

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

**Seventy-Eighth Session
April 22, 2015**

The Committee on Ways and Means was called to order by Chair Paul Anderson at 8:07 a.m. on Wednesday, April 22, 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 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 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
Barbara Williams, Committee Secretary
Cynthia Wyett, Committee Assistant

The Committee Assistant called the roll and a quorum was present. Chair Anderson called for public comment and, there being none, opened the hearing on Senate Bill 505.

Senate Bill 505: Provides for the temporary suspension of the collection of certain subsidies to be paid to the Public Employees' Benefits Program. (BDR S-1205)

Jim R. Wells, C.P.A., Interim Chief, Budget Division, Department of Administration, and Interim Director, Department of Administration, explained that Senate Bill (S.B.) 505 was intended to help with the State General Fund deficit that was projected for fiscal year (FY) 2015. He said there was a total of \$123 million in the various sweeps, and S.B. 505 accounted for approximately \$18 million.

Mr. Wells said S.B. 505 implemented a two-month assessment holiday for the employer portion of state employee health insurance for state agencies. Agencies remitted a flat dollar amount for each employee every month to the Active Employees Group Insurance (AEGIS) budget account (BA) 1390. That deposit funded the employer share of the health insurance premiums for state employees based on the plan and tier that they selected.

Mr. Wells stated the balance in the account reflected that FY 2015 rates were significantly lower than projected during the 77th Legislative Session (2013). The employees' share of the lower premiums was reduced July 1, 2014. There was currently no mechanism for reducing the employer share during the biennium.

Mr. Wells said the assessment holiday proposed in S.B. 505 did not affect the reserves of the Public Employees' Benefits Program (PEBP) or the rates that were paid by the participants. The AEGIS account was projected to have a surplus at the end of FY 2015 of approximately \$28 million. The AEGIS holiday would reduce that balance by about \$31 million. He said any balance or deficit in the account at the end of the biennium was added to or subtracted from the assessment calculation for the following year. The goal for the end of each biennium was for the account to have a zero balance.

Mr. Wells explained that if the holiday were not enacted, the AEGIS balance at the end of FY 2015 would be credited against the FY 2016 per-employee, per-month employer assessment for health insurance. Without the holiday, the FY 2016 projection for the employer assessment would be approximately \$595 per month; with the holiday, the projected employer assessment would be approximately \$705. The projections would be revised to reflect the actual rates approved by the Board of the Public Employees' Benefits Program.

Mr. Wells said the enactment of the assessment holiday would generate approximately \$18.2 million for the FY 2015 General Fund shortfall. He said it was a violation of federal law to sweep the account surplus directly into the General Fund because federal funds were a portion of the balance in the account. The only way to get money out of the AEGIS budget account was either to revert it to the accounts where the money was deposited or to stop adding money to the account. He reiterated that the bill had no effect on the premium rate for employees or on the benefits that were being funded currently from the reserves of the program.

Mr. Wells understood there had been some discussion regarding premium holidays and assured the Committee that the assessment holiday was different from a premium holiday. Should the PEBP Board approve a premium holiday, there were several effects. First, the premium holiday would reduce the PEBP reserves by the amount of the premium holiday and would therefore require a rate increase to pay for the benefits that were currently being funded from the reserves. Second, all funds were not captured that month, so there would be no transfer from the AEGIS account into the PEBP account, generating additional excess funds in the AEGIS account. Lastly, a premium holiday would reduce the amount that was required to be deposited from the local government employers who had retirees in PEBP.

Assemblyman Kirner asked whether the assessment holiday was a case of the state borrowing now and paying back over the next biennium and wondered whether it changed the ratio between employer and employee premiums.

Mr. Wells agreed that the state was borrowing the funds against the first year of the biennium and assured the Committee that the assessment holiday had no effect on the percentage of the premiums that the employer paid. He explained that the bill took the reductions in premiums that were effective July 1, 2014, but which the employer could not take advantage of, and reduced the employer payment at the end of the fiscal year.

Assemblywoman Carlton understood the objections Mr. Wells had to a premium holiday, although she did not agree with him. She expressed concern that the agency was simply finding a way to work around violating federal law and use the funds while still expecting state employees to pay their premiums.

Mr. Wells said the only federal law violation would be to sweep the AEGIS account to the General Fund.

Assemblywoman Carlton said that it appeared that the state was not sweeping the fund but instead not funding it—a "preemptory sweep." She believed it was her job to advocate for state employees and that the state was receiving a benefit without offering a commensurate benefit to employees.

Mr. Wells explained that state employees had received the benefit of the reduction in health insurance premiums in July 2014, when employee payroll deductions for premiums had been reduced. There was no mechanism for the state agencies to reduce the employer portion of the reduced premiums, thus leading to the overfunding and prompting the need for S.B. 505.

Assemblyman Sprinkle asked for clarification on the flow of money into and out of the AEGIS budget account.

