there anyone else to speak in favor of the bill? [There was no one.] Is there anyone opposed?

Juanita Clark, representing Charleston Neighborhood Preservation:

My organization offered many things to Assemblywoman Neal regarding her questions. You all know who this money belongs to. It belongs to the residents. Yet there is no one here to testify for them, and there does not seem to be much testimony in opposition. We the people are probably not very cognizant of this legislation. We have had an exciting time in Las Vegas regarding the soccer stadium and the use of people's money. There was a strong statement by our City Council that the people should not be allowed to vote on this issue.

I was struck by the testimony from Mr. Gunson. He used phrases, and rightfully so, such as "kind of," "sort of," and other phrases that are not specific. What was specific was not notifying anyone outside of the boundary

line, because it aroused concerns that the people he represents would rather not address. I can understand that. But we are very concerned that this information does not get out to the public. It is not that it does not get out, but there is an interest in not getting it out to the public. We are against any expanding of financial padding. Our residents are not just in the Charleston neighborhood. We ask that homebuilders and big builders pay attention to how the people's money is spent, and if it really is on their behalf. We think our representatives who have just been put into office are very cognizant of the fact that our printed money is not increasing.

Assemblywoman Spiegel:

When reading through the bill, my understanding is that a neighborhood improvement project could not be put in without a vote of the people who would be affected by this. Do you have any thoughts about that? In some cases, it must be a two-thirds majority that approves. Are you opposed to that as well?

Juanita Clark:

That would be highly questionable. Homeowners' money is also in the commercial areas. We would like to have more open meetings, with attention paid to homeowners having input, and that they are encouraged rather than discouraged from getting involved. That seems to ebb and flow depending on who is in office, and I am happy to say that we have been excited about this Legislature, and you have been open to recognizing that the majority of people are not very well informed, not necessarily from our own personal experiences, but from not having information. For instance, we do not know where postings are. Of course, that has nothing to do with you.

Assemblywoman Spiegel:

I was just asking if you were also opposed to putting this out to a vote of the people before it could go through, so it was just a simple yes or no question.

Juanita Clark:

I am not opposed to putting it out to a vote.

Chairman Ellison:

Is there anyone else in opposition? [There was no one.] Is there anyone who is neutral? [There was no one.] There was a question from Assemblywoman Neal, so will the presenter of the bill please come back up?

Brent Gunson:

Assemblywoman Neal, could you please repeat your question for me?

Assemblywoman Neal:

Can you talk about the example that you gave about the unknown, six-digit lien attached to a good deal on a property?

Brent Gunson:

That was a specific example that we shared from 2014. There was a sale, and I do not know the exact details. Approximately some time in spring of 2014, there was a sale and it was for a large tract of land in one of our districts in Lake Las Vegas. The property was purchased at the tax sale. I do not know the exact amount, but I believe it was between \$100,000 and \$200,000. There was a significant assessment on that property. We were concerned that the purchaser was not aware of the assessment, so we contacted the purchaser and let them know that there was, and we were told that he was not aware of it. We are aware that the deal was then canceled. That is the type of issue that we are hoping to avoid through this bill.

Chairman Ellison:

I think you hit the nail on the head, Assemblywoman Neal. It looks like there were several people who received notices of this increase.

[Assemblyman Moore assumed the Chair.]

Brent Gunson:

We do not know what information is given at tax sales. In this particular case, the buyer was not aware that there was a significant assessment and assessment penalty that needed to be paid in order to get a clean title to the property. That is just one example that we shared.

I would also like to address a few other comments that were made. When a district is modified, there is notice posted for the residents of the entire city. It is posted through the same process as the posting of any ordinance. It is posted online through the city's website and at various public points throughout the city. The only difference is that people within the district are specifically provided a mailed notification about the changes. We are not seeking to change the normal notification process that is used for any ordinance. For those who get the specific mailed notification, it really only impacts the people in the district who are paying the assessments or whose projects may be changed. We want to make sure that they get a mailed notification, and we are going above and beyond for those folks. Everybody else still gets a notification through the standard public process online and in posting.

I do not think I said that we are out of the recession. I am not speaking on the behalf of the City of Henderson if I said that. We are definitely still in

a precarious economic position as far as real estate development goes. That is one of the main reasons we are trying to make these changes. Because of the modification process we went through as a result of the recession, we saw that there were a few tweaks that could be made. We believe these changes will be very useful going forward.

Vice Chairman Moore:

I will close the hearing on S.B. 47 (R1).

[Assemblyman Ellison reassumed the Chair.]

