

**MINUTES OF THE MEETING OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS
AND
SENATE COMMITTEE ON FINANCE
SUBCOMMITTEES ON GENERAL GOVERNMENT**

**Seventy-Eighth Session
May 11, 2015**

The joint meeting of the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government was called to order by Chair Randy Kirner at 8:05 a.m. on Monday, May 11, 2015, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, 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).

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Randy Kirner, Chair
Assemblyman Pat Hickey, Vice Chair
Assemblyman Paul Anderson
Assemblywoman Irene Bustamante Adams
Assemblyman Chris Edwards
Assemblywoman Heidi Swank

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Pete Goicoechea, Chair
Senator Michael Roberson
Senator Joyce Woodhouse

STAFF MEMBERS PRESENT:

Stephanie Day, Principal Deputy Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Jaimarie Dagdagan, Program Analyst

Minutes ID: 1185



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Barbara Williams, Committee Secretary
Cynthia Wyett, Committee Assistant

The Committee Secretary called the roll, and a quorum was established. Chair Kirner opened the hearing on budget account 3823.

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
B&I - REAL ESTATE ADMINISTRATION (101-3823)
BUDGET PAGE B & I-162

Jaimarie Dagdagan, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said that budget account (BA) 3823, Real Estate Administration, had two major closing issues.

Ms. Dagdagan said the first major closing issue had to do with budget amendments. In closing the Real Estate budget during the 77th Legislative Session (2013), the finance committees issued a Letter of Intent (LOI) directing the agency to provide a business plan to the Interim Finance Committee (IFC) outlining a funding structure that would fund the ongoing staffing needs and support costs required to carry out the responsibilities of the Real Estate Division, Department of Business and Industry.

Ms. Dagdagan said that to comply with the LOI and the industry's demands for improved services, The Executive Budget proposed Enhancement (E) decision units that would convert the agency budget to a fee-funded budget, revise license renewal periods, impose new and increased fees, and retain 7.4 full-time-equivalent (FTE) temporary positions currently funded with National Mortgage Settlement funds by funding the positions with fees.

Ms. Dagdagan stated that subsequent to the transmittal of The Executive Budget, the Budget Division, Department of Administration, submitted a budget amendment, which was later replaced by a second budget amendment. The second budget amendment [A150853823] maintained the Real Estate Division budget's current structure wherein all revenues except timeshare and timeshare developer filing fees and campground membership fees were deposited directly in the non-Executive Real Estate General Fund account, and State General Fund appropriations would fund the gap between revenues collected and expenditures. The second budget amendment also recommended

the elimination of the decision units E-225, E-226, E-227, and E-232 from The Executive Budget.

Ms. Dagdagan referred the Subcommittees' attention to the table on page 4 of the "General Government Joint Subcommittee Closing List #6" ([Exhibit C](#)), saying it was a comparison between the Governor's recommended budget and the two amendments. The second budget amendment also added some new decision units.

The first was the elimination of 7.4 FTE positions funded with National Mortgage Settlement funds (E-490). The Governor recommended eliminating two compliance/audit investigators and five administrative assistants, and reducing one administrative assistant position from full-time to part-time. All the reductions were in Las Vegas. The agency had provided actual caseload data for fiscal year (FY) 2012 to FY 2014 and projected caseload data for FY 2015 through FY 2017, as shown in the table on page 5 of [Exhibit C](#). The agency indicated the elimination of the positions would increase processing time for applications, license renewals, and investigations. Consequently, the investigation backlog would increase.

Ms. Dagdagan said in the second decision unit (E-231), the Governor recommended an increase and/or establishment of new fees and permits, which would generate revenues of \$965,560 over the 2015-2017 biennium. The Governor also recommended in the second budget amendment to restore two administrative assistant positions proposed for elimination in decision unit E-490. The new and increased fees were detailed in the first table on page 6 of [Exhibit C](#), and the second table compared the staffing level proposed in the second budget amendment to staffing levels from previous biennia.