Mr. Wells explained that the PEBP account was a stand-alone budget account. It was funded by two other budget accounts from other state sources. One of the budget accounts was for retirees, and the other was the AEGIS budget account for state employees. The Budget Division projected at the beginning of the year the amount needed for each state agency to fund the employer share of retiree and employee health premiums. When the rates were overestimated for the second year of the biennium, the amount that was put into the pass-through account was actually more than the amount needed to transfer out to pay the employer share of the monthly premiums. The result was a surplus balance in the funding budget account. The AEGIS surplus was an estimate based on the per-employee, per-month assessment that was passed on to each state agency, which paid \$695 per month into the AEGIS budget account. The amounts taken out of the account per employee varied, based on the coverage chosen. The assessment holiday in S.B. 505 would simply use up the surplus of that external budget account. It would have no effect on the reserves inside the PEBP account, which had been allocated by the Board to enhance benefits in both FY 2015 and the upcoming biennium.

Mr. Sprinkle asked whether the reserve within the separate AEGIS account was where the money would come from to cover the two months that the state employers would not have to pay, and Mr. Wells agreed.

Assemblyman Kirner asked whether state employees would see lower premiums if the funds stayed in the AEGIS account.

Mr. Wells said employees would not see lower premiums if the money remained in the AEGIS account because the employee premium percentage would not change. What would result was a reduction in the monthly agency assessment for FY 2016.

Assemblyman Kirner asked whether the surplus could be used to reduce employee premiums and what the current employee/employer percentages were.

Mr. Wells said the PEBP Board would have to change the employee/employer premium percentages in order for the surplus to be used to reduce employee premiums. The employee premium percentages were 93 percent and 73 percent for dependents for the consumer driven health plan, and 77 percent and 57 percent for dependents for the health maintenance organization (HMO) plan.

Assemblyman Sprinkle asked whether the AEGIS surplus came from employer and employee funds.

Mr. Wells assured the Committee that the money in the AEGIS account was comprised solely of employer funds. The employee portion of the health insurance premiums was deposited into the PEBP account.

Assemblywoman Kirkpatrick asked Mr. Wells to provide the Committee a copy of the chart he used to present his budget that explained the flow of money into and out of the AEGIS account, and Mr. Wells agreed.

Hearing no response to his request for testimony in favor of or opposed to the bill, Chair Anderson called for neutral testimony regarding S.B. 505.

Priscilla Maloney, representing Retiree Chapter of the American Federation of State, County and Municipal Employees (AFSCME) Local 4041, wanted to express appreciation to the Committee for their work regarding employee benefits and believed that moving funds among accounts generated concern on the part of state employees and retirees. She said she understood that there were a lot of moving parts and expressed her desire to see the chart referenced by Assemblywoman Kirkpatrick.

Hearing no response to his request for further testimony, Chair Anderson closed the hearing on S.B. 505 and opened the hearing on Assembly Bill 483.

Assembly Bill 483: Makes various changes relating to the compensation of certain public school employees. (BDR 34-1198)

Dale Erquiaga, Superintendent of Public Instruction, Department of Education, stated that Governor Sandoval had said in his State of the State Address that performance pay in Nevada's public schools should be a priority for this Legislature. He acknowledged that the Legislature had tried over multiple sessions to establish a framework for performance pay, and there had been several incentive programs that had funding appropriated and subsequently withdrawn because of other fiscal needs. The 76th Legislature (2011) had established a requirement for performance pay and enhanced compensation in *Nevada Revised Statutes* 391.168. The original legislation had directed the program to start in the 2014-2015 school year, but when the Legislature met again, there had been insufficient progress made and the date was pushed back to the 2015-2016 school year.

Mr. Erquiaga said that it was this background and the Governor's renewed urgency that prompted the Department of Education and the Department of Administration to present Assembly Bill (A.B.) 483 to the Committee. He characterized the bill as the beginning of a new conversation about performance pay in the schools. He explained that in section 1, the bill required the board of trustees of each school district to reserve a portion of their budget annually. Rather than appropriate new monies, the bill required the district to "fence off" a sum of money sufficient to pay an increase in base salaries, not to exceed 10 percent, for not less than 5 percent of the teachers and administrators employed by the school district.

Mr. Erquiaga noted that in current law there was a similar measure for a minimum expenditure requirement for textbooks and instructional supplies that required districts to segregate funds for that purpose. Historically, the requirement had been waived multiple times because of fiscal concerns. The current bill required, by comparison, a smaller amount of money.

Mr. Erquiaga said the Department had calculated a slightly lower cost than the fiscal notes from the districts by using the "Nevada Department of Education Research Bulletin" from FY 2014. It had calculated the amount to be approximately \$7.5 million per year, or \$15 million over the biennium, which would be segregated into the performance-pay funds. The bill allowed the funds to be rolled forward for one year if they were not expended. The rest of the bill did not change the current requirements. In the Department's opinion, a district could continue to have the statutorily provided performance pay and enhanced compensation plan and still add this program, specific to

pay-for-performance. He noted that this was the introduction of a complex topic to the 78th Legislature.