Chairman Ellison:

I will open the work session.

Jered McDonald, Committee Policy Analyst:

The first bill in work session is Senate Bill 26 (1st Reprint).

Senate Bill 26 (1st Reprint): Revises provisions governing the collection of debts by the State Controller. (BDR 31-499)

It was sponsored by the State Controller and heard in Committee on April 15. Senate Bill 26 (1st Reprint) provides that if an agency or the State Controller obtains a judgment against a person for a debt, the State Controller may, in addition to any other manner of executing the judgment provided by law, require each employer of the person to withhold income from the person's wages and pay it over to the State Controller. [Continued reading from ([Exhibit H](#)).]

Assemblywoman Neal:

I know this is not the money committee, but this connects to the policy. I had a question on the broad authority. I watched the Ways and Means hearing on S.B. 26 (R1) and heard the explanation saying that the State Controller's Office could capture from \$30,000 to about \$7 million over a period of time, and that S.B. 26 (R1) was pivotal to the \$7 million amount.

James Smack, Chief Deputy Controller, Office of the State Controller:

During the Ways and Means closing, we had used projections for what we could collect as far as our outstanding state debt. Those projections were given to us by the contract that we are using to build the debt collection system. As far as going from \$30,000 to \$7 million, there are a few steps that have to go on between those two amounts. It will not be immediately. I will round off the numbers here. The numbers projected by the contractor were \$3 million in collections in fiscal year 2016 and something like \$10 million in fiscal year 2017, of which the ability to do garnishments could affect up to half of that

number according to the testimony. The numbers would be more like \$1.5 million in fiscal year 2016, and \$5 million in fiscal year 2017 if we did not have the garnishment ability.

Assemblywoman Neal:

The garnishment provision and the expansion of the ability to garnish was something I had a question on when we first had the hearing. You have public employers and private employers. Public employers such as state agencies were garnishing employees' wages? Is there a large amount of people who were misusing or not paying credit cards back?

James Smack:

I think you are getting one of our other bills confused with this. The credit card bill was Assembly Bill 24, and that allowed us to do wage withholding if someone did not pay back their state credit card for items that they charged and if they were due to reimburse the state. That was a different bill. That is not something that will probably ever become a garnishment to someone because I do not think there is a large enough amount to procure a judgment in an isolated situation.

Assemblywoman Joiner:

I am rereading this bill, and I see the part about the notification that is to be made to the employer. I am trying to find a notification that will be made to the employee. Currently, there are situations where employees have to agree to have their wages garnished, or have an appeal process if they do not want to with other sections of the *Nevada Revised Statutes*. I am wondering how this works for the employee. A lot of people are working paycheck to paycheck and know exactly where every dollar is going. I seemed to remember there being something in here for that but now I cannot find it.

James Smack:

There is a process we have built into this bill. First of all, we would have already obtained a judgment before we go after a garnishment. A judgment will be something that the debtors in question should be very well aware that they have because they will have been notified by the court. We negotiated with the Senate Committee on Government Affairs. We agreed that at the time we are looking at pursuing a garnishment with the judgment that is already in place, we have built in a consumer protection to do a pre-garnishment letter that gives the debtor the opportunity to pay the debt off, set up a payment plan, or other options. Then there is the legally required garnishment letter after that, and both letters would be sent by registered mail to the debtor who would have two shots to avoid the garnishment such as setting up a payment plan with our office or negotiating a settlement.

Once the garnishment has been established, there is a second consumer protection on the back end that allows the debtor to set up a hearing and give the State Controller's Office an opportunity to hear from the debtor directly and listen to the hardship to make a determination on whether we need to adjust the garnishment amount from the legal maximum down to a more reasonable amount. All these protections are built in through sections 2 and 3 of the bill. Other sections have language referring back to those sections as well. There is plenty of protection in here for a debtor to have the opportunity to have his or her voice heard through this process. We do not want to be draconian. We want to be able to establish opportunities for the debtor to come before us so we can make something that works for everybody.

Chairman Ellison:

If debtors have a hearing, and they do owe a debt, they can come in and dispute it. But even after the hearing, they still owe the money?

James Smack:

Yes.

Chairman Ellison:

If I do not make my car payment, they will come take my house. Am I not seeing something in this bill?

James Smack:

You are correct. This is statutorily required, state money that we are collecting. It is taxes, if you will, that we are collecting that are long overdue. What we are getting in the State Controller's Office is at least 60 days overdue, because by statute we do not receive it until it is 60 days overdue. The agencies have every opportunity to collect that debt during that first 60 days. Some agencies, like the State Gaming Control Board, do a very good job of that. They collect 99 percent of their debts in-house. Other agencies might not collect so well.