Ms. Dagdagan noted that Fiscal Analysis Division staff provided the costs for the positions as prioritized by the agency and illustrated in the table on page 7 of [Exhibit C](#). Over the biennium, the cost to restore all the positions was \$643,671. The Subcommittees could restore any or all of the remaining 5.4 FTE positions recommended for elimination, but they would need to determine the funding source to support the positions.

Chair Kirner noted that the Division had its staffing levels reduced from 32 FTE positions in the 2009-2011 biennium to a proposed 21.2 FTE positions in the 2015-2017 biennium.

Senator Goicoechea expressed concern that the Division was increasing fees by nearly \$1 million, but only restoring two positions. He wondered if some portion of the State of Nevada foreclosure mediation program funds could be used to maintain the positions.

Assemblyman Hickey noted there were signs that the real estate market was bouncing back from the recession, and as a result, there would be more brokers and agents in the industry. He believed making the agency as effective as possible with improved customer service was important to facilitate growth.

There being no additional comments or questions from the Subcommittees, Chair Kirner requested a motion.

ASSEMBLYMAN EDWARDS MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO ELIMINATE 7.4 FULL-TIME-EQUIVALENT POSITIONS, ESTABLISH INCREASED FEES AND FEE REVENUE TOTALING \$965,560 OVER THE 2015-2017 BIENNIUM, AND RESTORE 2 ADMINISTRATIVE ASSISTANT POSITIONS AND ASSOCIATED OPERATING COSTS TOTALING \$201,861 OVER THE 2015-2017 BIENNIUM, WITH AUTHORITY FOR FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Anderson and Senator Roberson were not present for the vote.)

Chair Kirner asked the Subcommittees to consider funding the other 5.4 FTE eliminated positions with \$643,671 from the foreclosure mediation funding reverted to the Office of the Attorney General, contingent upon the full committee closings and the termination of the foreclosure mediation program.

Senator Goicoechea noted that the Subcommittees could consider restoring only 5 FTE positions depending on how much money was available.

SENATOR GOICOECHEA MOVED TO CONSIDER RESTORING ALL OR A PORTION OF THE 5.4 FULL-TIME-EQUIVALENT POSITIONS, DEPENDING ON THE FUNDS AVAILABLE FROM THE TERMINATION OF THE FORECLOSURE MEDIATION PROGRAM,

AND CONTINGENT ON THE FULL COMMITTEE CLOSINGS OF THE BUDGET.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

Assemblywoman Bustamante Adams said that because she had voted not to terminate the foreclosure mediation program, she would not be able to support the motion.

Assemblywoman Swank said that foreclosure starts in Nevada were up 166 percent over last year, and the state topped the nation in homes that were heavily "underwater." She believed terminating the foreclosure mediation program was premature, and she would be unable to support using the funds elsewhere.

Assemblyman Hickey noted that a robust real estate industry would be a key factor in trying to clear the inventory of homes that had been foreclosed. He believed that by supporting the Real Estate Division budget the Subcommittees would be aiding the industry as a whole.

Senator Woodhouse said her position had been opposed to closing the foreclosure mediation program, so she would be voting no.

Chair Kirner commented that the foreclosure mediation program had helped 100 individuals, but the investigation caseloads in the Real Estate Division had grown from 487 in FY 2012 to a projected 1,698 in FY 2017. He believed that because the goal was to resolve caseloads and keep the real estate economy robust, the Division needed the positions funded.

Senator Goicoechea commented that the Subcommittees needed to weigh the benefits of one program versus the other.

Bruce Breslow, Director, Department of Business and Industry, noted that the eliminated positions were important because the Division was failing in its customer service effectiveness. The Division had brought a fee-funded proposal to the Legislature that would have increased real estate agent fees by \$10 annually and broker fees by \$20 annually, but the plan had met with resistance from industry and failed. He hoped the Subcommittees would make the decision to fund as many positions as possible, because the customer service levels at the agency were at an all-time low.