Another key provision of the bill was that the segregated funds and the existing law were removed from the collective bargaining process, which he admitted was a deterrent for moving the process forward. He expressed frustration that it had been four years since the original mandate, and the school districts had still not instituted working programs. He asked the Committee to consider using the bill to add a new means of segregating funds for performance pay and exempting performance pay from collective bargaining.

Assemblyman Armstrong asked for clarification on the fiscal notes attached to the bill and the funding sources.

Mr. Erquiaga replied that he was not sure of how the districts reached the numbers they had in the fiscal notes, but the Department of Education's estimates were based on the average salaries for teachers and administrators in the Research Bulletin from FY 2014. He said the school districts received funding from both the state and local governments, and the bill did not specify from which source the district would segregate the funds.

Assemblyman Edwards asked for clarification of the math used to arrive at the cost projections.

Melinda (Mindy) Martini, Deputy Superintendent for Business and Support Services, Department of Education, said the Department had based its estimates on the average salary by district. The estimates resulted in approximately \$6 million for teachers and \$1.5 million for administrators. She used the example of Clark County, where the average base salary of teachers was \$55,560 and the average base salary of administrators was \$67,654.

Mr. Erquiaga explained that the bill would only affect the top 5 percent of teachers and administrators in any given district, and that group could receive a performance-based raise of up to 10 percent.

Assemblyman Sprinkle asked for elaboration on the difference in calculating performance-pay increases for teachers and administrators. He noted that the bill required districts to "give appropriate consideration to implementation in at-risk schools" and wondered how that would be handled.

Mr. Erquiaga replied that each district could choose to differentiate teachers and administrators by license or by job description. He added that the bill created a districtwide plan, but it was a selective plan to reward individuals who

excelled according to criteria determined by each district in its plan. The 76th Legislature used the language regarding certain types of schools, with the legislative intent of recruiting and rewarding teachers in at-risk or underperforming schools. The bill before the Committee, however, was a plan to reward truly excellent employees districtwide.

Assemblyman Edwards asked whether there had been any plans submitted in the four years since the performance pay was initiated.

Mr. Erquiaga said that when the school districts failed to produce plans in 2013, the law was updated to push the start date to 2015. He knew the districts were working on the plans, but the Department's view was that the districts had been at the task for four years without much success.

Assemblyman Edwards opined that he would like to see what the plans were before allocating funds for them.

Mr. Erquiaga replied that there was no request for additional funds. The bill required that schools segregate existing funds to be used for a specific purpose.

Assemblywoman Carlton expressed concern about segregating the performance-pay funds and exempting them from collective bargaining. She believed that when contract negotiations occurred, it was only fair that everything was on the table, and that it was counterintuitive to segregate the funds.

Mr. Erquiaga noted that class-size reduction was another large segregated pool of funds, approximately \$180 million. The intent was for the funds to go toward a specific purpose and not bargained away for other purposes. He said A.B. 483 used the same philosophy—if the school districts had been unable to establish performance-pay plans in four years using the entirety of their funds, segregating the funds for the exclusive purpose of rewarding excellence should help them achieve the goal. He added that employee associations represented all of their members the same and worked to have all their members compensated equally. He believed that, to reward excellence, the segregated performance-pay funds needed to be exempt from the collective bargaining process so they could not be bargained away for other purposes.

Assemblywoman Carlton said she agreed with fencing off funds for textbooks and class-size reduction but not for actual pay scales. She pointed out that the current pay structures included many different ways in which teachers could gain salary increases by measurable steps.

Assemblywoman Kirkpatrick reminded the Committee that the Legislature had cut a lot of funding to schools over the last several sessions. She believed the lack of performance-pay plans could be a result of lack of resources. She asked for more detail about how the segregated funds in the bill would be distributed and what the accountability measurement would be.

Mr. Erquiaga reiterated that current law created a district plan, and so determination of apportionment and accountability remained with each school district at the local level. The bill added the requirement that the plan be presented to the State Board of Education and that the funds be segregated.

Assemblywoman Kirkpatrick expressed concern about putting vast amounts of resources into the same schools. She mentioned empowerment schools, Zoom schools, Victory schools, and all-day kindergarten, saying that if another program like performance pay was added to the underperforming schools, she wondered what would be left for everyone else.

Mr. Erquiaga agreed, although he believed a pay-for-performance plan helped the teachers who were not in at-risk and underperforming schools. He said existing law included the language that districts must give "appropriate consideration" to at-risk schools, but the bill in no way mandated that it all be used at underperforming schools. All teachers in any given district would be eligible for the performance-based incentives.

Assemblywoman Titus observed that she believed pay-for-performance was an appropriate vehicle for improving educational outcomes, but reminded the Committee that it was a money committee and not a policy committee. She thought best practices on performance pay were available, and school districts needed to develop the plan themselves; the funding of the plans was where the Committee discussion needed to be.

