

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-Eighth Session
March 26, 2015**

The Senate Committee on Finance was called to order by Chair Ben Kieckhefer at 8:02 a.m. on Thursday, March 26, 2015, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Ben Kieckhefer, Chair
Senator Pete Goicoechea
Senator Mark A. Lipparelli
Senator David R. Parks
Senator Joyce Woodhouse
Senator Aaron D. Ford

COMMITTEE MEMBERS ABSENT:

Senator Michael Roberson, Vice Chair (Excused)

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Alex Haartz, Deputy Fiscal Analyst
Julie Waller, Senior Program Analyst
Lona Domenici, Committee Manager
Emily Cervi, Committee Assistant
Susan McArthur, Committee Secretary

OTHERS PRESENT:

Dave Prather, Deputy Administrator, Division of Forestry, State Department of Conservation and Natural Resources
Kay Scherer, Deputy Director, State Department of Conservation and Natural Resources
Mindy Martini, Deputy Superintendent for Business and Support Services, Department of Education

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Robert Pawley, Director of Business Services, Department of Education
Jim Wells, C.P.A., Interim Director, Department of Administration

Chair Kieckhefer:

I will open the meeting with Senate Bill (S.B.) 428.

SENATE BILL 428: Makes appropriations to the State Department of Conservation and Natural Resources for the replacement of emergency response, firefighting and other critical equipment and vehicles.
(BDR S-1223)

Dave Prather (Deputy Administrator, Division of Forestry, State Department of Conservation and Natural Resources):

Senate Bill 428 contains the one-shot appropriations for emergency equipment and vehicles to meet statutory requirements, generate revenue, respond to emergency incidents and provide a safe work environment for our employees.

The Division of Forestry (NDF) is requesting \$1,142,675 for four specialty vehicles in budget account (B/A) 101-4195 and \$1,791,351 for nine crew carriers in B/A 101-4198.

INFRASTRUCTURE

CONSERVATION AND NATURAL RESOURCES

DCNR - Forestry — Budget Page DCNR-79 (Volume III)
Budget Account 101-4195

DCNR - Forestry Conservation Camps — Budget Page DCNR-98 (Volume III)
Budget Account 101-4198

All the vehicles to be replaced meet or exceed State Administrative Manual guidance for vehicle replacement. They are at least 20 years old with mileage ranging from 87,305 miles to 204,682 miles. In many cases, replacement parts are unavailable for these vehicles even at wrecking yards. Several vehicles are parked and red-tagged as unsafe or inoperable.

Without replacement vehicles, NDF's ability to continue even foundational operations, including meeting revenue targets and safely responding to wildfires, is unlikely.

The NDF requests replacement of two International Model 14 Type 3 fire trucks with mileage of 96,272 and 141,258 that are 31 and 35 years of age, respectively. These fire trucks operate under extreme conditions during firefighting assignments with excessive off-road use. The cost to replace the two fire engines is \$634,112.

We are also requesting the replacement of one water tender used for emergency response statewide. The water tender also supports firefighting staff during prescribed burns. Our current water tender, shown in the photograph on page 4 of [Exhibit C](#), is a 35 year-old Autocar with mileage of 87,305. The cost to replace this vehicle is \$333,150.

The NDF's next request is the replacement of an aviation fuel truck used for statewide emergency response. The truck chases its assigned helicopter during firefighting to refuel the aircraft in remote locations. The current fuel truck is a 1988 International dump truck that was repurposed into an aviation fuel truck. The vehicle has 193,000 miles of heavy use as a dump truck and as an aviation fuel truck with extensive off-road use in extreme conditions. The cost to replace this vehicle is \$175,413.

Our next request is for the conservation camps. Replacing worn crew carriers is a priority need for the NDF Conservation Camp Program, which uses these vehicles to respond to fires and other emergencies statewide. The crew carriers are also used to reach project sites. We request replacement of nine crew carriers, all of which are at least 20 years old with mileage ranging from 166,183 to 204,682. These vehicles operate under extreme conditions with extensive off-road use. The cost to replace the nine crew carriers is \$1,791,351.

Senator Goicoechea:

The price for the water tender seems high. Is it a four-wheel drive vehicle?

Mr. Prather:

Yes, it is four-wheel drive. The price of \$333,150 was the best bid the NDF received. Once the U.S. General Services Administration completes its transition

to the Defense Logistics Agency through the U.S. Department of Defense, the NDF should be able to purchase vehicles at a lower price.