Senator Goicoechea asked whether restoring the five positions would allow the agency to do damage control, and Mr. Breslow replied that it would allow the agency to maintain the status quo for two more years.

Assemblywoman Swank added that she supported the positions—she just could not support funding them by closing the foreclosure mediation program, and she hoped the Subcommittees could find another way to fund the positions.

Chair Kirner appreciated Assemblywoman Swank's concerns, but noted that the legislative session was ending soon, and the Legislature's job was to determine the priorities and fund them as efficiently as possible. He called for a vote.

THE MOTION CARRIED. (Assemblywomen Bustamante Adams and Swank and Senator Woodhouse voted no.)

Ms. Dagdagan explained that the second major closing issue in BA 3823 was the Carson City office relocation. The agency had testified that the current nonstate-owned location had inadequate parking, ventilation problems, and infrastructure problems that had caused telephone malfunctions for days at a time. The Governor recommended relocating the office and its five employees. Fiscal Analysis Division staff noted the building rent costs in FY 2016 were calculated incorrectly, and a technical adjustment had been made.

There being no additional comments or questions from the Subcommittees, Chair Kirner requested a motion.

ASSEMBLYMAN EDWARDS MOVED TO APPROVE GENERAL FUND APPROPRIATIONS OF \$25,424 OVER THE 2015-2017 BIENNIUM TO RELOCATE FIVE EMPLOYEES IN THE CARSON CITY OFFICE AS RECOMMENDED BY THE GOVERNOR, INCLUDING THE TECHNICAL ADJUSTMENT NOTED BY FISCAL STAFF.

SENATOR ROBERSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Dagdagan stated there were three other closing items in BA 3823, which appeared reasonable to Fiscal Analysis Division staff.

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There being no additional comments or questions from the Subcommittees, Chair Kirner requested a motion.

SENATOR GOICOECHEA MOVED TO APPROVE OTHER CLOSING ITEMS IN BUDGET ACCOUNT 3823 AS AMENDED BY THE GOVERNOR, WITH AUTHORITY FOR FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chair Kirner closed the hearing on BA 3823 and opened the hearing on budget account 3826.

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
B&I - REAL ESTATE EDUCATION AND RESEARCH (216-3826)
BUDGET PAGE B & I-172

Jaimarie Dagdagan, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said that budget account (BA) 3826, Real Estate Education and Research, had no major closing issues. She said there were four other closing items, one of which was the revenue projections. The Governor recommended changing the licensing period from two years to one year for initial licensing and from four years to two years for renewal licensing, as set forth in Assembly Bill (A.B.) 475. If A.B. 475 was approved, the transfer of recovery fees from the Real Estate Recovery budget would be overstated by 55.9 percent in fiscal year (FY) 2016 and 39.4 percent in FY 2017. Fiscal Analysis Division staff sought authority to make technical adjustments to align revenues with the transfer of recovery fees, contingent upon the final decision on A.B. 475.

There being no additional comments or questions from the Subcommittees, Chair Kirner requested a motion.

ASSEMBLYMAN HICKEY MOVED TO APPROVE BUDGET ACCOUNT 3826 AS RECOMMENDED BY THE GOVERNOR WITH AUTHORITY FOR FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

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SENATOR GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chair Kirner closed the hearing on BA 3826 and opened the hearing on BA 3827.

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
B&I - REAL ESTATE RECOVERY ACCOUNT (216-3827)
BUDGET PAGE B & I-178

Jaimarie Dagdagan, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said that budget account (BA) 3827, Real Estate Recovery Account, had no major closing issues. She said, as noted in BA 3826, if Assembly Bill (A.B.) 475 was approved, the recovery fees in BA 3827 would be overstated. Fiscal Analysis Division staff sought authority to make technical adjustments to align revenues and expenditures contingent upon the final decision on A.B. 475.

There being no additional comments or questions from the Subcommittees, Chair Kirner requested a motion.