Assemblywoman Bustamante Adams noted that A.B. 483 called for the State Board of Education to review the information regarding the segregated funds. She asked whether that meant the State Board's involvement ended with reviewing the plan, and Mr. Erquiaga said that it did.

Assemblyman Kirner asked how the performance of teachers, especially those in the arts, might be measured.

Mr. Erquiaga replied that all teachers were evaluated annually, and that it was a local school district determination as to the method of measurement.

Assemblyman Kirner asked whether the measurement of performance would be subject to collective bargaining. In his experience, some performance evaluation was always somewhat subjective.

Mr. Erquiaga replied that chapter 288 of the *Nevada Revised Statutes* covered the scope of collective bargaining topics. He was not sure whether performance evaluations were included in the list.

Chair Anderson clarified that A.B. 483 was referred directly to the Committee, so it was appropriate to discuss some of the policy matters. He asked whether the pay-for-performance increases worked as one-time bonuses or permanent salary raises.

Mr. Erquiaga responded that the law was silent on the issue, but the district plan could create a one-time bonus, enhanced compensation, or a blend of incentives.

Chair Anderson asked whether the account would naturally grow as the districts grew and there were more employees in the pool, and Mr. Erquiaga said that it would.

Assemblywoman Swank commented that the plan sounded a lot like the performance pool for the Nevada System of Higher Education discussed in the 77th Legislature (2013) and was concerned that the school districts would pull out funds to distribute to a select few.

Chair Anderson asked for testimony in support of A.B. 483.

Janine Hansen, representing Nevada Families for Freedom, the state affiliate of National Eagle Forum, said the National Eagle Forum had long supported merit pay and supported A.B. 483. She said a study by the Teaching Commission advocated linking teacher pay to student performance. The authors pointed out that market incentives worked in nearly every profession except teaching where good teachers made no more money than bad ones.

Ms. Hansen cited a study in five Arkansas elementary schools that showed that one of the most effective factors in improving student performance was performance pay for teachers. She said evidence showed that one element of the education mix improved student performance more than others: the presence of a high-quality teacher. A student who had effective teachers for three straight years was likely to score more than 50 percentile points higher on standardized tests than a student who had ineffective teachers.

Ms. Hansen said that because the current system had no monetary rewards directly tied to effectiveness, many effective teachers sought more compensation through better working conditions, often choosing to leave schools with a high population of disadvantaged students and challenging teaching conditions. Good teachers might also increase their compensation by moving into administration or leaving the field of education entirely.

Ms. Hansen said that in the Arkansas merit pay pilot project, substantial learning gains were seen on standardized tests. Teacher merit in the project was determined exclusively by student achievement gains on the Stanford Achievement Test Series or the Iowa Tests of Basic Skills. An evaluation after the first two years of the pilot project showed that schools adopting the program achieved average gains of approximately 7 percentile points for students in math and reading.

Ms. Hansen said it was critical to start spending money on programs that worked. Improving student performance through good teachers who were rewarded through performance pay was one of the most effective ways to spend money on education. She thanked the sponsors of the bill and expressed her organization's full support for the measure.

Chair Anderson asked for testimony opposed to or neutral on A.B. 483.

Lindsay Anderson, Director, Government Affairs, Washoe County School District, testified that the district was neutral on A.B. 483. She said the Washoe County School District had been working on pay-for-performance programs for many years and had been the recipient of a federal grant called the Teacher Incentive Fund that resulted in the district developing a framework for performance pay. She said the district had adopted a policy in collaboration with teachers and administrators that complied with NRS 391.168.

Ms. Anderson said the district had used the Teacher Incentive Fund grants to hone in on what worked to incentivize, attract, and reward the best teachers, which she believed was an art rather than a science. She also appreciated the fact that the decisions would be done on a local level, citing the work Washoe County had already done toward the goal.

Ms. Anderson said she would likely support the bill if it contained an appropriation, rather than an unfunded mandate. Washoe County School District had estimated the fenced-off funds would amount to approximately \$1.2 million, and that money would have to come from some other program currently offered. She concluded by saying that if the state wanted to make

performance pay a priority, which Washoe County agreed with, it needed to appropriate the necessary funds.

Mike McLamore, representing the Nevada State Education Association (NSEA), testified in opposition to A.B. 483, but said NSEA would be happy to support the bill if it was amended to its satisfaction. He said the opposition was primarily because the mandate was unfunded. He believed school districts were already financially strapped to pay base pay and could not afford to give performance-pay increases. He cited the severe teacher shortage in Nevada, stating that starting pay for teachers was inadequate to recruit new ones. He noted that in Clark County, a starting teacher salary was about \$35,000, compared to starting salaries of other western cities, which ranged from \$38,000 to \$45,000. The NSEA supported the concept of performance pay, but was concerned about teacher participation and believed that the process should not be excluded from collective bargaining. He noted that the Washoe County School District program previously mentioned was a result of collective bargaining, which specified that teachers could receive up to a \$2,000 bonus based on student learning objectives, assignment on Title I [of the Elementary and Secondary Education Act of 1965] campuses, performance on teacher evaluations, and performance of the campus in the state's rating system.