Chair Kieckhefer:

Has the NDF had problems with some of the vehicles you request to replace? Are any of them inoperable or unsafe?

Mr. Prather:

Yes, we have had problems with many of these vehicles. The NDF maintains shops statewide to keep our vehicles running as long as we can, well past what other agencies do.

Senator Goicoechea:

Did the crew carriers experience brake failure on Spooner Summit recently?

Mr. Prather:

Yes, those crew carriers did suffer brake failure.

Chair Kieckhefer:

Did vehicles that carry firefighters lose their brakes on Spooner Summit?

Mr. Prather:

Yes. About 1 month ago, the NDF had to stand down because a crew carrier experienced brake failure just to the west of Spooner Summit. The crew supervisor brought the vehicle to a safe stop with no damage to the vehicle or injuries to the passengers. However, the NDF lost revenue opportunities while repairs were conducted on that crew carrier.

Chair Kieckhefer:

Seeing no further testifiers in favor of, opposed or neutral to S.B. 428, I will close the hearing on this bill. The Committee will now hear S.B. 486.

SENATE BILL 486: Makes supplemental appropriations to the State Department of Conservation and Natural Resources for unanticipated employee retirement buyouts and terminal leave payments. (BDR S-1244)

Kay Scherer (Deputy Director, State Department of Conservation and Natural Resources):

Senate Bill 486 is a supplemental request for NDF. Since this bill draft request was submitted, NDF has generated additional revenue by leaving several senior positions vacant and by extending operation of the dispatch center for Elko County by 2 months.

The Department of Conservation and Natural Resources (DCNR) is awaiting final determination from the Department of Administration's Budget Division, and we anticipate that the General Fund item of \$266,653 in section 1 of the bill may be either withdrawn or substantially reduced.

In section 2 of the bill, the amount of \$59,634 has been withdrawn from the DCNR's supplemental request.

Chair Kieckhefer:

Seeing no further testifiers in favor of, opposed or neutral to S.B. 486, I will close the hearing on this bill. The Committee will now hear S.B. 429.

SENATE BILL 429: Makes a supplemental appropriation to the State Distributive School Account for a shortfall resulting from an unanticipated increase in K-12 enrollment for the 2013-2014 and 2014-2015 school years. (BDR S-1231)

Mindy Martini (Deputy Superintendent for Business and Support Services, Department of Education):

This bill requests \$77,704,344 from the State General Fund to support an unanticipated shortfall in the Distributive School Account (DSA). One cause of the shortfall was an unexpected increase of approximately 12,400 students in enrollment. Another cause was a General Fund transfer in the DSA from fiscal year (FY) 2015 to FY 2014. However, more revenue than anticipated may be generated so after the Economic Forum meets again, we expect to reduce the amount of the requested supplemental appropriation.

Chair Kieckhefer:

Is the enrollment increase of 12,400 students the primary reason for this supplemental appropriation?

Ms. Martini:

Yes.

Chair Kieckhefer:

Which counties do those students come from?

Ms. Martini:

I believe it was primarily Clark County School District, although I do not have those figures with me. I will provide the Committee the State's enrollment broken down by school district.

Chair Kieckhefer:

Is approximately \$26 million of the \$77,704,344 supplemental appropriation hold harmless money?

Ms. Martini:

Yes.

Chair Kieckhefer:

Does the State calculate hold harmless at a district-wide level?

Robert Pawley, Director of Business Services, Department of Education:

Hold harmless is calculated by school district and also individually by charter school.

Chair Kieckhefer:

If enrollment is increasing in Clark County, do they receive any hold harmless money?

Mr. Pawley:

No, they do not.

Chair Kieckhefer:

Why are we spending \$26 million in hold harmless money?

Mr. Pawley:

Approximately \$13 million of the \$17 million hold harmless is from charter schools, and approximately \$4 million is from school districts.

Chair Kieckhefer:

Please supply the Committee with a breakdown of the distribution of hold harmless money.

Senator Goicoechea:

How does a charter school qualify for hold harmless?

Mr. Pawley:

If enrollment decreases, the State is obligated by statute to pay hold harmless. If enrollment decreases by 5 percent or more, 2 years' enrollment must be taken into consideration. One charter school lost 2,000 students over a 2-year period, which is costing the State approximately \$10 million.

Senator Goicoechea:

Is that charter school in Clark County?

Mr. Pawley:

It is a virtual school, offering online classes to students throughout the State.

Senator Woodhouse:

You said that \$17 million of the hold harmless money went to charter schools and approximately \$4 million went to school districts. That does not add up.

Mr. Pawley:

It is actually \$17.9 million total for hold harmless; approximately \$13 million for charter schools and approximately \$4 million for school districts.

Julie Waller (Senior Program Analyst):

Mr. Pawley is referring to FY 2015. The supplemental appropriation of \$26 million in hold harmless funding is for the 2015-2017 biennium.

Ms. Martini:

In FY 2014, there were hold harmless funds for 1,468 students, but for the purposes of this hearing, we are limiting our discussion to FY 2015.

Chair Kieckhefer:

Of the \$77,704,344 supplemental appropriation, approximately \$26 million is hold harmless. Was another \$50 million to \$60 million transferred from FY 2015 to FY 2014 to cover the shortfall in the first year of the biennium?

Ms. Martini:

That is correct.

Chair Kieckhefer:

Will this number be adjusted based on the Economic Forum projections and anticipated local revenue?

Ms. Martini:

Yes.

Chair Kieckhefer:

When will the Department of Education need the money?

Mr. Pawley:

The supplemental appropriation will be needed by mid-May. In about 4 weeks, we will have more accurate numbers for received and projected revenue. The Department has almost 2 more months to accumulate actual revenue.

Senator Woodhouse:

My question is rhetorical: Do we have any idea how we are going to pay \$17.9 million?

Ms. Martini:

Paying hold harmless is a General Fund obligation. In S.B. 508, legislation to modernize the Nevada Plan for School Finance is forthcoming, and it addresses hold harmless funding.

SENATE BILL 508: Provides for long-term modernization of the Nevada Plan.
(BDR 34-1184)

Chair Kieckhefer:

How does that bill modify hold harmless?

Ms. Martini:

That bill will eliminate consideration of the 2-year, over-5 percent enrollment decrease from hold harmless, and the State would only have to review 1 year of enrollment. If the decline in enrollment were under 5 percent, there would be no hold harmless.

Chair Kieckhefer:

I appreciate the Administration's willingness to address this issue.

How has the Department of Education's projected annual caseload growth of 1.25 percent affected the supplemental appropriation?

Ms. Martini:

Recent enrollment surpassed the 1.25 percent caseload growth projection; however, we feel that enrollment is stabilizing. The Budget Division can provide further details.

Chair Kieckhefer:

The Committee looks forward to learning the reprojected local revenues from the Economic Forum.

Seeing no further testifiers in favor of, opposed or neutral to this bill, I will close the hearing on S.B. 429.

The Committee will now hear S.B. 497.

SENATE BILL 497: Makes appropriations to restore the balances in the Stale Claims Account, Emergency Account, Reserve for Statutory Contingency Account and Contingency Account. (BDR S-1152)

Jim Wells, C.P.A. (Interim Director, Department of Administration):

Senate Bill 497 is an appropriation of \$20 million from the General Fund to replenish four different accounts in FY 2016.

First, we are requesting \$2.5 million to restore the balance in the Stale Claims Account. Stale claims are those greater than \$100 received in the previous fiscal year for accounts whose ending fund balance reverts to the General Fund.

The second request is for \$500,000 to the Emergency Account, used for any Board of Examiners' needs for which an appropriation was not made, such as disasters.

Third, we request \$5 million to restore the balance of the Statutory Contingency Account, which pays such items as terminal annual leave and certain insurance claims if the insurance premiums fund has been exhausted. The Statutory Contingency Account also pays for special counsel.

During this Session, there were two requests from the Interim Finance Committee (IFC) Contingency Account to add money to the Statutory Contingency Account in the amount of \$2.55 million.

Our fourth request is to restore \$12 million to the IFC Contingency Account. That Account is used to pay shortfalls in agencies with General Fund appropriations.

In FY 2015, expenditures amount to approximately \$4.5 million. The Department of Administration projects \$3 million to \$4 million will remain at the end of this fiscal year. We may be able to reduce the request and offset any additions to the Statutory Contingency Account.

Chair Kieckhefer:

What is the current balance in the State Claims Account?

Mr. Wells:

The ending fund balance in FY 2014 was \$2.34 million. Year-to-date, we have spent approximately \$344,000, and the current balance is just under \$2 million. The current request would increase that amount to approximately \$3.5 million.

We estimate approximately \$600,000 additional expenditures from the State Claims Account during the remainder of FY 2015, leaving a balance of approximately \$1.3 million at the end of the fiscal year.

The supplemental appropriation request of \$2.55 million would allow us to start FY 2016 with a balance of approximately \$3.8 million.

Chair Kieckhefer:

Do you anticipate total claims in FY 2015 of less than \$1 million?

Mr. Wells:

That is correct.

Chair Kieckhefer:

What will be the ending fund balance for FY 2015?

Mr. Wells:

We project the ending fund balance to be approximately \$1.3 million.

Chair Kieckhefer:

If you had less than \$1 million in claims in FY 2015, would the Stale Claims Account start FY 2016 with \$3.8 million?

Mr. Wells:

Yes. In FY 2014, the expenditures were almost \$1.6 million, so for the biennium, total expenditures are approximately \$2.6 million.

Chair Kieckhefer:

That amount seems a little high.

Mr. Wells:

Yes, it does. The Department of Administration will attempt to reduce the request for the Stale Claims Account.

Chair Kieckhefer:

Was there a claim for a prison boiler in the Emergency Account?

Mr. Wells:

Yes, a water tank at the Lovelock Correctional Center was replaced or repaired, which was a FY 2014 expenditure of \$238,000. At the end of FY 2014, there was approximately \$220,000 remaining in the Emergency Account. Since then, no further expenditures have been made from that Account. The \$500,000 request would create a balance in the Emergency Account of approximately \$700,000 at the beginning of FY 2016.

Chair Kieckhefer:

What is the 5-year average of claims paid out of the Emergency Account?

Mr. Wells:

I do not know that figure, but I will provide it to the Committee.

Chair Kieckhefer:

Is outside counsel paid out of the Statutory Contingency Account?

Mr. Wells:

Yes, the Account pays for the employment of special counsel by the Office of the Attorney General (AG). It also pays for terminal leave and sick leave.

Chair Kieckhefer:

Does the AG Office have budgeted expenditures for outside counsel?

Mr. Wells:

I do not know.

Chair Kieckhefer:

The Committee is concerned that the Statutory Contingency Account will be low on funds. There is ongoing litigation with the City of San Francisco. Will that lawsuit be the primary driver for funding this Account?

Mr. Wells:

In the current biennium, that litigation has been the main expenditure from the Statutory Contingency Account. We do not know how much longer that litigation will continue.

Chair Kieckhefer:

Please provide the Committee an average of expenditures from the Statutory Contingency Account. What is the expected ending fund balance in this Account for FY 2015?

Mr. Wells:

The projected ending fund balance is \$752,000. The Department of Administration has a supplemental request of approximately \$1 million to fund the Account through the end of FY 2015. Outside counsel for the litigation with

the City of San Francisco has only been paid for the first quarter of FY 2015, so the Account is responsible for at least 3 more quarters.

Additionally, the Office of the State Public Defender has claims against the Account for outside counsel, and there are postconviction claims against this Account. Those claims are projected to be approximately \$800,000 for the remainder of FY 2015. We project a shortfall of approximately \$980,000 by the end of FY 2015.

Chair Kieckhefer:

Does that shortfall amount take into consideration the requested supplemental appropriation?

Mr. Wells:

No, that figure does not include any supplement.

Chair Kieckhefer:

Would the supplemental appropriation restore that account balance to approximately \$100,000?

Mr. Wells:

Yes.

Chair Kieckhefer:

Please inform the Committee of any projections for ongoing litigation expenses.

We would like to carry forward approximately \$4 million in order to achieve a balance of approximately \$12 million for the beginning of FY 2016.

Seeing no further testifiers in favor of, opposed or neutral to this bill, I will close the hearing on S.B. 497.

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Chair Kieckhefer:

Seeing no public comment, and no further business before the Committee, we stand adjourned at 8:36 a.m.

RESPECTFULLY SUBMITTED:

Susan McArthur,
Committee Secretary

APPROVED BY:

Senator Ben Kieckhefer, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness / Entity	Description
	A	1		Agenda
	B	1		Attendance Roster
S.B. 428	C	8	Division of Forestry	S.B. 428