This is statutorily required debt that we are collecting. We are not going to go wild with garnishments either. For us to proceed to the garnishment costs money. In order to make it worth our while, we are probably not going to be looking at a garnishment for anything below approximately \$2,500 to \$3,000. We are not going to go after someone that is a little overdue for their license plates and proceeding with a garnishment because they owe \$150. This will be for fairly large amounts.

Assemblywoman Spiegel:

During the hearing, there was a concern raised that the notices of garnishment mailed out will include the employee's entire social security number.

The Controller said that he would amend the bill to have the notice include just the last four digits. Identity theft in this country is a huge problem. There were over ten million documented cases of it in 2014. I thought that was a valuable amendment; however, I do not see it in the work session document. I was wondering if you could speak to why that promise was not kept.

James Smack:

In reviewing the bill, the only place where the full social security number is being sent out is when we send notification to the employer. We send that notification by registered mail, and that is the only place where that full number is put in so that we can be absolutely sure we match that information up exactly with the employer's records before we proceed with the garnishment. We do not want to end up garnishing the wrong person. There is nowhere in the pregarnishment notices where we will send out the full social security number. In doing review with our counsel and talking to the people within the Office of the Controller, we did not proceed with the amendment because it is just that one particular section. When we modeled this bill, we modeled it after language that the Department of Employment, Training and Rehabilitation (DETR) uses in their garnishment process. They also provide the full social security number when they send out a garnishment notice to an employer by registered mail.

Assemblyman Wheeler:

I spoke to the Legislative Counsel Bureau and the Minority Leader, and both assured me that it is actually illegal to send out the full social security number except to the employer. There was no need for the amendment.

Chairman Ellison:

Is there a motion?

ASSEMBLYMAN WHEELER MOVED TO DO PASS
SENATE BILL 26.

ASSEMBLYMAN MOORE SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Now let us move on to Senate Bill 27 (1st Reprint).

Jered McDonald, Committee Policy Analyst:

The next bill on the work session in Senate Bill 27 (1st Reprint).

Senate Bill 27 (1st Reprint): Revises the amount of money that the Commission for Cultural Affairs may use each fiscal year from the proceeds of certain bonds to pay for administrative services. (BDR 18-321)

This was sponsored by the Senate Committee on Government Affairs on behalf of the Office of Historical Preservation. [Continued reading from ([Exhibit I](#)).]

Chairman Ellison:

Are there any questions? [There were none.] Would anyone like to make a motion?

ASSEMBLYMAN MOORE MOVED TO DO PASS
SENATE BILL 27 (1ST REPRINT).

ASSEMBLYMAN SILBERKRAUS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Next is Senate Bill 30 (1st Reprint).

Senate Bill 30 (1st Reprint): Authorizes an elected county officer to elect not to receive longevity pay. (BDR 20-468)

Jered McDonald, Committee Policy Analyst:

Senate Bill 30 (1st Reprint) authorizes an elected county officer to elect not to receive longevity pay. [Continued reading from ([Exhibit J](#)).]

Chairman Ellison:

Are there any questions? [There were none.] Would anyone like to make a motion?

ASSEMBLYMAN STEWART MOVED TO DO PASS
SENATE BILL 30 (1ST REPRINT).

ASSEMBLYMAN WHEELER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Next is Senate Bill 63.

Senate Bill 63: Creates the Nevada Indian Commission's Gift Fund and designates the Commission as coordinating agency. (BDR 18-289)

Jered McDonald, Committee Policy Analyst:

The next bill in work session is Senate Bill 63. This bill creates the Nevada Indian Commission's Gift Fund and designates the Commission as the coordinating agency. [Continued reading from ([Exhibit K](#)).]

On page 2, lines 18 through 21, the bill currently states that claims against the fund must be approved by the Executive Director. The proposed change would remove "Executive Director" and put in "the Nevada Indian Commission." The commission would approve any claims against the fund prior to the Director carrying out those activities.

Chairman Ellison:

I thought that was a good amendment. Are there any questions?

Sherry L. Rupert, Executive Director, Nevada Indian Commission, Department of Tourism and Cultural Affairs:

I understood that the amendment was to section 3, subsection 2, lines 23 and 24 where it says that "gifts of property other than money may be sold or exchanged when this is deemed by the Executive Director of the Commission...." I thought that was to be changed to the entire Commission. Claims against the state are invoices, and if we were to pay that, it would come through me because I am the administrator.