Mr. McLamore stated that the choice of performance measurements was a concern. A standardized test provided one way to measure teachers, but was not the complete picture. He summarized that the program needed funding, collective bargaining, and teacher collaboration. The NSEA was offering to be a full partner with the state Superintendent of Public Instruction, the local school districts, and the teachers.

Joyce Haldeman, Associate Superintendent, Community and Government Relations, Clark County School District, testified neutrally on A.B. 483, saying that the district recognized the importance of performance-pay programs. She said if the bill had an appropriation with it, the district would fully support it.

Ms. Haldeman said the Clark County School District had 18,090 teachers. She explained the district's fiscal note, saying 5 percent meant that about 900 teachers had to be identified as top performers, which was higher than the Department of Education's estimate for the entire state. Salary estimates were taken from the at-risk schools and assumed that the numbers would be different if the teachers were eligible districtwide. She also wanted to clarify that when dollars were fenced off for textbooks and class-size reduction, they had been newly allocated dollars, not existing budget dollars.

Pat Skorkowsky, Superintendent, Clark County School District (CCSD), talked about programs that had been used in CCSD. The empowerment schools program had used a pay-for-performance component, which was eliminated once funding was eliminated. Like Washoe County, he explained, the CCSD had a policy in place that was compliant with the requirements of the performance-pay legislation. Other programs in place were the Performance Turnaround Zone compensation and signing bonuses. The Performance Turnaround Zone program had been operating for four years. He said a challenge in any performance-based compensation program was determining the right measures for pay for performance. He mentioned the Project REACH program, which compensated the highest level of teachers for working with a higher number of students to increase their academic achievement through various programs. Currently, the district was collaborating with the Clark County Education Association on two initiatives: a higher salary schedule for teachers in at-risk schools that completed approved professional development activities and an administrator bargaining group looking at potential signing bonuses to attract the best and brightest principals to lead at-risk schools, which also had a performance-pay component.

Mary Pierczynski, representing the Nevada Association of School Superintendents, said that the association was in the neutral position on A.B. 483 because the mandate was unfunded. She stated the rural school systems had abided by earlier legislative direction regarding performance pay programs. Negotiations were always stalled when there were no funds, and that was a problem with the bill. She stated that the imprecision of performance measures was also a concern. She said the association looked forward to continuing the conversation on pay-for-performance and hoped that there would be funding for it.

Chair Anderson asked what the funding mechanism was for the current programs the testifiers described.

Mr. Skorkowsky said that the CCSD was using general funding for the programs he had described. Depending on the amount the bill required it to set aside, the district's ability to continue Project REACH could be in doubt. Project REACH was districtwide, not just for at-risk schools.

Chair Anderson noted that the current bill did not require the performance-pay increases be allocated to any particular school or type of school.

Ms. Anderson clarified that in Washoe County the pay-for-performance program that had been used was funded with federal grant money that would expire

in the next school year. Once that grant money expired, she said, there was no available funding for the mandated set-aside in the bill.

Ms. Pierczynski, speaking for the rural school districts, said she was not aware of any plans in place at the current time.

Assemblyman Hickey asked Ms. Anderson to discuss whether the pay-for-performance program in Washoe County had been successful in recruiting and retaining excellent teachers.

Ms. Anderson said the program had been done over several school years, and the model program had changed each year. One year the program set moderate academic goals for the schools to achieve, and if they were reached, everyone at the school got a bonus. The feedback from that process was not overwhelming, and the following year the standards were set much higher, and only certain teachers got the bonus if the standards were achieved. The method did not promote collegiality and caused a competitive atmosphere. She summarized by saying that the feedback received from the district was the teachers preferred a "career lattice" that gave them the opportunity to move up through professional growth and not simply rewarded through a bonus structure.

Mr. Skorkowsky noted that in the Douglas County School District they had negotiated with their administrator's union to provide incentive pay to individuals whose schools reached the five-star status.

Chair Anderson asked how much was being spent in the pay-for-performance programs currently, and Mr. Skorkowsky said he would get the information for the Committee.

Assemblyman Kirner asked where performance pay would rank in priority when looking at all the other programs that had been used: Zoom schools, Victory schools, and empowerment schools, for example.

Mr. Skorkowsky said that choosing among the programs was very difficult.

Ms. Anderson believed that figuring out how to attract, retain, and reward highly effective teachers was a very important priority.

Assemblyman Kirner expressed a preference to figuring out what plan worked and investing the resources there, as opposed to spending money on many different programs.