SENATOR GOICOECHEA MOVED TO APPROVE BUDGET ACCOUNT 3827 AS RECOMMENDED BY THE GOVERNOR WITH AUTHORITY FOR FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chair Kirner closed the hearing on BA 3827 and opened the hearing on budget account 3820.

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
B&I - COMMON INTEREST COMMUNITIES (101-3820)
BUDGET PAGE B & I-179

Jaimarie Dagdagan, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said that budget account (BA) 3820, Common Interest Communities, had two major closing issues.

Ms. Dagdagan said the Governor recommended increasing the per-unit homeowners' association fees from \$3 to \$4.25 in fiscal year (FY) 2017, which would increase reserves by \$628,260. The agency indicated industry demand for improved customer service prompted the need to increase fees. The fee increases were included in Assembly Bill (A.B.) 474. Fiscal Analysis Division staff noted that if the increase was not approved and no other adjustments were made, the budget would have a negative reserve in FY 2017.

Chair Kirner believed that in the interest of avoiding a negative reserve, the Subcommittees should approve the decision unit.

Assemblyman Hickey asked for clarification as to why the fee increase was necessary.

Bruce Breslow, Director, Department of Business and Industry, said it was the Office of Attorney General (AG) cost allocation fee that had resulted in the budget account having a negative reserve without a fee increase.

Joseph Decker, Administrator, Real Estate Division, Department of Business and Industry, noted that the major organizations that represented the common interest community sector had all voiced support for the fee increases, with the expectation that such action would lead to improved customer service in the second year of the biennium.

Mr. Breslow said the Division would focus on ways to improve customer service and reduce the use of AG services.

There being no additional comments or questions from the Subcommittees, Chair Kirner requested a motion.

SENATOR GOICOECHEA MOVED TO APPROVE INCREASED HOMEOWNERS' ASSOCIATION FEE REVENUE OF \$628,260 IN FY 2017 WITH A CORRESPONDING INCREASE IN RESERVES, CONTINGENT UPON THE APPROVAL OF THE PER-UNIT FEE INCREASE SET FORTH IN A.B. 474.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Dagdagan said the second major closing issue was the new community manager application fee. At the hearing for A.B. 474, the agency submitted a proposed amendment to include a new \$100 community manager application fee. If the bill was amended and approved, the agency anticipated additional revenues of \$8,500 from the new fee in each year of the biennium.

There being no additional comments or questions from the Subcommittees, Chair Kirner requested a motion.

SENATOR GOICOECHEA MOVED TO APPROVE INCREASED REVENUES OF \$8,500 IN EACH YEAR OF THE 2015-2017 BIENNIUM, CONTINGENT UPON APPROVAL OF THE NEW COMMUNITY MANAGER APPLICATION FEE SET FORTH IN THE PROPOSED AMENDMENT TO A.B. 474.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

Assemblyman Edwards asked for clarification of what type of community manager was affected by the fee increase.

Ms. Dagdagan replied that only community managers of homeowners' associations were affected.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Dagdagan said there were three other closing items that appeared reasonable to Fiscal Analysis Division staff.

There being no additional comments or questions from the Subcommittees, Chair Kirner requested a motion.

SENATOR ROBERSON MOVED TO APPROVE BUDGET ACCOUNT 3827 AS RECOMMENDED BY THE GOVERNOR, WITH THE TECHNICAL ADJUSTMENT AS NOTED, AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chair Kirner opened the meeting to public comment and hearing none, he adjourned the meeting at 8:44 a.m.

RESPECTFULLY SUBMITTED:

Barbara Williams
Committee Secretary

APPROVED BY:

Assemblyman Randy Kirner, Chair

DATE: _____

Senator Pete Goicoechea, Chair

DATE: _____

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EXHIBITS

Committee Name: Subcommittees on General Government

Date: May 11, 2015

Time of Meeting: 8:05 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Fiscal Analysis Division, Legislative Counsel Bureau	General Government Joint Subcommittee Closing List #6