Chairman Ellison:

Maybe Jered McDonald can address that. I love having this guy on my Committee.

Jered McDonald:

The change will not be a problem.

Chairman Ellison:

Do we need to send this back and get an amendment?

Jered McDonald:

Yes.

Chairman Ellison:

Are there any more questions? [There were none.] Would anyone like to make a motion?

ASSEMBLYMAN SILBERKRAUS MOVED TO AMEND AND DO
PASS SENATE BILL 63.

ASSEMBLYMAN CARRILLO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

I think this is a good bill, and I am so happy to do whatever we can for the Stewart Indian School. I think it is a great idea.

We are going to take a short recess.

[The Committee recessed at 10:15 a.m. and reconvened at 10:24 a.m.]

Chairman Ellison:

I want to let you know that Senate Bill 118 has been pulled due to a question we are trying to address. We will schedule it for a meeting next week, which will probably be a Monday or Tuesday work session. Let us continue with today's work session.

Jered McDonald, Committee Policy Analyst:

The next bill is Senate Bill 66 (1st Reprint).

Senate Bill 66 (1st Reprint): Revises provisions governing local governmental agreements for the development of land. (BDR 22-422)

This bill was sponsored by the Senate Committee on Government Affairs on the behalf of the City of Henderson and heard in this Committee on April 17. [Continued reading from ([Exhibit L](#)).]

Chairman Ellison:

Are there any questions? [There were none.] Would anyone like to make a motion?

ASSEMBLYMAN SILBERKRAUS MOVED TO DO PASS
SENATE BILL 66.

ASSEMBLYWOMAN SPIEGEL SECONDED THE MOTION.

THE MOTION PASSED. (ASSEMBLYMAN FLORES WAS ABSENT
FOR THE VOTE.)

Next up is Senate Bill 83 (1st Reprint).

Senate Bill 83 (1st Reprint): Designates as confidential certain information that is reported to the Division of Internal Audits of the Department of Administration. (BDR 31-288)

Jered McDonald, Committee Policy Analyst:

This bill is sponsored by the Division of Internal Audits. It was heard in this Committee on April 13. [Continued reading from ([Exhibit M](#)).]

Chairman Ellison:

Are there any questions? [There were none.] Would anyone like to make a motion?

ASSEMBLYMAN SILBERKRAUS MOVED TO DO PASS
SENATE BILL 83 (1ST REPRINT).

ASSEMBLYMAN WHEELER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Next is Senate Bill 271 (1st Reprint).

Senate Bill 271 (1st Reprint): Revises provisions relating to the Virgin Valley Water District. (BDR S-730)

Jered McDonald, Committee Policy Analyst:

This bill was sponsored by Senator Hardy and others, and was heard on April 16. [Continued reading from ([Exhibit N](#)).]

Assemblywoman Neal:

I had a question for Warren Hardy. I have concerns about the legal language about condition precedent, and when that applies retroactively. I tried to give you the ordinance you adopted in 2013 and the letter from 2015 which was the proposed will letter that you are going forward with that added the condition precedent language. I also gave you the case law, and I would like to thank our legal counsel, Eileen O'Grady, for providing those documents about the retroactivity only concerning conditions subsequent, which occur after and not before.

Warren Hardy II, representing the Virgin Valley Water District:

The specific section we are talking about is section 1 of the bill. I think what is happening is that this bill proposes to codify, in the Virgin Valley Water District Act, what is already provided all water districts in the authority to provide will-serve letters. That language in the new section 3.5, subsection 1,

that says "subject to certain conditions precedent" is included in the *Nevada Administrative Code* (NAC) Chapter 445A, and elsewhere in statute. I would need to check with our attorney or your legal counsel to determine what the impact of removing that altogether would be. Certainly, we do not want to limit our ability that is provided in the NAC and in statute on will-serve letters.

I am concerned that changing the word "precedent" to "subsequent" might somehow limit the Virgin Valley Water District from the authority that the other districts currently have. That was not our language. We wanted to clarify in statute. I think a lot of other water districts would argue that they already have the ability to do this. Our district, in an abundance of caution and transparency, wanted to seek this legislation to make it clear so the public can understand what the district can do. I would certainly defer to your legal counsel about the impact of removing this from the bill and letting the NAC stand. I would also like to check with my attorney on that. But that is not our language, that is the language that currently exists for the issuance of will-serve letters. I would not want to do anything that diminishes that for the Virgin Valley Water District when every other water district possesses that authority already. I do not know what the impact of that amendment will be. I was not able to get a hold of our legal counsel in the few minutes that I had.

Chairman Ellison:

Would you like to reschedule this for next week? It is a good bill, and I do not want to see it go up in smoke.

Assemblywoman Neal:

Could we find the answer to the legal question by tomorrow or Monday?

Warren Hardy:

Possibly, yes.

Chairman Ellison:

We will get this rescheduled. We will move on to Senate Bill 362.

Senate Bill 362: Authorizes the Director of the Department of Health and Human Services to establish a program regarding the prevention of domestic violence under certain circumstances. (BDR 18-112)

Jered McDonald:

This bill was sponsored by Senators Spearman, Woodhouse, and others, and heard in this Committee on April 15. [Continued reading from ([Exhibit O](#)).]

Chairman Ellison:

Are there any questions? [There were none.] Would anyone like to make a motion?

ASSEMBLYWOMAN SPIEGEL MOVED TO DO PASS
SENATE BILL 362.

ASSEMBLYMAN SILBERKRAUS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Our last work session bill is Senate Bill 297.

**Senate Bill 297: Revises certain provisions relating to redevelopment plans.
(BDR 22-1028)**

Jered McDonald, Committee Policy Analyst:

This bill was sponsored by Senator Hardy and heard in this Committee on April 16. [Continued reading from ([Exhibit P](#)).]

We have amendments to add in cosponsors Assemblywoman Spiegel, Assemblyman Stewart, and Assemblyman Silberkraus.

Chairman Ellison:

Are there any questions? [There were none.] Would anyone like to make a motion?

ASSEMBLYMAN SILBERKRAUS MOVED TO AMEND AND DO
PASS SENATE BILL 297.

ASSEMBLYWOMAN SPIEGEL SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

I do want to go back and talk a little about Senate Bill 118. There is no problem with the bill. This was a Supreme Court mandate, correct?

Adam Mayberry, Community Relations Manager, City of Sparks:

Yes, it was a Supreme Court decision that came down. We are talking about merely an administrative process to change the charter.

Chairman Ellison:

We can either pass the bill out and then maybe keep it on the Chief Clerk's desk until we get an answer, or we can schedule it for Tuesday. What works for you?

Adam Mayberry:

If you are inclined to take a vote today, we can follow up with any questions you may have.

Chairman Ellison:

It is just clarification. Let us move it to Tuesday.

Adam Mayberry:

Absolutely, whatever your preference is.

Chairman Ellison:

I think we have got it all. I will close the work session. I want to commend Assemblywoman Neal. Even though she is a city slicker, she has proved invaluable on this Committee on water rights matters. She caught something yesterday on Senator Goicoechea's bill that we probably would not have caught that would affect us down the road. We ought to get her a cowboy hat. Is there any public comment? [There was none.] Meeting adjourned [at 10:40 a.m.].

RESPECTFULLY SUBMITTED:

Erin Barlow
Committee Secretary

APPROVED BY:

Assemblyman John Ellison, Chairman

DATE: _____

<u>EXHIBITS</u>			
Committee Name: <u>Assembly Committee on Government Affairs</u>			
Date: <u>April 23, 2015</u>		Time of Meeting: <u>8:38 a.m.</u>	
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
S.B. 311	C	Michael Pagni / Washoe County Water Conservation District	Safety of Dams Act
S.B. 311	D	Michael Pagni / Washoe County Water Conservation District	Testimony
S.B. 311	E	Michael Pagni / Washoe County Water Conservation District	PowerPoint
S.B. 311	F	Rusty Jardine / Truckee-Carson Irrigation District	Letter
S.B. 47 (R1)	G	Stan Olsen / Henderson Chamber of Commerce	Letter
S.B. 26 (R1)	H	Jered McDonald / Committee Policy Analyst	Work Session Document
S.B. 27 (R1)	I	Jered McDonald / Committee Policy Analyst	Work Session Document
S.B. 30 (R1)	J	Jered McDonald / Committee Policy Analyst	Work Session Document
S.B. 63	K	Jered McDonald / Committee Policy Analyst	Work Session Document
S.B. 66 (R1)	L	Jered McDonald / Committee Policy Analyst	Work Session Document
S.B. 83 (R1)	M	Jered McDonald / Committee Policy Analyst	Work Session Document
S.B. 271 (R1)	N	Jered McDonald / Committee Policy Analyst	Work Session Document
S.B. 362	O	Jered McDonald / Committee Policy Analyst	Work Session Document

S.B. 297	P	Jered McDonald / Committee Policy Analyst	Work Session Document
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