Mr. Skorkowsky commented that there were multiple priorities in improving the educational system in Nevada, and there were many best-practice ways to move forward. He believed it was important to realize that one method in isolation might not make the difference, but it was a comprehensive educational reform package that would truly make a difference in student achievement.

Chair Anderson said the Committee members were not educational experts, and they looked to the experts for guidance.

Mr. Skorkowsky said the district superintendents met regularly, and he welcomed the opportunity to bring a list of priorities to the Committee.

Assemblywoman Kirkpatrick asked how closely the school districts currently aligned with the 5 percent stipulated in the bill and whether the districts thought the target was reasonable.

Mr. Skorkowsky responded that the Clark County School District would not meet the 5 percent level of teachers districtwide, but he thought that if the 41 underperforming and at-risk schools were evaluated on their own, the 5 percent of teachers was a reasonable number.

Ms. Anderson said the Washoe County School District had nine schools participating in the teacher incentive program. With 3,400 total teachers, 5 percent would be 170 teachers, and she believed the numbers were on target for the participating schools.

Ms. Pierczynski said she would have to survey the rural school districts and get back to the Committee.

Assemblywoman Kirkpatrick recognized there was a teacher shortage across the state. She wondered whether incentive pay in certain schools could create an exodus to those schools and cause problems with shortages in the schools that did not have a program.

Mr. Skorkowsky agreed that attracting and retaining good teachers had been a critical problem. Clark County was facing a shortage of about 1,000 teachers for the coming fall. He said money was not the only thing that attracted teachers; sometimes it was a neighborhood, proximity to their residence, or an amazing administrator.

Assemblywoman Kirkpatrick asked how much one empowerment school cost.

Mr. Skorkowsky did not have the exact total, but in the empowerment school program when it was funded, each teacher received a \$3,000 bonus when the school moved up in ranking.

Assemblyman Edwards expressed frustration that with little time left in the legislative session, the school districts did not have a list of priorities for the programs that were most important to them.

Mr. Skorkowsky said the school districts had identified their priorities over a year ago, which was the "Invest Plan" that was presented to the Legislature before the session started. That list included funding the base salaries, special education, English language learners, gifted and talented, full-day kindergarten, and the Zoom schools. He said the Governor's State of the State Address shifted priorities somewhat, and the superintendents needed to meet again and discuss how best to redefine priorities.

Assemblyman Oscarson emphasized that substitute teachers should not be ignored in the school compensation planning. He believed they were a vital part of the educational process and were often called upon to drop everything and fill in at a school, and their sacrifices needed to be recognized.

Mr. Skorkowsky agreed, and noted that the CCSD had a differentiated pay scale for substitutes in at-risk schools and substitutes that took long-term assignments, though he believed the incentive was inadequate. The district was looking at how it might offer additional benefits to substitutes that had filled in long-term.

Hearing no response to his request for additional testimony, Chair Anderson closed the hearing on A.B. 483 and opened the hearing on Assembly Bill 484.

Assembly Bill 484: Provides for the rolling reissuance of license plates by the Department of Motor Vehicles. (BDR 43-1179)

Troy L. Dillard, Director, Department of Motor Vehicles (DMV), explained that within Assembly Bill (A.B.) 484 (R1), there were three primary policy issues. The first was a rolling, eight-year replacement of vehicle license plates. Public safety issues were driving the initiative. Materials currently used in license plates did not last as long as the paints that were used decades ago; however, the modern materials were much safer and friendlier to the environment and the production facility staff. The second policy contained in the bill was the plate redesign authorization clarification. When the standard-issue Nevada license plates were redesigned in 2001, language was contained that required vehicles registered after January 1, 2001, be issued redesigned plates. A section of the

bill removed the out-of-date portion of the statute and clarified that DMV may issue redesigned license plates. The third policy issue affected certain personalized plates or plate combinations so that they could be tied to specific vehicle registrations.

He said the DMV routinely received requests for personalized plates that, depending upon the context, were in violation of legal standards. The most common violations were references to sex and drugs. Consequently, most of the plate requests were denied. Some of them, however, based on their relationship to the vehicle they were intended for, may have been permissible expressions. The DMV was seeking authority, under certain conditions, to link specific vehicle registration to an approved personalized plate. He gave an example: 69DUB, which was both a sexual and drug reference, was perfectly acceptable for use on a 1969 Volkswagen. The agency did not currently have the authority to approve a plate and tie it to a specific vehicle.

Sean McDonald, Administrator, Division of Central Services and Records, Department of Motor Vehicles, explained that A.B. 484 sought to address a longevity problem the DMV was having with license plates. The visibility of graphic sheeting applied to aluminum substrate, which was part of the license plate manufacturing process, degraded over time. Because of degradation, the lifespan of a license plate was 5 to 10 years. Depending on exposure to the elements, the graphic sheeting eventually oxidized, faded, and ultimately flaked off the aluminum substrate, rendering the plate message no longer visible.

Mr. McDonald displayed an example of a degraded license plate to the Committee. He said that the bill instituted an eight-year mark, determined by the DMV to be an appropriate midway point of the life expectancy of the materials. The 125th commemorative, the 150th commemorative, and old-style blue plates would be exempt from the reissuance because of their historical component. Beginning in fiscal year (FY) 2017, the factory would reissue 350,000 sets of license plates of which 85 percent would be standard plates, and the remaining 15 percent would be specialty plates.

Mr. McDonald said it would take the DMV five years or longer, at 350,000 sets per year, to catch up with the vehicles having plates placed in service more than eight years earlier. The agency would initially focus on vehicles with plates that had been in service the longest. He explained the proposed reissuance process, which would be specifically tied to the renewal of registration. When the renewal notice for an identified vehicle was sent, it would provide instructions, and the plates, registration, and decal would be mailed to the vehicle owner, thereby avoiding any increased customer volume in DMV offices.

Assemblyman Armstrong asked whether a customer's license plate number would be retained if it was not a personalized plate and what the cost to the customer would be.

Mr. McDonald assured the Committee that the process would replace a customer's license plate with the same design and number, and the fee would be the license plate production fee and prison industry fee, equaling \$7 for a set of plates.

Assemblyman Armstrong referred to section 7, subsection 6 of the bill, which appeared to "prohibit the transfer of personalized prestige license plates from one vehicle or trailer to another if such a transfer would result in an inappropriate use of letters or combination of letters and numbers." He asked for an example of what the section was intended to prevent.

Mr. Dillard replied that requests for personalized plates tied to older vehicles, particularly from 1969, may include additional letters that resulted in inappropriate references if they were on a different vehicle. Currently, plates that contained questionable combinations were denied. The agency was seeking the ability to approve such plates, while restricting their use to the specific vehicle for which they were approved.

Assemblyman Kirner asked whether customers could still get plates replaced prior to the eight-year cycle if the plates were damaged or destroyed.

Mr. McDonald answered that the DMV already had systems to replace damaged license plates.

Assemblywoman Carlton expressed concern that citizens would be upset to have to pay \$7 if their plates were still legible. She asked where the agency planned to start the process, because she thought that southern Nevada lacked many of the elements that contributed to plate degradation, such as snow and salt.

Mr. Dillard replied that the process would start with the oldest plates. He said the law required that license plates be reflective for purposes of visibility, law enforcement, and safety, and although a plate may be quite visible in daylight, the reflectivity may be gone. The last reissuance that the DMV had was in 2001, so there were plates on the road that were 14 to 15 years old. Statistically, approximately one-third of the plates on the road currently exceeded the eight-year mark.

Assemblywoman Carlton asked whether all the specialty plates, such as the Lake Tahoe ones, were excluded.

Mr. Dillard explained that the specialty plates were included in the bill, but all plate reissuances would be replaced with the same plate design the customer already had. He added that the embossed plates should begin being manufactured in the state sometime in July.

Assemblywoman Benitez-Thompson asked for a recap of the process involved from the customer's point of view.

Mr. Dillard replied that when a customer received a renewal notice for a plate that was more than eight years old, the disclosed license plate fee would be part of the registration. When the customer paid his or her registration renewal through any of the various methods available, the plates and decal would be mailed to them.

Assemblywoman Benitez-Thompson asked what the implications were of transitioning back to embossed plates.

Mr. Dillard said the bill was not affected by the transition over to embossed plates.

Assemblywoman Benitez-Thompson asked whether embossed plates did not have to be replaced as often.

Mr. McDonald replied that the materials were the same, and the loss of reflectivity and degradation over time would still require the replacement schedule created in the bill.

Assemblywoman Titus said she understood the need for license plates to be visible for law enforcement purposes, but she was opposed to mandating the replacement on an arbitrary schedule and charging citizens for the measure. She believed that historical plates were especially important to the people who owned them. She asked why the DMV would choose to add another burden to the agency when it was failing at its current duties.

Mr. Dillard reiterated that the measure did not add any burden to the DMV office workloads, which, he admitted, was where many customers experienced delays and frustrations. The plate reissuance would be handled through production and a back office process. He said historical plates were exempt from the eight-year replacement and they lasted well. He noted that the materials that had formerly been used in the manufacturing of license plates

would not be acceptable with current environmental regulations. The materials used in current plate manufacturing were not paint, they were applied films with attached inks, and they did not last as long.

Assemblywoman Titus noted that there were already laws in statute regarding the readability, visibility, and reflectivity, and she could not support the bill.

Chair Anderson asked for a summary of the process and backlog that was created when the Legislature approved new plate designs. He said he wanted the Committee to understand that some of the backlog at the DMV was created by the Legislature.

Mr. Dillard agreed that legislative mandates and federal requirements had imposed an overwhelming amount of work on a system that was outdated and inflexible. Fiscal notes for the 78th Legislative Session required over 68,000 hours of programming to date. He said that regarding the issuance of plates, the substructure was already built, so a new plate design normally only used about 60 to 100 hours per plate.

Chair Anderson asked about the costs of scaling up production for the license plate reissuance.

Mr. Dillard replied that there would be a second shift at the factory to produce the necessary plates. The cost of manufacturing the plate itself was covered through a fee-funded budget. The actual cost of the plates depended on the varying prices of commodities, especially aluminum. Consequently, a small reserve was necessary to cover price variations. Another policy discussion within the agency included reverting surpluses in the account to the State Highway Fund. In that case, rather than maintaining any balance in the License Plate Factory account [BA 4712] itself, any amount over the established threshold would flow to the Highway Fund.

Chair Anderson asked how many years it would take to reissue all the older plates, and Mr. Dillard replied that it would be about a five-year process.

Chair Anderson asked whether the reflectivity factor was a state or federal requirement.

Mr. Dillard responded that the requirement for reflectivity at specific distances was contained in state law for law enforcement and safety purposes.

Hearing no response to his request for testimony in favor of, opposed to, or neutral on the bill, Chair Anderson closed the hearing on A.B. 484 and opened the hearing on Assembly Bill 477.

Assembly Bill 477: Revises provisions concerning the duties of the Taxicab Administrator. (BDR 58-1192)

Lisa Figueroa, Administrative Services Officer, Department of Business and Industry, explained that Assembly Bill (A.B.) 477 proposed an additional administrative attorney position in the Taxicab Administrator's office. Currently, the agency used a contracted hearing officer for various violations and compliance issues. The meetings were held once per week, and there had been backlogs of up to eight months on hearings, which was not meeting the needs of the industry. Ms. Figueroa said, for example, that impound hearings were required to be held within 48 hours of the impound. In impound cases, the Taxicab Authority was relying on the Nevada Transportation Authority (NTA) to hear the cases.

Jennifer DeRose, Acting Administrator, Taxicab Authority, Department of Business and Industry, said that the main reason the agency was requesting the administrative attorney was that it was relying on a contract attorney to perform the hearings and that the hearings were backed up. Another task for the new position would be to review current statutes, specifically the statutes regarding the real-time tracking of vehicles. The NTA currently had an administrative attorney on staff, and the Taxicab Authority was requesting the same model as its sister agency.

Assemblyman Armstrong asked why the agency could not just hire an attorney without the bill and for clarification regarding the difference in pay of the contract attorney and a staff attorney.

Ms. Figueroa said that currently, the contracted hearing attorney was costing about \$38,000 per year, or about \$800 per week for one hearing. The cost estimate for a staff attorney was \$96,000 per year. She believed the specific language was to make clear the type of unclassified position that was being requested. Additionally, she said, the agency would anticipate that the staff attorney would work in collaboration with the Office of the Attorney General (AG) and decrease some of the AG cost allocations.

Chair Anderson asked why the position was not added through a budget request rather than a change in statute.

Ms. Figueroa agreed that statute as written allowed for the position. If the Committee saw no problems with it, she was comfortable with adding the position through the budget process.

Assemblywoman Carlton said she believed a new unclassified position would have to be in the Unclassified Pay Bill to establish parameters for it.

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said she would want to consult with the Legal Division to be certain, but there were many unclassified positions established in the Unclassified Pay Bill without a specific statutory requirement.

Assemblywoman Carlton asked how long the agency anticipated it would be before they could clear the backlog. She emphasized that some of the hearings would involve citizen's livelihoods, and she felt that expediency was important.

Ms. Figueroa estimated that the agency would need six months to recruit the necessary individual and give him or her opportunity to become acquainted with the regulations.

Assemblywoman Carlton asked how many hearings per week the agency anticipated the new staff attorney would conduct.

Ms. Figueroa said the new position would be monitoring in-house regulation changes and holding three to four hearings a week.

Assemblywoman Carlton asked how many actual cases were backlogged currently and when the backlog might be eliminated.

Ms. DeRose said that with the flexibility that the new position would allow, she believed the agency could eliminate the backlog in six months to a year. She also clarified that when a driver was suspended prior to a hearing, that case was not backlogged. Cases involving an individual's ability to work were put on the next scheduled docket.

Chair Anderson said the Committee would confirm whether a bill was required for the added position. Hearing no response to his request for testimony in favor of, opposed to, or neutral on the bill, Chair Anderson closed the hearing on A.B. 477.

Assembly Bill 471: Revises provisions governing the Department of Veterans Services. (BDR 37-1158)

Assembly Bill 471 was agendized but not heard.

Chair Anderson asked for public comment. Hearing none, he adjourned the meeting at 10:28 a.m.

RESPECTFULLY SUBMITTED:

Barbara Williams
Committee Secretary

APPROVED BY:

Assemblyman Paul Anderson, Chair

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Ways and Means

Date: April 22, 2015

Time of Meeting: 8:07 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster