

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

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

The Committee on Ways and Means was called to order by Chair Paul Anderson at 8:03 a.m. on Monday, March 23, 2015, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4404B 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 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 Paul Anderson, Chair
Assemblyman John Hambrick, Vice Chair
Assemblyman Derek Armstrong
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Irene Bustamante Adams
Assemblywoman Maggie Carlton
Assemblywoman Jill Dickman
Assemblyman Chris Edwards
Assemblyman Pat Hickey
Assemblywoman Marilyn K. Kirkpatrick
Assemblyman Randy Kirner
Assemblyman James Oscarson
Assemblyman Michael C. Sprinkle
Assemblywoman Heidi Swank
Assemblywoman Robin L. Titus



STAFF MEMBERS PRESENT:

Cindy Jones, Assembly Fiscal Analyst
Stephanie Day, Principal Deputy Fiscal Analyst
Linda Blevins, Committee Secretary
Cynthia Wyett, Committee Assistant

Following call of the roll, Chair Anderson opened the hearing for public comments. There being none, he requested Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provide the Committee an overview of the agenda.

Ms. Jones announced that the Committee would complete the budget review and Fiscal Analysis Division staff closings for the Office of the Attorney General (OAG). Ms. Jones stated that she would also be presenting budget closings for the Office of the Governor, Washington, D.C. (budget account 101-1011) and the Office of the Lieutenant Governor (budget account 101-1020). Other budget closings presented would be for the Office of the State Treasurer and the Commission on Ethics.

Chair Anderson opened the budget hearing for the Office of the Attorney General.

ELECTED OFFICIALS

ELECTED OFFICIALS

AG - ATTORNEY GENERAL TORT CLAIM FUND (715-1348)

BUDGET PAGE ELECTED-135

Martha Radu, Chief Financial Officer, Office of the Attorney General (OAG), presented budget account (BA) 1348, the Attorney General Tort Claim Fund. Ms. Radu stated that decision unit Enhancement (E) 239 was a request to fund one half-time deputy attorney general (DAG) to defend claims against the Tort Claim Fund. The DAG would provide counsel to the county courts that elected to pay into the Tort Claim Fund pursuant to *Nevada Revised Statutes* (NRS) 331.187.

Assemblywoman Benitez-Thompson was aware that specific questions regarding ongoing negotiations could not be addressed; however, she wondered whether the reserves in BA 1348 would be sufficient after the ongoing settlement negotiations with the City of San Francisco.

In response, Nancy Katafias, Tort Claims Manager, OAG, said the reserve fund was about \$3.6 million. She did not anticipate any adjustments would be

needed for the current fiscal year. If a settlement was reached with the City of San Francisco, she anticipated it would be paid in the upcoming fiscal year. Therefore, she believed the reserve was sufficient for the time being.

Assemblyman Sprinkle asked Ms. Katafias what could precipitate dipping into the reserve funds, aside from the City of San Francisco settlement.

Ms. Katafias was aware of wrongful death cases that were waiting to be served. Once the OAG was served, the liability would be reviewed, and an appropriate settlement amount would be determined. Any payment over \$100,000 required State Board of Examiners approval. Ms. Katafias did not anticipate that happening until the next fiscal year. She believed the reserve would be sufficient for such settlements. The Tort Claim Fund purchased an excess liability policy to pay anything over \$2 million.

Assemblywoman Kirkpatrick requested clarification of the duties and responsibilities of the part-time deputy attorney general (DAG) and asked whether there would be a sufficient workload.

Ms. Katafias anticipated there would be sufficient work for the part-time DAG. Currently, one of the DAGs handled the county cases. The counties paid into the Tort Claim Fund. It was previously thought the Tort Claim Fund for county courts paying into the fund would include defense costs. The OAG did not consider those costs included. Ms. Katafias said she had other suggestions if the Committee was not amenable to the part-time DAG.

Assemblywoman Kirkpatrick pointed out there were bills presented this session that would outline the responsibilities of the counties.

Ms. Katafias stated she had not seen the bills and did not know how they would pertain to this particular situation.

It was Assemblywoman Benitez-Thompson's understanding that the part-time DAG would be responsible for counties paying the assessment, but the DAG would only work in Clark County. The counties paying were Clark, Elko, Humboldt, and Pershing Counties.

Ms. Katafias said it appeared to be confusing, but the part-time DAG would handle any tort-related case that came into the OAG on behalf of any of the counties paying into the Tort Claim Fund. If any of those counties had a tort case filed against a county employee, the part-time DAG would be the representing attorney.

Assemblywoman Carlton commented that the position would be paid with county assessments for insurance premiums. It appeared the part-time DAG would work for the counties paying the assessment, but would be paid by a different funding stream.

Ms. Katafias explained the DAG would be with the OAG and not working for the counties. The DAG would be representing the Tort Claim Fund in these cases. The thought was to assess the counties that paid into the Tort Claim Fund.

Assemblywoman Carlton expressed confusion regarding the assessment to pay insurance premiums.

Ms. Katafias stated that the Tort Claim Fund was supported through two different means. The OAG assessed state agencies on a per-vehicle and a per-employee basis. The four counties previously mentioned paid into the Tort Claim Fund on a per-employee basis. If a tort case were filed against the state that would have an effect on the Tort Claim Fund, then the attorney fees would be recouped through the cost-allocation plan. Currently, there was no means of assessing the counties for the attorney fees.

Assemblywoman Kirkpatrick asked whether the OAG was seeking another assessment through the courts. Ms. Katafias replied that was correct. The counties paying into the Tort Claim Fund would have an additional assessment for the DAG.

Assemblywoman Kirkpatrick noted that there would be an additional assessment for those counties. She asked whether the insurance premium assessments would be used to subsidize both activities.

Ms. Katafias said that was a possibility depending on what type of cases came in and the time needed to work those cases. She envisioned the additional assessment going into the Tort Claim Fund to be used as defense costs, direct expenses relating to cases, or other required needs.

Assemblywoman Kirkpatrick asked how much the additional assessment would be.

Brett Kandt, Special Assistant Attorney General, Office of the Attorney General, clarified that the term "court" assessment was not accurate. Various assessments were collected through the state courts; however, this discussion focused on an assessment separate from the current assessment paid by each county into the Tort Claim Fund. There was an additional assessment to cover

the cost of providing the county with defense counsel. This was not a "court" assessment.

This information was helpful, according to Assemblywoman Kirkpatrick, because she was confused by the similarity of the assessments. She asked Mr. Kandt how much he anticipated the assessment would be and stated that it was difficult for the rural counties. There were typically not too many cases, but one big case could cause a small county significant financial problems. It seemed to Assemblywoman Kirkpatrick that the cost allocations for the OAG were higher than in the past. She requested a breakdown of the costs for the counties.

Ms. Katafias said she envisioned that if the part-time DAG was approved or if the OAG went an alternate route, the counties that paid into the Tort Claim Fund would be assessed on a prorated basis per employee.

Assemblywoman Kirkpatrick asked how a smaller county would be able to pay enough to cover the defense costs.

Ms. Katafias replied with the example that Pershing County paid into the Tort Claim Fund for 2.5 full-time employees and would pay a minor share of the full amount of the defense cost.

Assemblywoman Dickman wondered what some of the alternatives mentioned would include. In response, Ms. Katafias proposed that instead of the part-time DAG, the county assessment would be determined by the total tort claims divided by the total number of county employees. The Tort Claim Fund would reimburse the OAG budget account for the services.

Because there were no additional questions, Chair Anderson requested that Ms. Radu proceed with the presentation.

ELECTED OFFICIALS

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AG - NATIONAL SETTLEMENT ADMINISTRATION (340-1045)

BUDGET PAGE ELECTED-140

Martha Radu, Chief Financial Officer, Office of the Attorney General (OAG), presented budget account (BA) 1045 to the Committee. Decision unit Enhancement (E) 244 provided for continuation of the Home Again Nevada Homeowner Relief Program administration. The program contained a call center, financial guidance center, and legal services. The funding also included

transfer of funds for the Consumer Affairs Unit within the Director's Office of the Department of Business and Industry.

Ms. Radu noted that decision unit E-901 requested funding for the transfer of four investigators, one deputy attorney general (DAG), one legal secretary 2, and one administrative assistant to be funded from the National Mortgage Settlement money. These positions were currently funded by the Wells Fargo settlement money in BA 1030, Administrative Fund, and the funding ended in 2015.

Decision unit E-806 was a request for funding to increase the salary of one unclassified legal researcher position comparable to the salary of a classified legal research assistant position.

Ms. Radu said that decision unit E-250 was a request to transfer \$1,408,601 in fiscal year (FY) 2016 to fulfill a request from the Nevada Supreme Court for funds for the State of Nevada Foreclosure Mediation Program within the Judicial Branch.

Assemblywoman Kirkpatrick commented that she lived in North Las Vegas, which had the highest foreclosure rate in the state, and she had strong opinions regarding the success of the Home Again program. She requested additional information regarding the program.

JoAnn Gibbs, Chief Deputy Attorney General, Office of the Attorney General, informed the Committee that she was responsible for the oversight of the Home Again program. She said that for the last 2 1/2 years, the program had connected with more than 25,000 consumers in Nevada. There was a call center that provided a one-stop shop with free services for counseling information and legal services. There was no cost to the State General Fund. She was aware that more work needed to be done, because there were still many existing problems, including vacant properties and blighted neighborhoods. There were other programs planned.

Michele Johnson, President and CEO, Financial Guidance Center, said that her organization provided the oversight on a statewide basis for the Home Again program. Funding from the Home Again program allowed additional money from the National Foreclosure Mitigation Counseling program and the U.S. Housing and Urban Development (HUD) Housing Counseling Assistance program to be brought into the state. For a number of years, the North Las Vegas zip codes were the hardest hit in the United States; however, there had been improvement. Because that area had been hit so hard, the progress appeared slower than in other parts of Nevada.

Ms. Johnson pointed out there were many programs and partnerships with specific lenders and servicers created through members of the consortium. Additionally, individual housing counseling agencies and the legal service providers developed specific programs allowing for resolution of housing challenges for consumers. What did not exist, other than with the national settlements, was the ability to make everyone whole. This was a challenging goal.

Assemblywoman Kirkpatrick said that for many years, she had been seeking a resolution to the housing problem in North Las Vegas but had found no answer to the problem. The Legislature was expected to start new programs that were not in The Executive Budget. Assemblywoman Kirkpatrick commented that when she drove through her district, she noticed one in four homes was in foreclosure. It was difficult to consider starting a new program when North Las Vegas was still having difficulties. She needed more information on the new programs, such as who they would affect, why they were not in The Executive Budget, and what the OAG thought the next step would be.

Ms. Gibbs responded that the OAG met with North Las Vegas officials when developing The Executive Budget.

Ms. Gibbs noted that former Attorney General Catherine Cortez Masto formed an advisory committee with bank executives and real estate professionals to discuss the housing problems. The foreclosure problems were still at the forefront; however, the first 18 months of the Home Again program were only the beginning. The OAG was aware there were vacancies and postforeclosures. There were more than 2,000 vacant properties in foreclosure in North Las Vegas. The OAG had initiated talks with the Department of Business and Industry to ensure efforts were not duplicated.

In November 2014, Ms. Gibbs noted, a down payment assistance pilot program was developed to focus on the hardest-hit areas, one of which was North Las Vegas. The program looked specifically at condominiums because there appeared to be more vacancies for them. Ms. Masto wanted to ensure efforts were not duplicated and money was not spent frivolously. However, the program funds were not included in The Executive Budget because there was a new Attorney General administration in place.

Wesley Duncan, Assistant Attorney General, Office of the Attorney General, stated that this information highlighted a point that Attorney General (AG) Adam Paul Laxalt wanted to make. The requests included in The Executive Budget were from the previous administration. Mr. Duncan

believed the AG shared Assemblywoman Kirkpatrick's frustrations, and stated that the funds should be spent in the best way possible. To that end, the AG would be restructuring what the programs could accomplish. Unfortunately, many programs were past the planning stage, but Mr. Duncan thought the AG would be willing to work with Assemblywoman Kirkpatrick in determining the most efficient way to help homeowners. The AG wanted to evaluate the methods used by such entities as the Consumer Affairs Unit, Department of Business and Industry, to ensure the people served were those most hard hit.

Assemblyman Oscarson shared Assemblywoman Kirkpatrick's frustrations. He commented that Nye County still had almost nine percent unemployment. He was aware that the AG's predecessor had approved the programs currently in place; however, Assemblyman Oscarson requested that the rural counties be engaged in the processes. There were a significant number of people in those areas who were hard hit and needed to be considered when the services were made available. The process seemed to be so onerous that the residents walked away from their homes in frustration.

Mr. Duncan thanked Assemblyman Oscarson for bringing the matter to the attention of the OAG. Mr. Duncan reiterated that the current administration wanted to use the funds efficiently and effectively, targeting the citizens and areas that were the hardest hit.

Ms. Johnson suggested that she provide a breakdown of services available in each county by zip code. She hoped this would answer some of the questions that had been raised.

Assemblyman Oscarson said he would appreciate that information. He also asked to see data on people who began the paperwork but never completed the assistance plan because of their frustration.

Assemblywoman Benitez-Thompson stated that one of the most frustrating parts of being a legislator was that there were proposed changes to funding structures but not a policy supporting those changes. Discussions regarding onerous regulations, the need for more regulations, or changes in policy had to be put into *Nevada Revised Statutes* (NRS) or there was no accountability. The individual bill draft request (BDR) introduction deadline had passed for this session. There was no complimentary policy piece to outline the intent or adjustments for the current NRS. In her opinion, for every dollar spent, there should be a statutory policy for that spending.

Assemblywoman Titus noted that Lyon County often had higher percentages of foreclosures. She had also talked with constituents who had applied for

assistance but had found the paperwork so overwhelming that it was never completed. She agreed with Assemblyman Oscarson that it would be interesting to see the data for those who applied but never completed the paperwork.

Assemblyman Sprinkle requested assistance in understanding the numbers. It appeared that last legislative session there was over \$34 million allocated for the Home Again program through various sources. As he understood it, it appeared that about \$12.6 million would be allocated. He was unclear why there was such a significant difference. Additionally, there was about \$5 million projected for the reserve fund.

Ms. Gibbs responded that originally the OAG planned the Home Again program to last about five years when the National Mortgage Settlement was reached. She explained that the OAG was requesting to continue the program. The funds had not been spent under the National Mortgage Settlement and had been allocated through the Interim Finance Committee in August 2012.

The Home Again program was a partnership of legal services and housing counselors that provided services to Nevadans seeking relief and assistance. There was no application process through the Home Again program. It was a free call center that put people who needed assistance in touch with either legal services or housing counselors. The process with banks and other lenders trying to get loan modifications or other relief was part of the reason the OAG was there to help.

Ms. Gibbs said that some of the reserves would be used to continue with foreclosure problems and postforeclosure problems, such as credit counseling, down-payment assistance, bankruptcies, and other problems people faced when going through the foreclosure process. The services would be expanded beyond the initial triage of stopping foreclosures and helping people keep their homes. The OAG requested continuing the program with the reserves available. There were additional requests to fund the Consumer Affairs Unit, Department of Business and Industry, and the State of Nevada Foreclosure Mediation Program. Additionally, through the Edward Byrne Memorial Justice Assistance Grant, attorneys and support staff were brought in to deal with mortgage foreclosure and financial fraud, but that funding had expired and had been replaced with Wells Fargo settlement funds, which were set to expire at the end of FY 2015. Nevada was second in the nation for financial fraud and third for mortgage fraud. These funds were previously approved by the Legislature.

There being no additional comments or questions, Chair Anderson requested Ms. Radu proceed with the presentation.

Ms. Radu advised the Committee that she had concluded the presentation for the OAG budgets.

Chair Anderson requested additional information on the criminal mortgage fraud unit, specifically decision units E-501 and E-901.

Ms. Radu explained that decision unit E-901 transferred eight positions from BA 1030 Administrative Fund, to BA 1045, to be funded with the National Mortgage Settlement money. The staff would be able to broaden its responsibilities to include litigation and financial fraud.

Assemblywoman Kirkpatrick inquired what performance measures would be used for this function. She also was curious to know whether the part-time DAG would be transferred and whether there would be a new DAG to oversee a program that had limited longevity.

Mr. Kandt asked for clarification of Assemblywoman Kirkpatrick's question regarding the DAG position. Ms. Radu had referred to the transfer of the unit consisting of eight positions. Mr. Kandt clarified that there would not be any DAG positions added to the unit. This would only be a transfer of the funding for the existing eight positions.

Assemblywoman Kirkpatrick responded that was the clarification she needed. She did not want mortgage fraud to be put into the background, because this continued to be a major problem for the state.

Mr. Kandt agreed with Assemblywoman Kirkpatrick regarding the severity of the problem. The unit would continue to carry out investigations and prosecution of mortgage fraud, but it would also be able to investigate other related forms of financial fraud, consistent with the purposes of the settlement.

Assemblywoman Kirkpatrick asked whether there had been discussions regarding such things as fraudulent mortgage documents and bogus rental agreements.

Mr. Kandt responded that there was a variety of schemes that experts in the consumer fraud unit found, whether mortgage related or not. The ingenuity of criminals was amazing to him, and the unit tried to stay one step ahead.

Jeff Segal, Chief Deputy Attorney General, Office of the Attorney General, stated that the criminals in the mortgage fraud area were quite ingenious, and some of the scams were very sophisticated. There were schemes where individuals were entering abandoned houses, claiming to own them, and renting

out the houses. The unit was investigating and prosecuting these and other schemes.

Assemblywoman Dickman asked whether the OAG anticipated the continuation of the criminal mortgage fraud unit beyond the 2015-2017 biennium and, if so, how the unit would be funded.

Mr. Duncan responded that the OAG was taking a "wait-and-see" approach. If there were significant numbers of cases and patterns of criminal behavior, he believed that the unit would probably continue operations and use National Mortgage Settlement funds, if available.

There being no additional comments or questions, Chair Anderson closed the hearing for BA 1045. Chair Anderson announced that the Committee would begin the Fiscal Analysis Division staff budget closings.

ELECTED OFFICIALS

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AG - EXTRADITION COORDINATOR (101-1002)

BUDGET PAGE ELECTED-80

Joi Davis, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that budget account (BA) 1002 was supported by State General Fund appropriations and court-ordered restitution recovery payments to recoup some of the cost for extraditions. There were no major closing issues. Decision unit Enhancement (E) 710 appeared reasonable to staff. Fiscal Analysis Division staff recommended the budget be closed as proposed in The Executive Budget.

Assemblywoman Carlton inquired why the supplemental request of \$169,000 to support projected extradition costs through the end of fiscal year (FY) 2015 was necessary.

Ms. Davis responded that this budget was allowed, with the approval of the Interim Finance Committee (IFC), to transfer funding from FY 2014 to FY 2015 or from FY 2015 to FY 2014, as necessary. It was necessary to transfer funds from FY 2015 into FY 2014 to cover extradition costs, which caused a shortage in the amount approved by the 2013 Legislature for FY 2015. The appropriation moved was \$55,200. Extradition costs were difficult to estimate, resulting in account shortages.

There being no additional comments or questions from the Committee, Chair Anderson requested a motion.

ASSEMBLYMAN HAMBRICK MOVED FOR APPROVAL OF BUDGET ACCOUNT 1002 AS RECOMMENDED BY THE GOVERNOR, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hickey was not present for the vote.)

BUDGET CLOSED.

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ELECTED OFFICIALS
ELECTED OFFICIALS
AG - MEDICAID FRAUD (101-1037)
BUDGET PAGE ELECTED-113

Joi Davis, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that budget account (BA) 1037 was supported with 75 percent federal funds with a 25 percent match requirement. The match requirement was met with recoveries the Medicaid Fraud Control Unit obtained through investigations and prosecutions of fraud. This was a federally mandated program. There were no major issues in this budget account. Decision unit enhancement (E) 710 for replacement equipment appeared reasonable to staff. Fiscal Analysis Division staff recommended the budget be closed as included in The Executive Budget.

There being no comments or questions, Chair Anderson called for a motion.

ASSEMBLYWOMAN DICKMAN MOVED FOR APPROVAL OF BUDGET ACCOUNT 1037 AS RECOMMENDED BY THE GOVERNOR, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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ELECTED OFFICIALS

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AG - VIOLENCE AGAINST WOMEN GRANTS (101-1040)

BUDGET PAGE ELECTED-122

Joi Davis, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that budget account (BA) 1040 was 100 percent federally funded. This budget account served as a grant pass-through account for governmental and nonprofit agencies to enhance victim safety and recovery and to increase offender accountability. There were no major closing issues. Decision unit Enhancement (E) 710 for replacement equipment appeared reasonable to staff. Fiscal Analysis Division staff recommended this budget be closed as included in The Executive Budget.

There being no comments or questions, Chair Anderson called for a motion.

ASSEMBLYWOMAN TITUS MOVED FOR APPROVAL OF BUDGET ACCOUNT 1040 AS RECOMMENDED BY THE GOVERNOR, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN OSCARSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, announced that there were eight bill draft requests (BDRs) for introduction. The BDRs were related to budget execution and required Committee approval for introduction.

BDR 23-1157 — Eliminates longevity payments for state employees. (Later introduced as [Assembly Bill 436](#).)

There being no discussion, Chair Anderson requested a motion for introduction of bill draft request (BDR) 23-1157.

ASSEMBLYWOMAN DICKMAN MOVED FOR COMMITTEE INTRODUCTION OF BDR 23-1157.

ASSEMBLYWOMAN BENITEZ-THOMPSON SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BDR S-1217 — Makes an appropriation to restore the balance in the Reserve for Statutory Contingency Account. (Later introduced as [Assembly Bill 437](#).)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, summarized bill draft request (BDR) S-1217 and advised the Committee that the appropriation was for \$1 million.

There being no discussion, Chair Anderson requested a motion for introduction.

ASSEMBLYMAN HAMBRICK MOVED FOR COMMITTEE INTRODUCTION OF BDR S-1217.

ASSEMBLYMAN ARMSTRONG SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BDR S-1220 — Makes an appropriation to the Division of Forestry of the State Department of Conservation and Natural Resources for certain costs related to the Intergovernmental All-Risk Fire Management Program of the Division. (Later introduced as [Assembly Bill 438](#).)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, summarized bill draft request (BDR) S-1220 and explained the appropriation was for \$259,928 related to employee retirement buyouts and terminal leave payments.

There being no discussion, Chair Anderson requested a motion for introduction.

ASSEMBLYMAN EDWARDS MOVED FOR COMMITTEE
INTRODUCTION OF BDR S-1220.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BDR S-1221 — Makes an appropriation to the Legislative Counsel Bureau for the cost of dues and registration for national organizations and one-time building maintenance and information technology purchases. (Later introduced as [Assembly Bill 443](#).)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted the appropriation in bill draft request (BDR) S-1221 was \$2,011,073, with \$778,181 for dues and registration and for one-time billing maintenance costs and information technology purchases of \$1,232,892.

ASSEMBLYWOMAN DICKMAN MOVED FOR COMMITTEE
INTRODUCTION OF BDR S-1221.

ASSEMBLYMAN ARMSTRONG SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BDR S-1225 — Makes a supplemental appropriation to the Office of the Lieutenant Governor for projected payroll and other costs associated with the 2015 Legislative Session. (Later introduced as [Assembly Bill 442](#).)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted the appropriation in bill draft request (BDR) S-1225 was for fiscal year 2015 in the amount of \$25,887 for payroll and other costs associated with 2015 Legislative Session travel funds for the Lieutenant Governor.

ASSEMBLYMAN EDWARDS MOVED FOR COMMITTEE
INTRODUCTION OF BDR S-1225.

ASSEMBLYWOMAN DICKMAN SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BDR S-1227 — Makes a supplemental appropriation to the Office of the State Controller for the projected costs of a one-time terminal leave payment. (Later introduced as [Assembly Bill 441](#).)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted the appropriation in bill draft request (BDR) S-1227 was for fiscal year 2015 in the amount of \$35,000.

ASSEMBLYMAN EDWARDS MOVED FOR COMMITTEE
INTRODUCTION OF BDR S-1227.

ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BDR S-1232 — Makes a supplemental appropriation to the Commission on Postsecondary Education for the costs of a one-time terminal leave payment. (Later introduced as [Assembly Bill 440](#).)

The supplemental appropriation in bill draft request (BDR) S-1232 was \$33,308 according to Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau.

ASSEMBLYMAN EDWARDS MOVED FOR COMMITTEE
INTRODUCTION OF BDR S-1232.

ASSEMBLYWOMAN DICKMAN SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BDR S-1234 — Makes a supplemental appropriation to the Office of the Military. (Later introduced as [Assembly Bill 439](#).)

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted the appropriation in bill draft request (BDR) S-1234 was \$303,867 for an unanticipated shortfall for additional military leave not eligible for reimbursement through the Master Cooperative Agreement.

ASSEMBLYMAN EDWARDS MOVED FOR COMMITTEE
INTRODUCTION OF BDR S-1234.

ASSEMBLYWOMAN DICKMAN SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, advised the Committee that the bill draft requests would be introduced on the Assembly floor and referred to the Assembly Committee on Ways and Means. Fiscal Analysis Division staff would continue to vet the amounts requested for the appropriations; therefore, the amounts could be adjusted.

Ms. Jones continued with the presentation for budget closings.

ELECTED OFFICIALS

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GOVERNOR'S WASHINGTON OFFICE (101-1011)

BUDGET PAGE ELECTED-15

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account (BA) 1011 for the Office of the Governor, Washington, D.C., noting that Fiscal Analysis Division staff was responsible for developing the closing recommendation. The Governor's Washington, D.C. office was authorized by the 1985 Legislature and functioned as a point of contact with Nevada's Congressional Delegation, key federal agencies, and the White House. The Office maintained daily contact with key staff, tracked Congressional matters of interest to the state, monitored regulations issued by federal agencies, monitored grant opportunities available to the state, and conveyed potential legislation effects on Nevada to the Congress and the administration.

From fiscal year (FY) 2004 through FY 2009, the budget for the Office was approved for \$267,079 annually. The budget was reduced to \$247,079 as part of the budget reductions for the 2009-2011 biennium. The existing funding level of \$259,433 per year was a result of the increases approved by the 2013 Legislature. The 2013 Legislature approved an increase of 2.5 percent in FY 2014 and an additional 2.5 percent in FY 2015 over the previously approved funding level for the 2011-2013 biennium.

The contributions to support the Office remained identical to those approved by the Legislature last biennium. A small portion came from the Office of Economic Development and the bulk of the funding came from the Commission on Tourism, Department of Tourism and Cultural Affairs, and the Department of Transportation (NDOT).

The Office maintained a website to display activities and information regarding federal programs and grants and provided individuals an opportunity to subscribe for weekly updates. A quarterly report was provided to the Office of the Governor outlining activities conducted on behalf of the State of Nevada.

Fiscal Analysis Division staff recommended this budget be closed as included in The Executive Budget.

Assemblywoman Carlton was aware of a debate years earlier regarding putting the administration of this Office out for bid. She was not aware, however, of the length of the contract. She asked for the status of the contract.

Ms. Jones replied that the contract was scheduled to be rebid in the spring of 2016.

In response to Assemblywoman Titus, Ms. Jones explained the Office was housed in the Hall of the States building in Washington, D.C. Most states had an office in the building to facilitate conversations between the state and its Congressional delegation.

Assemblywoman Titus inquired whether the State of Nevada paid a lobbyist to interact with the Congressional delegation. Ms. Jones responded that it was not required, but the 1985 Legislature approved the process.

Assemblyman Hickey commented that when visiting lawmakers traveled to Washington, D.C., the Office assisted with facilitating meetings, transportation, and lodging. He believed this was a helpful service.

Assemblywoman Kirkpatrick agreed that the Office was much improved over the last few years. When Congress was shut down, the Office was able to provide up-to-date information for Nevadans.

Assemblyman Edwards wondered why the money to support the Office came from the NDOT Highway Funds rather than the State General Fund.

Ms. Jones responded that the Office supported transportation projects and worked with the federal government on transportation programs. The split for the appropriation was based on activities for which the Office provided assistance to Nevada. By splitting the cost among various funding streams, the General Fund was not affected.

Assemblywoman Bustamante Adams asked who the contact point was in the Office of the Governor. Ms. Jones replied that it was the chief of staff.

Assemblywoman Titus recalled the contract expiration with the lobbying firm and was curious whether Ms. Jones anticipated an increase in cost when the contract was renewed.

Ms. Jones said she was not in a position to determine the cost at this time. A request for proposal (RFP) would be issued through the Purchasing Division, Department of Administration, and bids would be submitted by interested parties. According to Ms. Jones, no increase was built into the budget for the upcoming biennium.

There being no additional comments or questions, Chair Anderson called for a motion.

ASSEMBLYMAN EDWARDS MOVED FOR APPROVAL OF BUDGET
ACCOUNT 1011 AS RECOMMENDED BY THE GOVERNOR,
INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF
TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN ARMSTRONG SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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ELECTED OFFICIALS
ELECTED OFFICIALS
LIEUTENANT GOVERNOR (101-1020)
BUDGET PAGE ELECTED-70

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account (BA) 1020 for the Office of the Lieutenant Governor.

The Lieutenant Governor was elected to a four-year term and served as the President of the Senate; the chair of the Commission on Tourism, Department of Tourism and Cultural Affairs; a member of the Board of Economic Development, Office of the Governor; vice chair of the Board of Directors of the Department of Transportation; a member of the Governor's Cabinet; and a member of the

Executive Branch Audit Committee. The Lieutenant Governor also served as acting Governor when the Governor was out of state or unable to perform the duties of his office. The Office of the Lieutenant Governor was supported 100 percent with State General Fund appropriations.

Ms. Jones noted the only major closing item was the increase of a half-time administrative secretary position to full time. This position was reduced during the 2009 budget cuts. The Office of the Lieutenant Governor said that having this position restored would provide better coverage for the Las Vegas office. There were two staff members in the Las Vegas office. Restoring the position to full time would ensure one person would be in the office during business hours.

The request was for decision unit Enhancement (E) 225 with General Fund appropriations of \$28,338 in fiscal year (FY) 2016 and \$28,345 in FY 2017. The amounts were automatically calculated in the system.

There being no comments or questions, Chair Anderson requested a motion to approve decision unit E-225.

ASSEMBLYMAN EDWARDS MOVED FOR APPROVAL OF
DECISION UNIT E-225 IN BUDGET ACCOUNT 1020 AS
RECOMMENDED BY THE GOVERNOR.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Jones moved to the other closing items for BA 1020, decision unit E-800, the new Department of Administration cost allocation. The Office of the Lieutenant Governor had discussed having the Department of Administration manage the fiscal functions for the Office. The Department of Tourism and Cultural Affairs previously performed this function. Tourism no longer had the staff available to perform these transactions on behalf of the Lieutenant Governor.

Ms. Jones reminded the Committee that an earlier vote to authorize Fiscal Analysis Division staff to make statewide technical adjustments as necessary included such items as changes in the statewide cost-allocation plan, Attorney General's cost-allocation plan, and pay decisions of the Legislature. However, some accounts included a request to make technical adjustments if there was a specific cost allocation or other specific item in the budget account or decision unit. As an example, BA 1011 included new

positions requested in the Department of Administration budget. If those positions were not approved in the decision unit supporting this group, it would be necessary to adjust the amount in this and other accounts.

Assemblywoman Bustamante Adams asked whether staff tracked the equipment replacement time schedules for purchases in decision unit E-710 and whether it was a best practice for the agencies to wait seven to ten years for replacement equipment. She wanted to ensure agencies were not unnecessarily requesting replacement equipment.

Ms. Jones responded that the Division of Enterprise Information Technology Services, Department of Administration, issued standards regarding computer replacement schedules. A typical replacement cycle was five years for a personal computer or three years if a heavy user needed to have technology updated more frequently. When agencies requested equipment replacement, the serial numbers of the items were identified and verified for the agency and reviewed by the Budget Division and Fiscal Analysis Division staff. When Fiscal Analysis Division staff identified a machine that should not be replaced, it was identified in briefing documents provided to the agencies during the hearing process.

There being no comments or questions, Chair Anderson requested a motion to approve BA 1020.

ASSEMBLYMAN HICKEY MOVED FOR APPROVAL OF BUDGET ACCOUNT 1020 AS RECOMMENDED BY THE GOVERNOR INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hambrick was not present for the vote.)

BUDGET CLOSED.

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ELECTED OFFICIALS

ELECTED OFFICIALS

TREASURER - MUNICIPAL BOND BANK REVENUE (745-1086)

BUDGET PAGE ELECTED-189

Stephanie Day, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account (BA) 1086. Fiscal Analysis Division staff had developed the closing recommendations for this budget account.

Ms. Day explained that the Municipal Bond Bank was created by the 1981 Legislature to assist municipalities in undertaking local projects and was administered by the Office of the State Treasurer. Pursuant to Chapter 350A of the *Nevada Revised Statutes* (NRS), the Municipal Bond Bank allowed the state to sell general obligation bonds for the benefit of local governments, subject to a statutory limitation of \$1.8 billion combined. The bonds were exempt from the constitutional debt limitation. The proceeds from the bonds were used to purchase validly issued municipal revenue securities. The State Board of Finance had to approve both the issuance of state general obligation bonds and revenue securities under this chapter of NRS.

According to Ms. Day, the \$54 million in projected revenues in this account over the biennium were the principal and interest payments received from the local governments to pay the debt service on the general obligation bonds issued by the Office of the State Treasurer.

In response to a question from Assemblywoman Kirkpatrick, Ms. Day deferred to Lori Chatwood, Deputy Treasurer–Debt Management, Office of the State Treasurer. Ms. Chatwood explained that for the Municipal Bond Bank, BA 1086 was a revenue account. There were two Municipal Bond Bank budget accounts that mirrored each other. The state issued the general obligation bonds, from which it received the proceeds used to purchase the bonds from the municipalities. The municipality received the same cost as the state and the state's credit rating. When the state received payments from the municipalities on the bonds owned by the state, the revenue went into BA 1086. The same revenue stream was used to pay the bond bank bonds out of BA 1087.

To follow up, Assemblywoman Kirkpatrick asked whether the state's rate would change if a local government bond changed status and what would occur if the payments were not made.

Ms. Chatwood responded that the majority of bonds in the bond bank were general obligation bonds of the municipality backed by the state's good faith and credit. If the municipality defaulted, the state would first use the reserves in BA 1082. If those reserves were insufficient, the state would request a loan from the State General Fund to be paid back by future ad valorem taxes. Beyond that, the state would be obligated to make payments through an assessment against the \$.17 property tax rate for debt service. However, the municipalities had pledged their full faith and credit to repay the bonds issued on their behalf, and to date, there had never been a default on payments from the municipalities.

Assemblywoman Kirkpatrick commented that during the recession, the Legislature had considered using a portion of the bond bank funds. She was unclear whether it was the responsibility of the municipalities or the Office of the Treasurer to alert the Governor or Legislature should there be a status change. She wanted to know the procedure if something changed.

Ms. Chatwood replied that on a current bond, the Office of the Treasurer collected 15 days prior to the state's payment. The Treasurer would contact the municipality immediately if the payment was not received. If the payment was never received, the Office of the Treasurer would contact the Budget Division, Department of Administration, and the Office of the Governor. The Legislature received an annual report on the status of the regular bonds and whether funding was available to make the payments.

Assemblywoman Bustamante Adams asked whether there was a flowchart that demonstrated how the money flowed.

Ms. Chatwood responded that a flowchart could be created to follow the money.

Assemblyman Edwards was curious why the funding was increased from \$16,504,030 in fiscal year (FY) 2015 to \$27,605,142 in FY 2016.

Ms. Chatwood explained that it was the debt service on the bonds. Depending on which bonds were issued in a particular year and which bonds were paid off, the amounts of principal and interest would change. Currently there was approximately \$239 million in outstanding bonds from the municipalities. Somewhat like a home mortgage, depending on how many mortgages and the amounts of the mortgages, the annual amount due could rise or fall depending on what was added or what was paid off. There was an amortization schedule, the bond payment system, which showed all of the outstanding bonds and the

principal in any particular year. It was not a matter of an increase in the purchase of bonds, but the amortization.

Chair Anderson commented that it was important to note these were municipal bonds and the Office of the Treasurer serviced the payment of them.

Ms. Chatwood noted that the municipal bonds mirrored those the state had issued. Whatever the state owed on its bonds was the same as the amount municipalities owed to the Office of the Treasurer on their bonds.

Assemblyman Sprinkle asked whether the decision for issuance of the municipal bonds was at the discretion of the Office of the Treasurer.

According to Ms. Chatwood, NRS Chapter 350A set up the Municipal Bond Bank. When a municipal bond was to be issued, the Office of the Treasurer was required to receive approval from the State Board of Finance, which was made up of the Governor, State Controller, State Treasurer, and two outside appointed officials.

There being no additional comments or questions, Chair Anderson requested a motion to close BA 1086.

ASSEMBLYWOMAN DICKMAN MOVED FOR APPROVAL OF
BUDGET ACCOUNT 1086 AS RECOMMENDED BY THE
GOVERNOR.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Armstrong was not
present for the vote.)

BUDGET CLOSED.

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ELECTED OFFICIALS

ELECTED OFFICIALS

TREASURER - MUNICIPAL BOND BANK DEBT SERVICE (395-1087)

BUDGET PAGE ELECTED-191

Stephanie Day, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account (BA) 1087. This was a companion to BA 1086. Fiscal Analysis Division staff was responsible

for developing the closing recommendations for this budget, which was not previously heard by the Committee.

Ms. Day pointed out this budget served as the redemption account as described by Lori Chatwood, Deputy Treasurer–Debt Management, Office of the State Treasurer, to pay the principal and interest payments on the state-issued general obligation bonds.

Ms. Day stated there were no major closing items, and Fiscal Analysis Division staff recommended the budget be closed as proposed in The Executive Budget.

There being no comments or questions, Chair Anderson requested a motion for approval.

ASSEMBLYMAN EDWARDS MOVED FOR APPROVAL OF BUDGET
ACCOUNT 1087 AS RECOMMENDED BY THE GOVERNOR.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Armstrong was not
present for the vote.)

BUDGET CLOSED.

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ELECTED OFFICIALS
ELECTED OFFICIALS
COMMISSION ON ETHICS (101-1343)
BUDGET PAGE ELECTED-245

Stephanie Day, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account (BA) 1343. This budget account was previously heard by the Committee. The Governor recommended total funding of \$1,668,237, including \$326,337 in State General Fund appropriation and about \$1.2 million in county reimbursements.

There were no major closing items in this budget account and Fiscal Analysis Division staff recommended the budget be closed as included in The Executive Budget and requested authority to make technical adjustments.

Chair Anderson requested the Executive Director of the Commission on Ethics address the Committee for justification of the budget.

Yvonne M. Nevarez-Goodson, Executive Director, Commission on Ethics, testified that she was appearing to explain the corrections of perceived errors from the 2013 Legislative Session with regard to salaries of the Commission Counsel and Executive Director and to make salaries and titles comparable for two of the other six-member staff.

Ms. Nevarez-Goodson stated that during the 2013 Legislative Session, the Commission was provided an associate counsel position. The position was intended to be subordinate to the Commission's Executive Director and Commission Counsel positions. During the 2013 budget hearings, it was implied to the Commission that the salaries of the Executive Director and Commission Counsel would be appropriately adjusted in the Unclassified Pay Bill. As it stood, the associate counsel position came in at the same salary as the Commission Counsel, and it was understood that the adjustments could be made later in the 2013 Legislative Session. The attempts to make the adjustments were unsuccessful. It was hoped that it could be corrected after the Unclassified Pay Bill came through in the last days of the session.

The Commission believed that the adjustments needed to be made, either in the Unclassified Pay Bill or during these budget hearings. The vice chair of the Commission had offered his experience in working for the State Gaming Control Board and working through salary alignments, if this Committee desired. Additionally, the Commission pointed to concerns regarding comparable salaries in other state government offices. For example, the equivalent position at the Commission on Judicial Discipline was well above the salary of the Commission on Ethics staff member.

Assemblywoman Carlton was uncertain about the impressions given during budget hearings at the 2013 Legislative Session. She understood the concerns with the salaries, but realized the Commission was mostly funded by local jurisdictions with the state funding a small portion. It would be necessary for further investigation to determine how this miscommunication occurred.

Chair Anderson requested Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provide the Committee with the history of this situation and the options available.

Ms. Jones had reviewed the history of this problem through the last biennium, and the documentation presented thus far for the 2015 Legislative Session. The amounts approved for the salaries for the current biennium matched

the amounts included in the agency-requested budget and the Governor-recommended budget. The previous Executive Director provided testimony requesting increases above the amounts recommended in The Executive Budget for the last biennium.

Ms. Jones pointed out that she had reviewed the minutes and the hearing tapes. There was no indication to Fiscal staff that there was intent by the Legislature to increase those amounts. For the 2015-2017 biennium, the amounts included in The Executive Budget were reflective of the amounts included in the agency-requested budget.

Assemblywoman Carlton believed this would be addressed in the Unclassified Pay Bill. She thought it was good to discuss this problem before the Committee reviewed the Unclassified Pay Bill.

Chair Anderson agreed with Assemblywoman Carlton. There being no additional comments or questions, Chair Anderson requested a motion.

ASSEMBLYWOMAN CARLTON MOVED FOR APPROVAL OF
BUDGET ACCOUNT 1343 AS RECOMMENDED BY THE
GOVERNOR WITH AUTHORITY FOR FISCAL ANALYSIS DIVISION
STAFF TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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Assembly Committee on Ways and Means

March 23, 2015

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Chair Anderson opened the hearing for public comments. There being none, the hearing was adjourned at 9:46 a.m.

RESPECTFULLY SUBMITTED:

Linda Blevins
Committee Secretary

APPROVED BY:

Assemblyman Paul Anderson, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Ways and Means

Date: March 23, 2015

Time of Meeting: 8:03 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster