

**MINUTES OF THE
SENATE COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Eighth Session
March 27, 2015**

The Senate Committee on Government Affairs was called to order by Chair Pete Goicoechea at 1:10 p.m. on Friday, March 27, 2015, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4404B of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, 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 Pete Goicoechea, Chair
Senator Joe P. Hardy, Vice Chair
Senator Mark Lipparelli
Senator David R. Parks
Senator Kelvin Atkinson

GUEST LEGISLATORS PRESENT:

Senator James A. Settelmeyer, Senatorial District No. 17

STAFF MEMBERS PRESENT:

Jennifer Ruedy, Policy Analyst
Heidi Chlarson, Counsel
Suzanne Efford, Committee Secretary

OTHERS PRESENT:

Tina Leiss, Executive Officer, Public Employees' Retirement System
Richard Daly, Laborers International Union of North America Local 169
Craig Madole, Nevada Chapter, Associated General Contractors of America, Inc.
Mike Cate, Silver State Masonry
Jack Mallory, Southern Nevada Building and Construction Trades Council
Gus Nuñez, P.E., Administrator, State Public Works Division, Department of Administration
Tray Abney, The Chamber

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Nancy Paulson, CPA, Deputy Finance Director, Finance Department, Carson City
Mary Walker, Carson City; Douglas County; Lyon County; Storey County
Carl Ruschmeyer, P.E., Director, Public Works, Douglas County
Jim Nichols, County Manager, Douglas County
Jeff Fontaine, Executive Director, Nevada Association of Counties
Wes Henderson, Nevada League of Cities and Municipalities
Trish Bullentini Kuzanek, Martin Iron Works
Marc Markwell, Sierra Nevada Construction
Pat Sanderson, Laborers International Union Local No. 872 AFL-CIO
Phillip Bush
Lisa Stevens, Bond Manager, Leavitt Insurance Agency; Vice President, Surety
and Fidelity Association of Nevada
Kurt Faux, Board Member, Surety and Fidelity Association of Nevada
Chris Caluya, Sletten Construction of Nevada, Inc.
David McCune, Laborers International Union of North America Local 872
AFL-CIO
Dan Osham, Penta Building Group
Leigh Belmont
George Scott
James Sala, Southwest Regional Council of Carpenters
Nat Hodgson, Chief Executive Officer, Southern Nevada Home Builders
Association; Nevada Home Builders Association
Brian Gordon, Applied Analysis
Josh Hicks, Nevada Home Builders Association; Southern Nevada Home Builders
Association
Ron Lynn, Director, Building and Fire Official, Department of Building and Fire
Prevention Bureau, Clark County
Peter Krueger, Nevada Housing Alliance
Jess Traver, Builders Association of Northern Nevada
Tim Crowley, Builders Association of Western Nevada; The Builders Alliance
Lynn Nielson, City of Henderson
Terry Taylor, Fire Prevention Association of Nevada; International Association of
Arson Investigators, Nevada Chapter
Dave Ruben, International Association of Arson Investigators, Nevada Chapter;
Fire Prevention Association of Nevada
Eric A. Guevin, Fire Marshal, Tahoe Douglas Fire Protection District
Bob Schreihans, Fire Chief, Carson City Fire Department

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Greg Esposito, Southern Nevada Plumbers and Pipefitters Union Local 525;
Northern Nevada Plumbers and Pipefitters Local 350; Sprinkler Fitters
Union Local 669

Robert Fash, Fire Marshal, Deputy Chief, Las Vegas Fire and Rescue, City of
Las Vegas

Rusty McAllister, Professional Firefighters of Nevada

Chair Goicoechea:

I will open the hearing with Senate Bill (S.B.) 420.

SENATE BILL 420: Revises provisions governing the executive staff of the
Public Employees' Retirement System. (BDR 23-1176)

Tina Leiss (Executive Officer, Public Employees' Retirement System):

I have submitted my prepared statement ([Exhibit C](#)).

Senator Parks:

As a disclosure, I need to say, "I am a public employee, a PERS retiree." Is this cost-neutral? Will there be any additional cost to the Public Employees' Retirement System (PERS) to have internal counsel rather than external counsel?

Ms. Leiss:

Over time, we will get to the point that it will be cost-neutral and actually become a savings. Our fees to outside legal counsel and to the Attorney General's Office have increased. The combination of those two fees exceeds all the compensation and benefits paid to a legal counsel position.

Chair Goicoechea:

I will close the hearing on S.B. 420 and open the hearing on S.B. 340.

SENATE BILL 340: Revises provisions governing public works. (BDR 28-255)

Richard Daly (Laborers International Union of North America Local 169):

If a contractor on a federal project violated certain provisions in the 48 CFR sections 9.400 et seq, went through due process and was debarred at the federal level, S.B. 340 proposes to debar that contractor from public works at the State level.

Once the Office of the Labor Commissioner, Department of Business and Industry, has been notified of the debarment of a contractor at the federal level, the Federal Contractor Registry, System for Award Management, is accessed to determine if an exclusion includes debarment or suspension on that contractor.

An amendment was proposed regarding the language in the bill that came directly from the CFR. I agree there is some uncertainty and lack of clarity about its application and meaning. In fact, the words "proposed for debarment" could be interpreted to mean that the contractor has not been through due process and found to be in violation.

The intent of S.B. 340 is to debar a contractor at the state level who has gone through due process and found to be in violation at the federal level. We want to make the language clear to avoid unintended consequences, such as a contractor at risk of being excluded from State public works projects without due process.

I want to work with everyone to make sure the language is correct. With the Chair's permission, I would like to speak with the Legal Division to make sure we are interpreting and understanding it the same way.

The genesis of this bill is the result of questions from union and nonunion contractors in this State regarding a contractor who, after going through the federal process, is debarred for fraud on a Navy project and yet still doing public works in Nevada.

Procedures authorize the Office of the Labor Commissioner to debar a contractor. There is no nexus for the Office of the Labor Commissioner to do anything based on federal law. This bill would provide that a contractor caught cheating at the federal level should be debarred at the State level also.

Chair Goicoechea:

Do you consider the amendment from the Nevada Chapter of the Associated General Contractors of America, Inc. (AGC) ([Exhibit D](#)), an acceptable, friendly amendment?

Mr. Daly:

It is partly friendly because the AGC has deleted too many words. We want to work with the AGC and make sure we get it right. The CFR cited by the

Legislative Council Bureau are correct. The CFR says as a result of being "debarred, suspended, proposed for debarment, and declared ineligible" That is not defined further.

Chair Goicoechea:

The amendment, [Exhibit D](#), clearly states that a proposed debarment by the federal government is not enough. The contractor has to be debarred.

Mr. Daly:

Yes, you are right. We want everyone to agree on the language in the bill so the intent is clear. Perhaps the word "exclusion" should be used in the bill. For example, if someone accesses a contractor in the System for Award Management and finds the contractor has an exclusion, further details can be viewed, such as the codes violated or found to be violated, the reason for the debarment, the debarring agency and the term of the debarment.

I do not know that deleting those words in the AGC amendment gets us to where we need to go. We still may need further clarification.

Senator Hardy:

Will the State debarment period mirror the federal debarment period?

Mr. Daly:

As proposed in the bill, the State debarment period is 4 years or the federal debarment period. If a contractor has permanent debarment at the federal level, it would be the same at the State level. Normally, the federal government has a 3-year debarment period but can be longer depending on the case. The 4-year debarment proposed at the State level is between the first and second offense. The first offense at the State level is 3 years and a second offense is 5 years. Four years was chosen when the bill was proposed. Therefore, if an exclusion at the federal level results in debarment, the minimum length of debarment at the State level is 4 years or the federal level debarment, whichever is longer.

Craig Madole (Nevada Chapter, Associated General Contractors of America, Inc.):

We support the bill with our proposed amendment, [Exhibit D](#). We want to be clear that anyone who is debarred by the State has to have been fully adjudicated and his or her rights pursued. Our proposed amendment clarifies that. We support the bill if the vague language is removed.

Mike Cate (Silver State Masonry):

I have been an open shop contractor in this State for over 30 years. Over the years, contractors who had issues with labor commissioners in other states as well as federal issues have come into this State. It is not right that contractors come into this State, spend taxpayer dollars and have outstanding issues elsewhere.

If contractors break the rules in this State, they are suspended for 3 years or 5 years depending on the situation. This is a matter of equity. This is a good, relatively clean bill.

I also agree with the AGC amendment, [Exhibit D](#). We need to get the language correct. I like things that are simple, make sense and are not confusing.

Chair Goicoechea:

The amendment, [Exhibit D](#), is straightforward. It says that because of a debarment, a contractor is not eligible for public works projects in this State.

Jack Mallory (Southern Nevada Building and Construction Trades Council):

We support the intent of S.B. 340 as stated by Mr. Daly. It is a good start. Ultimately, this could evolve into something where if a contractor has violated similar laws in other states and has been through a fully adjudicated process, that could be reviewed as well.

Mr. Daly:

I agree with the intent of the proposed amendment, [Exhibit D](#). I do not know that it is exactly where we need to be based on the federal regulations; therefore, I want to make sure they are compatible. I will work with the AGC and perhaps the Legal Division on the language so everything lines up with what we need to have. We do not want to have something unenforceable because the language is too narrow. Debarments and suspensions are in the CFRs; presumed debarred or potentially debarred is not the language we need.

Chair Goicoechea:

I will close the hearing on S.B. 340 and open the hearing on S.B. 108.

SENATE BILL 108: Revises provisions relating to public works projects.
(BDR 28-598)

Senator James A. Settlemeyer (Senatorial District No. 17):

Senate Bill 108 deals with raising the prevailing wage threshold on jobs from \$100,000 to \$1 million. We have discussed this in many sessions.

Last year, during the interim, a culvert pipe collapsed in my county. That was put out to bid because the cost was approximately \$130,000. It ended up costing approximately \$160,000. Instead of a local individual getting the bid at the lower price, the job was awarded to an out-of-state company. That was troubling and problematic.

We need an upward adjustment in the number. The number may not be correct at \$1 million, but with the increase in construction costs, a streetlight installation that used to cost about \$100,000 can no longer be done for that price. Therefore, I am looking for an increase.

There are some proposed amendments. I agree with the one proposed by Gus Nuñez. The proposed amendment ([Exhibit E](#)) which refers to bonding, deletes the language "for which the estimated cost is \$1,000,000 or more."

Another amendment will be proposed because some businesses are concerned that if a county has the ability to do public works projects for \$1 million, the county would do the work rather than putting it out to bid to the private sector. That was not the intent of the bill. The intent was to allow projects to be done without prevailing wage. I have no problem with the private sector doing those jobs. If anything done by the government should be done by the private sector, then it should be done by the private sector.

Gus Nuñez, P.E. (Administrator, State Public Works Division, Department of Administration):

Our concern with this bill and the proposed amendment, [Exhibit E](#), pertains to section 16, which raises the project amount at which a contractor is required to obtain performance and payment bonds from \$100,000 to \$1 million.

The primary purpose of requiring bonds on public projects is to protect the public from a contractor's default. Both the federal government and states require bonds for that very reason. Additionally, the bonds help to protect the suppliers and subcontractors because they cannot file mechanic's liens against a public body if they do not receive payment for their goods and services.

With such a high threshold, a single contractor could have multiple projects under the \$1 million threshold but never be required to have a surety to ensure that the contractor has the necessary financial capacity. The State Public Works Division relies on sureties to act as neutral third parties to assist and evaluate whether particular contractors have both the financial capacity and the experience to complete proposed projects.

The performance bond protects owners, while the payment bond protects subcontractors and suppliers. The protection offered by the performance bond is not perfect and can sometimes result in a dispute with sureties over the appropriate remedy and whether the contractor is in default. However, bonds offer many protections and are invaluable in certain situations. These protections are important for all projects over \$100,000, and we recommend that the existing threshold stay at \$100,000 as in our proposed amendment, [Exhibit E](#).

Our research found 13 states require payment and performance bonds for projects over \$100,000, 25 states require this for projects between \$5,000 and \$75,000, and 4 states at \$150,000. The \$100,000 threshold is working and seems appropriate for Nevada compared to the rest of the Country.

Chair Goicoechea:

Where is the bonding requirement change? Does it automatically change when you change the prevailing wage level?

Senator Settelmeyer:

I proposed raising the prevailing wage level from \$100,000 to \$1 million. The Legal Division inserted the change in section 16 to keep all of the numbers consistent because the other level was at \$100,000. It created some issues for some individuals; therefore, it was best to agree with the amendment to section 16 leaving it at \$100,000.

Chair Goicoechea:

Do you consider this amendment, [Exhibit E](#), friendly and acceptable to the bill?

Senator Settelmeyer:

It is a friendly amendment.

Tray Abney (The Chamber):

We support S.B. 108. Prevailing wage reform has been one of The Chamber's top legislative priorities. The \$100,000 figure was determined in the 1980s. It just makes sense to increase this amount because things have gotten more expensive.

We want to make sure that government and the funds collected are used in the most efficient way possible to benefit all Nevada taxpayers.

Nancy Paulson, CPA (Deputy Finance Director, Finance Department, Carson City):

Carson City supports S.B. 108 because it will lower the construction costs of public works projects under \$1 million. This will free up tax dollars and enable the City to fund additional projects. In addition, if this bill is approved, the City will realize savings from the decrease in the amount of staff time required for compliance clerks to review and approve certified payroll.

Mary Walker (Carson City; Douglas County; Lyon County; Storey County):

We have large reductions in local government revenues such as sales tax, property tax revenues, fuel tax revenues, residential construction tax revenues and building revenues. Because of those decreases, we have dwindling construction dollars. In addition, many local governments have not been able to keep up with the repair and maintenance of assets.

This bill will allow us to stretch our dollars further, do more projects and keep up with our larger maintenance and repair types of projects. We are not going to go out and build a building for \$1 million. Typically, buildings, jails, courthouses and city complexes are multimillion-dollar projects.

Our larger repair and maintenance items are within the \$1 million threshold. We would be able to keep up those assets much better with the prevailing wage provision in S.B. 108.

Carl Ruschmeyer, P.E. (Director, Public Works, Douglas County):

We agree with the bill in concept. It is appropriate and justified to raise the threshold somewhere above \$100,000. From my research, I found that it was last set about 30 years ago. That threshold is not reflective of the economy and construction costs today. That reason alone is justification for an increase.

As public works professionals and budget managers, we struggle with our revenues. It is important that we find cost savings where we can in order to maximize the value of our projects back to our taxpayers as well as our ratepayers.

Any dollars realized today stay in the fund and will be invested back into our economy, which in turn spurs economic growth and development.

I did some research to determine the value of a multiplier analysis for Douglas County. The University of Nevada, Reno, Department of Economics supplied some numbers. For every \$1 million invested in a construction project, we get a return of about \$341,211 in indirect and induced effects and direct benefits back into Douglas County.

That \$1 million creates 9.6 jobs; 6.7 jobs are direct and 2.9 are from the indirect and induced effects. Again, for that \$1 million, which is a direct benefit, we will realize impacts of about \$375,622 on the total labor income. It is important that these dollars be invested back into our economy for the growth we can sustain and generate in the future.

Jim Nichols (County Manager, Douglas County):

I echo the comments of Mr. Ruschmeyer and prior speakers. Douglas County supports this bill.

Jeff Fontaine (Executive Director, Nevada Association of Counties):

We support S.B. 108 because of the increase in costs of materials in the last 30 years.

Wes Henderson (Nevada League of Cities and Municipalities):

We support the bill because the trigger for prevailing wage has not been changed since 1985. It is time for an adjustment.

Mr. Madole:

We support both proposed amendments; ensuring that public agencies are not able to self-perform work up to \$1 million is reasonable and ensuring that surety bonds are in place to protect taxpayers.

We have several other issues with this bill. Should the Committee wish to process it, we would like to work with the bill's sponsor. One of our biggest

problems is that this raises the threshold of what is considered a public work from \$100,000 to \$1 million. During the last biennium, 85 percent of all public works projects in Nevada were under \$1 million. This has permitted dozens of small, Nevada-based contractors to be competitive and maintain a skilled, middle-class workforce on construction jobs that pay a living wage. If enacted, this legislation would make it extremely difficult for small local contractors to pursue the work that has become their lifeblood.

Nevada law allows a public body to solicit and select the best bid from three contractors for projects up to \$250,000. The best bid does not have to be the low bid. This is necessary to allow immediate-action smaller informal projects.

Senate Bill 108 would increase the threshold to \$1 million for the best bid practice. Politics would ultimately be used to influence bid awards, and there would no longer be an assurance that taxpayers are getting the best price. Additionally, this would often cause litigation and slow down the delivery of construction projects.

Some of the projects that could be awarded under this \$1 million threshold might include replacing boilers in schools, modernizing elevators, reroofing buildings and paving parking lots in public facilities.

This bill has the unintended consequence of raising the existing bidder preference for veterans to \$1 million. The preference is available to all veterans with a zero percent disability. The U.S. Department of Veterans Affairs defines a zero percent disability as a minor scar.

Affording every veteran with a scar a \$50,000 advantage on all construction projects of \$1 million makes it hard for small businesses to compete. While we are all sympathetic to the veterans, it is difficult to imagine that a veteran with no more than a scar is given a \$50,000 subsidy.

Several people spoke about an inflationary adjustment. According to the U.S. Department of Labor and the Bureau of Labor Statistics, \$100,000 in 1985 would be worth \$184,000 today. People are saying we should go to \$1 million. We are willing to discuss inflationary adjustment with the bill's sponsor and others. However, it should be much more reasonable than what this bill proposes.

Chair Goicoechea:

The bill fails to address where a county cannot self-perform \$100,000 or \$1 million worth of work. That concerns me because we have county road departments that do those projects.

Mr. Madole:

In the 77th Session, the AGC sponsored a bill and worked hard to ensure that public agencies were not performing large road projects. This legislation would undo that.

Chair Goicoechea:

You spoke about an amendment, but we do not have that amendment.

Mr. Madole:

In his testimony, Senator Settlemeyer discussed proposing an amendment to remove that language. We would be supportive of that effort.

Chair Goicoechea:

Where is it in the bill? It is not undone in the bill or proposed to be undone.

Senator Settlemeyer:

Mr. Madole reached out to me last night, explained the issue, and I told him I would work with him on an amendment to address his concerns. I will work with anyone who has valid issues to resolve.

Chair Goicoechea:

Where are you undoing it in the bill?

Senator Settlemeyer:

In the 77th Session, a concept was proposed that counties did not have the ability to do their own projects over \$100,000. There was a bill relating to a bridge, but I do not remember the bill number. We are not necessarily seeking to undo what the Legislature did last Session. I have no problem working with you and Mr. Madole to determine that.

Chair Goicoechea:

I want to understand that nothing in the bill undoes this. That is not the intent.

Trish Bullentini Kuzanek (Martin Iron Works):

As anyone in business knows, even on the best days, it is a battle each day to stay in business. We have employed as few as 28 people and as many as over 200. We have been fortunate to provide well-paying jobs for our employees, who in turn give back to the economy.

Martin Iron Works has paid many taxes and fees which support the local economy. Raising the prevailing wage threshold on public works will be detrimental to Martin Iron Works' ability to bid on these projects in Nevada. We will pay fewer fees to the government to put back into the economy. We will pay fewer employees. They will be on unemployment because we will not hire them, and they will not put as much back into the economy.

I implore you to follow this through to the end. By increasing the threshold, Nevada contractors that pay good wages will have less work and will be harmed. Less money will go back into the local economy and will not save the taxpayer dollars.

Projects may not go as smoothly. Many of these contractors damaged by this bill are experienced, quality contractors.

Government employees self-performing on projects is foolish. Not only will the quality of work suffer, local contractors and taxpayers will suffer. Private industry puts money back into the economy. Passing this bill will only increase government payrolls.

Chair Goicoechea:

Nothing in S.B. 108 addresses self-performance. We have not changed that.

Mr. Cate:

This bill would not affect me as much as others. It is more about policy than anything else. As a past president of AGC, I have seen this going around for many years. I am not saying the Senator is wrong for wanting to raise the threshold. It needs to be raised. It has been 35 years since anything has been done with it. I would like to see a multiplier or index put into statute that raises thresholds on an ongoing basis so that 2 years from now, if there is big turnaround, we do not come back and make it \$50,000. Somehow, we need to get this fixed with an ongoing process that makes sense to everyone involved.

We can make it a sensible, reasonable way to work with this threshold if there is going to be one.

Chair Goicoechea:

I agree. I was in local government a long time ago and worked to raise Humboldt County's prevailing wage threshold. We did all of the surveys, but it is tough to do. We all agree we need some fixes.

Mr. Mallory:

Based on data ([Exhibit F](http://www.dol.gov/whd/state/dollar.htm)) published on the Bureau of Labor Statistics Website <<http://www.dol.gov/whd/state/dollar.htm>> ([Exhibit G](#)), as of January 1, Nevada is tied for the seventh-highest prevailing wage threshold in the U.S.

Increasing the threshold to \$1 million as proposed in this bill would place Nevada at twice the highest threshold in the United States. Not only is that a problem, but there are several other bills working their way through the Legislature. We do not know if this is going to be the final threshold.

Chair Goicoechea:

We can only deal with the one we have here today.

Mr. Mallory:

I understand that, but bills are active in the Assembly and other bills are to be heard before this Committee. I disagree with Mr. Madole about having a complete discussion. We cannot have a complete discussion without acknowledging all of the other public works bills in this Session.

Senator Atkinson:

You keep saying that self-performing is not a part of this bill. We should be mindful that it is in sections 11, 12 and 13 and other sections of the bill.

Chair Goicoechea:

It is in accordance with *Nevada Revised Statute* (NRS) 338.13864 from a bill passed in the 77th Session. This bill does not change it. It goes back to statute that limits self-performance.

Senator Atkinson:

Although you said it was not in this bill, it is. We have to acknowledge that and figure out where it is going forward. I understand what the man at the table is

saying. I know we can discuss each one of these bills individually. Everyone knows that it is not just this bill, but there are others. If we discuss this in totality, then we must have a full discussion and not just piecemeal all this.

Chair Goicoechea:

I can only schedule the bills I have.

Marc Markwell (Sierra Nevada Construction):

We perform projects ranging from a few hundred dollars to several million dollars. The bulk of our work is under \$1 million by more than 50 percent to 60 percent, so this bill would affect us. More important, it would affect our employees because we value our employees and their skills. They have spent years honing their skills in their trade. This would be an indication to them that their skills are not as needed or necessary in Nevada. We fear that they would move to other states. We have seen that already with the recession. Many of our employees moved to California, and only now are we able to retain some of our key employees. For those reasons, we oppose S.B. 108.

Pat Sanderson (Laborers International Union Local No. 872 AFL-CIO):

During the last 6 years of recession, we have lost many people. In the construction industry, they are lost through a generation gap. That means they are too old to continue working or there is a lack of work.

We might have had a 6-month recession or a 1-year recession, but never have we had a 6-year recession.

One thing that helps is apprenticeship programs. Both open shop and union shops have apprenticeship programs for the local contractors. Through these programs, the workforce is educated and kept up to date. Workers are taught how to work today and in the future.

Apprentices start on small jobs where they are not intimidated and have a chance to learn. As they get better, they are moved up to bigger jobs. This is something we need to keep in mind. It keeps local contractors and workers working and keeps education moving forward to allow us to have a tremendous workforce for Nevada. I hope you vote against this or add something to it.

Phillip Bush:

Raising the threshold from \$100,000 to \$1 million does not benefit anyone. The supposed savings are lost in enforcing the rules on out-of-state contractors who pick up these jobs for less money because they do not have to pay prevailing wages. In all honesty, we lose control over out-of-state contractors as soon as they cross the State line.

The wages in Nevada remain static, and the supposed savings are mythical. The added costs of enforcing contracts, the quality of the work from the unknown out-of-state contractors and the suppliers they bring with them are not taken into account.

Economic growth in Nevada is not guaranteed, and the increase in labor will be lost because out-of-state contractors bring their own employees who work for less money. They bring materials with them because they deal with known suppliers. If you pay less, you will get less. Consequently, the savings will go with the out-of-state contractors as they leave the State.

Lisa Stevens (Bond Manager, Leavitt Insurance Agency; Vice President, Surety and Fidelity Association of Nevada):

I concur with Mr. Nuñez and agree with the position of the AGC regarding section 16 of the bill that raises the bonding threshold to \$1 million.

I have submitted my written testimony ([Exhibit H](#)). Performance and payment bonds protect public works and taxpayer dollars. Bonds protect subcontractors and material suppliers because they do not have mechanic's lien rights on public works.

The documentation I submitted ([Exhibit I](#)) outlines a process of prequalification for contractors to make sure you get someone who is capable of performing the work on a project.

I propose to strike the changes in section 16.

Kurt Faux (Board Member, Surety and Fidelity Association of Nevada):

The threshold of \$100,000 for payment and performance bonds should be maintained because of the security provided to public owners that projects are completed and to ensure subcontractors, laborers and suppliers are paid.

I have been involved in hundreds of projects throughout the West. Surety bonding companies are experienced in dealing with distressed projects, parties who might be entrenched due to unfortunate situations, resolving those projects and ensuring they are done appropriately within the budgets designed by the cities or municipalities.

I also note neighboring states and their thresholds as contained in the "Comparison of State Bonding Thresholds" in [Exhibit I](#), page 7.

Chair Goicoechea:

That has been accepted as a friendly amendment, and we have received your letter ([Exhibit J](#)).

The \$100,000 bonding limit is acceptable and agreed upon by everyone.

Chris Caluya (Sletten Construction of Nevada, Inc.):

I oppose the increase on the prevailing wage threshold. Many disadvantaged businesses in our area rely on getting business at that level. It helps them and their businesses, and we would like to see it stay that way. If not, maybe there is a compromise number somewhere in between \$100,000 and \$1 million. We are willing to talk to people and open some dialogue.

David McCune (Laborers International Union of North America Local 872 AFL-CIO):

I am speaking on behalf of our disadvantaged business minority contractors. They have expressed interest in not having the threshold raised higher than it is because it puts them at a disadvantage. Some of them are not bonded that high to get those bigger contracts over \$1 million. The \$100,000 threshold has leveled the playing field for everyone. On prevailing wage public works jobs, everyone is paid the same no matter color, race or gender. Prevailing wage at \$100,000 is a good threshold. It has been that way. It is working.

I want the Committee to know that over 100 constituents in another room oppose this bill.

Dan Osham (Penta Building Group):

We do not support this bill. We are a large contractor; this is going to hurt small contractors. This has been their industry for years, and the only thing this will

accomplish is to put wages into competition. It will not help the industry overall; I am not buying the savings I have heard in testimony.

Leigh Belmont:

I oppose S.B. 108. You are taking money out of the mouths of the people who are working here. People will be flooding the State from out of the area to come and take the work away from people who are doing the work. You will have people who are not even skilled. The skills I have include Occupational Safety and Health Administration 10- and 30-hour training, Mine Safety and Health Administration training, First Aid, Emergency Preparedness and Response, and State Flagger Certification. Your constituents are at risk because out-of-state people come here who do not have the training or certifications for these jobs we have.

When you go shopping, you do not go to the Dollar Store to buy your groceries for dinner. Everybody wants a good deal, but you want a lot of bang for your buck. By taking the lowest possible bidders, when something happens, they are going to close their doors, change their names on business licenses and start all over on Monday.

The companies here have been here, will stay here and have provided for the community. They pay their people well. You are looking at people coming in from who knows where who pay the bare minimum. You get the bare minimum return for your dollar. You should leave it the way it is and roll with it.

George Scott:

I am concerned about S.B. 108. There has been some inflation through the years and I could see this going to \$200,000, but \$1 million is out of the question. Someone is not using common sense. We need some common sense.

James Sala (Southwest Regional Council of Carpenters):

We are in opposition to almost all of S.B. 108 but in particular the threshold. An unintended consequence may be that if you raise the public works definition to \$1 million, does that exempt the requirement for 50 percent local hire on public works projects? As one person previously stated, if that eliminates 80 percent of the projects, then some of the legislation passed previously to protect Nevada contractors and workers may be unintendedly thrown out. That is a concern.

According to the statistics read by Mr. Mallory regarding the rest of the Country, Nevada is already the sixth- or seventh-highest threshold at \$100,000. This bill needs some work, and, along with the other bills in the pipeline, some thoughtful discussion if policy matters regarding the issue of prevailing wage. I hope we will be able to work with the parties and the sponsor to rectify the issues.

In a project in West Wendover, the low bidder removed himself because of items left out of the bid. Almost 75 percent of the subcontractors on that project are from out of state. I am not sure if West Wendover is going to let that bid. The City is reviewing the process. Some of those contractors are not licensed in Nevada. Therefore, this bill presents a whole host of unintended consequences. I hope this Committee and the Legislature will consider whether this is good policy for construction, which is an important industry in our State.

Senator Settelmeyer:

I want to return to sections 11, 12 and 13 and other sections in the bill. In drafting this bill, everything that was \$100,000 was changed to \$1 million where the bill says, "If the estimated cost of a public work is less than ... a local government shall award a contract." By going to \$1 million, individuals are indicating that everything from \$100,000 to \$1 million would become a job the county could do. That was not my intent. We need to support small business in Nevada. This was about the determination of prevailing wage going up to \$1 million, not the other aspect. I will correct that and run it by you, Mr. Chair, so you understand that.

I appreciate Mr. Mallory's information pertaining to the costs by state. Maryland has the high threshold at \$500,000, but not really. The absolute high are the states that do not have a prevailing wage threshold—Alabama, Arizona, Colorado, Florida, Georgia, Idaho, Iowa, Kansas, Louisiana, Mississippi, New Hampshire, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Utah and Virginia. They have no threshold. That is the high.

Chair Goicoechea:

We will close the hearing on S.B. 108 and move into the work session with S.B. 238.

SENATE BILL 238: Disincorporates the City of Ely. (BDR S-709)

Jennifer Ruedy (Policy Analyst):

I will discuss S.B. 238 as found in the work session document ([Exhibit K](#)).

Proposed Amendment 9824, provided by the bill's sponsor, would push the general election date out to June 6, 2017. The transfer of money, property, assets, liabilities and indebtedness was moved to July 1, 2018.

Chair Goicoechea:

We pushed these dates out a couple of years on this bill. We had the City of Ely and White Pine County's attention, and maybe they are starting to work together better. There will be another Legislative Session before the deadlines, so if they are working together, we can go ahead and take the question away. This issue has gotten them more focused. I do not know to what extent because now they are suing each other.

Senator Atkinson:

You said there are issues. What are we doing? The bill addresses issues with White Pine County and the City of Ely. I defer to you, but before I vote, I want to make sure.

Chair Goicoechea:

There was a ballot question in 2010 to disincorporate the City of Ely and combine it with White Pine County into one governmental unit; the vote was 53 percent to 47 percent for disincorporation. Nothing has happened since then, and now they are at odds and not getting along. Therefore, we will put this on the ballot for 2017 after the next Legislative Session and see if they can work together. The City of Ely is struggling with this because it will be disincorporated as the smaller entity. I hope they can work together toward one consolidated government that the people want.

Senator Atkinson:

If they do that, will we go forward with the ballot question?

Chair Goicoechea:

No. In 2017, we will take it off the ballot.

SENATOR LIPPARELLI MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 238.

SENATOR ATKINSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Chair Goicoechea:

We will move on to the next bill in the work session, S.B. 249.

SENATE BILL 249: Revises provisions relating to local financial administration.
(BDR 31-1023)

Ms. Ruedy:

I will summarize the bill as contained in the work session document ([Exhibit L](#)).

There was much confusion with the language in the bill. The Proposed Amendment 9777 deletes most of the language but streamlines it with the same intent. The sponsors had to bring the bill.

Senator Lipparelli:

Can Counsel clarify the language "... date of the original allowance ... ?"

Heidi Chlarson (Counsel):

The language in statute is "... the date of the original allowance." I can tweak the language to conform with the Committee's intent, if the Committee still feels this is ambiguous. My concern is that it is hard to pinpoint what the date would be in all circumstances; therefore, I used the original language. The counties have already been implementing that and know what that means. However, if the Committee is not comfortable and wants to have something more definite, I am happy to tweak the language as the Committee sees fit.

Senator Lipparelli:

I do not want to create a question where there is not one. If there is a good law on the books and this is acceptable, I do not want to change it. I was verifying that I understand that when a product is delivered, the person has 1 year to bill for the product; however, in a services contract that can be more fluid. If you are satisfied, I am also.

Chair Goicoechea:

With your statement on the record, that is legislative intent that you have 1 year after the product is delivered.

This language says counties may not allow, but they have that flexibility. The issue is getting bills that are 6 years stale-dated. That is difficult to meet.

SENATOR HARDY MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 249.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Goicoechea:

We will move on to S.B. 271.

SENATE BILL 271: Revises provisions relating to the Virgin Valley Water District. (BDR S-730)

Ms. Ruedy:

I will summarize S.B. 271 as contained in the work session document ([Exhibit M](#)).

Warren Hardy proposed an amendment. On page 2 of Proposed Amendment 9852, [Exhibit M](#), the language "The District may not require the holder of a letter described in subsection 1 to pay an annual renewal fee or be subject to any other condition unless the fee or condition is expressly stated in the letter" has been stricken.

SENATOR LIPPARELLI MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 271.

CHAIR GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Senator Atkinson:

I am going to vote yes but reserve my right. I do not fully understand the amendment. I would like more clarification.

Chair Goicoechea:

We will move on to S.B. 297 in the work session.

SENATE BILL 297: Revises certain provisions relating to redevelopment plans.
(BDR 22-1028)

Ms. Ruedy:

I will summarize S.B. 297 from the work session document ([Exhibit N](#)).

Chair Goicoechea:

This is about the Three Kids Mine Project, the manganese site in the City of Henderson. This is a clean bill with no amendments.

SENATOR PARKS MOVED TO DO PASS S.B. 297.

SENATOR LIPPARELLI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Chair Goicoechea:

We will move on to the last bill in the work session, S.B. 362.

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

Ms. Ruedy:

I will summarize S.B. 362 from the work session document ([Exhibit O](#)). There is no fiscal note because it is authorizing, not requiring.

Chair Goicoechea:

This is a clean bill with no amendments.

SENATOR ATKINSON MOVED TO DO PASS S.B. 362.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Chair Goicoechea:

I will open the hearing on S.B. 477.

SENATE BILL 477: Revises provisions governing the installation of automatic fire sprinkler systems in certain single-family residences. (BDR 22-1110)

Nat Hodgson (Chief Executive Officer, Southern Nevada Home Builders Association; Nevada Home Builders Association):

I will go through the printed presentation on the status quo ([Exhibit P](#)) of where the market is in southern Nevada with fire sprinklers.

Excepting the City of Henderson, because we have certain agreements in each municipality that require fire sprinklers, every couple of months the code question comes up, we meet and discuss it because it is a working agreement. This bill solidifies that and removes questions and uncertainties.

Because the agreements are written differently from municipality to municipality, interpretation comes into play. Unfortunately, some members forget which municipality they are in and sometimes it is just interpretation.

The status quo is important because it leaves some ambiguity out there. Our goal is to bring this under one umbrella and memorialize what we have done. We ask the Legislature to weigh in on this important issue to set public policy regarding fire sprinklers.

Only one jurisdiction, the City of Henderson, has adopted the portion of International Residential Code (IRC) that requires fire sprinklers. Clark County and Las Vegas have agreed upon square footage, and when we get to

10,000 permits, we will sprinkle. In Clark County, a date is coming up for discussion to determine where we go from here.

Several jurisdictions have ordinances that require sprinklers on hillsides and areas of low water pressure, so we want to put this under one roof for the State.

We submitted documents ([Exhibit Q](#)), because there is a wealth of information on this. It is a contentious subject across the Nation. Twenty-six states have passed legislation with some kind of restriction on fire sprinklers. Out of that, 20 states have passed legislation that says no jurisdiction can pass something that requires residential fire sprinklers.

There is one clarification because I had a few calls when the bill came out. It is our intent that this bill only applies to residential dwellings with two or fewer units. It appeared that we were asking for this on commercial buildings and everything else. We can work to get that intent into the bill.

Senate Bill 477 does two things. For homes smaller than 5,000 square feet, a local government must conduct a cost-benefit analysis, present the findings in a public hearing and determine that the benefit exceeds the cost of automatic sprinklers before adopting a code requiring sprinklers. For homes over 5,000 square feet, there is no change. That is in section 1, subsection 1.

For homes smaller than 5,000 square feet, a local government may adopt requirements for sprinklers if it finds in a public hearing that the location of the home has unique characteristics outlined in section 1, subsection 3 that may affect response time for firefighters.

When this first came up in 2009 in the IRC, we commissioned Applied Analysis to do a cost-benefit study on fire sprinklers in residences. We recently asked Applied Analysis to do an update to the study. Using local data, analysts determined the cost benefit of adopting a code requiring residential fire sprinklers in southern Nevada.

Brian Gordon (Applied Analysis):

Our firm has conducted a number of cost-benefit analyses. We conducted an analysis in 2010 specific to southern Nevada and provided an update to that

report in 2011. Since then we have been asked to update that report and bring it current ([Exhibit R](#)).

The cost-benefit analysis is specific to newly constructed, single-family residences in Clark County. However, we have no reason or information to suggest the results would be materially different for the State as a whole.

The analysis was straightforward and relied on a methodology prescribed in a national study on this same topic. The U.S. Department of Commerce National Institute of Standards and Technology (NIST) prepared that study. As part of our analysis, we localized and updated the assumptions to evaluate the cost benefit of fire sprinkler systems in southern Nevada.

Key factors or inputs that went into the analysis included localized fire-related incidences and localized costs of residential fire systems. The analysis also factored in potential homeowner insurance benefits sourced to residential fire systems as well as the cost of the systems. Our report used certain values contained in the NIST study, including the value of a statistical life and the value of a statistical injury. These data were also adjusted for inflation to bring them into today's values.

A few key facts from our study are worth mentioning. The probability of a fire occurrence is relatively low in Clark County versus the national average. Clark County reported a rate of fires less than one-half the national average. That number is 0.0015 versus the national average of 0.0036. The age of homes and other factors are likely contributors for the lower fire incident rates in the local community. The probability of fatalities resulting from a fire in a single-family home is also lower in the local jurisdiction at 0.0043 versus 0.0082 nationally. The probability of injuries was slightly higher locally at 0.0498 versus 0.0403 nationally. However, there were still fewer fire-related injuries overall given the lower overall fire incidents rate.

Based on the information provided by local builders, the cost of installing residential fire sprinkler systems in single-family homes is approximately \$2 a square foot with an average new home size of approximately 2,390 square feet. The total cost of one of these residential fire sprinkler systems is approximately \$4,780 a home.

After balancing all of the economic costs and benefits associated with residential fire sprinkler systems, our analysis concludes that the overall installation cost outweighs the benefits, based on lower fire probabilities. From a dollars and cents standpoint, the benefits are estimated to total approximately \$2,550 while the costs are estimated at approximately \$4,780. The costs are about \$2,200 higher on a net basis than the benefits on a housing unit basis.

We also ran a number of alternative scenarios that suggested fire incidence rates would either have to triple or the costs of installation would have to be cut in half before the cost-benefit ratio were to break even.

While the value of a life is priceless, the probability rate of dying in a fire in any one house in Clark County is slim at 0.0000066.

Senator Hardy:

As I understand it, this bill affects more jurisdictions than Clark County.

Mr. Gordon:

That is correct. We did conduct the analysis specific to Clark County. Information we saw suggested there would be no material difference on a statewide basis.

Senator Lipparelli:

Section 1, subsection 1 says the "... sprinkler system in a new or existing residential dwelling" Is it permissible for a government to adopt a new code that retroactively requires an existing dwelling to have a fire sprinkler system?

Mr. Hodgson:

That applies to remodeling or retrofits. To my knowledge, when a code is adopted, it is not retroactive for existing homes unless something is done to that existing home.

Senator Lipparelli:

I did not read it that way.

Chair Goicoechea:

I agree with Senator Lipparelli. My concern is that it refers to existing dwellings. It could be expensive to fire-sprinkle a 5,000-square-foot home.

Mr. Hodgson:

The intent is that this triggers when a county pulls a permit on a house and the homeowner does something that exceeds 5,000 square feet because the new codes would apply.

Josh Hicks (Nevada Home Builders Association; Southern Nevada Home Builders Association):

Senate Bill 477 is not a prohibition on residential fire sprinklers. If a homeowner wants fire sprinklers in the house, he or she can have them. That is addressed in section 1, subsection 4.

This bill places controls on local governments that want to do a carte blanche requirement of fire sprinklers. Even then, it is not a restriction on that; however, a cost-benefit study is required to determine whether the benefit of the sprinklers exceeds the cost.

We submitted a proposed amendment to S.B. 477 ([Exhibit S](#)) which changes the effective date of the bill from October 1 to July 1. We are also proposing that when the cost-benefit study is done, the benefit is determined with respect to the owner, not necessarily the occupants. If the occupants are not the owners, they did not bear any costs to install the sprinklers in the first place. That is tied to the owner.

In addition, section 1, subsection 3 allows a local government, even if the dwelling is less than 5,000 square feet of livable space, to require sprinklers in certain conditions if there are certain findings. We have added language that this should be done in a public hearing to make sure it is done in the same manner as the initial hearing.

Section 6 of the bill has a carveout for any governments that have fire sprinklers in their codes until they either amend or repeal their codes or rules.

Senator Hardy:

Since section 6 covers the City of Henderson that already does this, we do not have to accept its amendment ([Exhibit T](#)) because it already made official declarations at an open meeting.

Mr. Hicks:

I do not want to speak for the City of Henderson, but its concern with section 6 is that it would actually be triggered if the City amended or repealed its code. The amendment would leave it in place even if the code was amended or repealed.

Chair Goicoechea:

Several amendments have been proposed on this bill. A local government could not require residential sprinklers unless the dwelling is 5,000 square feet or more of livable space.

Mr. Hodgson:

Actually, a local government could if the dwelling is less than 5,000 square feet and the cost-benefit analysis show a cost benefit to the owner. This bill allows the local government to adopt the code.

Chair Goicoechea:

Would that be an owner or could contractors do that on a development or subdivision? I would assume that a local government could do that on a new residential development. Talking about existing housing gives me heartburn.

Mr. Hodgson:

This does not outlaw fire sprinklers; we want to put some parameters in place. However, there are times when you need to do it. If conditions are met and it is a benefit to the homeowners, a cost-benefit analysis could be done for the whole city.

Unfortunately, no matter how good we feel about fire sprinklers, there is no perceived value from appraisers on houses that have them. You get zero cost, which does not help the situation.

Chair Goicoechea:

It is easier for the firefighters to go into a dwelling that is wet from fire sprinklers, especially in areas with longer fire department response times. If the response time is over 3 minutes or 5 minutes, the fire department could go before a public hearing and plead its case for requiring fire sprinklers.

Senator Hardy:

When someone gets a building permit on an existing structure to remodel or add a room, does the whole structure need fire sprinklers? If it is less than 5,000 square feet for the additional room, does the local entity have to conduct an independent cost-benefit analysis?

Mr. Hodgson:

Senator Hardy, I do not know that much about existing structures. I only deal with new construction.

Mr. Hicks:

Senator Hardy, if you are asking whether this must be done on an ad hoc basis every time there is an expansion, that is one way to do it. Those kinds of expansions could be dealt with in the code as long as the cost-benefit study is done or a finding of an exception whereas the study does not need to be done.

Senator Hardy:

Would it not have to be done unless the entity made a cost-benefit analysis that applies to everyone who adds a room or finishes a garage?

Mr. Hicks:

That is correct. The idea is to do the cost-benefit study, which is open-ended in this bill. We want to let local governments do a cost-benefit study with the parameters they think should apply. It would be appropriate to have those situations as part of the cost-benefit study, and then it would be covered.

Senator Hardy:

I get nervous when a young family has a home, they finish their garage or whatever, and they find out they have to sprinkle the whole house. Installing a fire sprinkler system in an existing dwelling costs more than \$4,000.

Mr. Hicks:

That is a valid concern. That is why I want to do the cost-benefit analysis. Without the cost-benefit analysis, suddenly someone may face a requirement like that in place. We are hoping this bill provides controls.

Ron Lynn (Director, Building and Fire Official, Department of Building and Fire Prevention Bureau, Clark County):

Typically, a house is allowed to function under the code of origination. Any modifications that take place do not necessarily affect the code of origination. Otherwise, forget sprinklers, we would be back in every home each time the code changes for every remodel or bathroom conversion. Unless extreme extenuating circumstances jeopardize the inhabitants, existing homes would not be affected.

Peter Krueger (Nevada Housing Alliance):

Nevada Housing Alliance is a trade association representing manufactured housing. These are affordable, entry-level homes built mostly in rural Nevada. Their cost, unlike that for stick homes, is approximately \$70,000 to \$150,000.

Industry representatives tell us that the cost for installing sprinklers would be 30 percent to 40 percent of the cost of the house. Another concern is that many of these units are constructed in rural Nevada where domestic wells are the water source.

We were going to propose some changes, but after further review, they are not quite ready. The proposed amendment ([Exhibit U](#)) with one provision that offers a population cap is not ready either. We were also considering an exemption on units under a certain size.

We have already spoken with the sponsor of the bill, and we are prepared to work something out with Mr. Hicks that will not affect customers of entry-level homes.

Chair Goicoechea:

It is hard to save a manufactured home from a fire.

Senator Atkinson:

Testimony has been about manufactured homes, but the bill is talking about 5,000 square feet. That would be a big manufactured home. If there are 5,000-square-foot manufactured homes, I would like to see some.

Chair Goicoechea:

They are there, but they have been manufactured on site.

Mr. Krueger:

Remember, this bill changes that and offers an exemption or the possibility for sprinkling a home under 5,000 square feet. This bill would apply to many homes.

Chair Goicoechea:

Would it apply only after a cost-benefit analysis?

Mr. Krueger:

Yes.

Jess Traver (Builders Association of Northern Nevada):

This bill is important to our industry. The language in the bill has been in place in Washoe County and northern Nevada since 2009. The Builders Association of Northern Nevada and the fire marshals and building officials worked together in 2009 to come up with the 5,000-square-foot rule. Some of the conditions we determined to be important are the size of the structure since anything over 5,000 square feet is a large fire for a fire department to extinguish; a hydrant system to put the fire out; and a response time within 6 minutes. That negotiation has worked well in northern Nevada. Twelve entities use the 5,000-square-foot rule.

On the room addition issue, there are conditions in the code for the application of fire sprinklers. If someone builds a 2,000-square-foot addition that increases the size of the house to 7,000 square feet, that person would be required to put sprinklers in the entire house. However, it does not happen often. We worked with real estate people on those provisions in 2009 to handle such situations.

During our review and work with the fire department in 2009, we discussed the need for smoke alarms. We need to get people out of buildings, which was important in our discussions. We also discussed capital improvement programs and how many firefighters we have, how many fire stations, what is the response time, what can a fire department handle and what does that capital improvement program mean to the fire department. We took the 5,000-square-foot issue seriously. It seems to work, and we promote passage of this bill.

Tim Crowley (Builders Association of Western Nevada, The Builders Alliance):

We are a homebuilders association, and we support S.B. 477.

Chair Goicoechea:

From an industry standpoint, should a home of 5,000 square feet or more be sprinkled?

Mr. Crowley:

We would like more flexibility; however, that is a reasonable threshold.

Chair Goicoechea:

If a development is in a difficult-to-access area in the event of a fire, through a cost-benefit analysis and the hearing process, the developer could be advised that because of the geographic location, water situation and response time from the fire station, fire sprinklers are required in residences under 5,000 square feet.

Mr. Crowley:

Yes, that is our position.

Lynn Nielson (City of Henderson):

I oppose S.B. 477. We have proposed an amendment, [Exhibit T](#). The City of Henderson is the only jurisdiction with a residential fire sprinkler ordinance. We adopted the 2009 IRC. We have also recently adopted the 2012 IRC. Both of those codes apply to single-family residences, one- and two-family residences, and townhouses under construction. The IRC requires fire sprinklers in residences. We did not amend out the residential fire sprinkler provision. Because the IRC requires the installation of fire sprinklers, the City of Henderson also requires the installation of fire sprinklers in single-family residences, one- and two-family residences, and townhouses.

Section 6 in the Legislative Counsel's Digest provides for the continued enforcement of any building code, ordinance, regulation or rule relating to the installation of an automatic sprinkler system adopted by a governing body before the effective date of this bill. However, a careful reading of section 6 of the bill does not support this because a portion of the last sentence states, "and may be enforced by the governing body until the governing body repeals or amends the building code, ordinance, regulation or rule." We are not changing codes now, but we will be in a couple of years when we adopt the 2018 IRC.

If we want to retain fire sprinklers, we would not be able to adopt the newest state-of-the-art code—the 2018 IRC—because by doing so, according to this

rule, we would have to jump through all the hoops that everyone else is going to have jump through to get fire sprinklers put back in.

Our Fire Chief, Steven R. Goble, informed me of his position on this. He said that this bill significantly limits and all but prohibits local jurisdictions from adopting building codes that require residential sprinklers. The City of Henderson adopted the IRC that requires fire sprinklers in all residences. This is an important component of our community risk reduction and life safety program. The State should not dictate how municipalities manage the risk within their communities.

We have had a residential sprinkler requirement since the 2009 codes were adopted. In that time, we have seen the effectiveness of residential sprinklers in several instances with significantly reduced property damage and no loss of life in homes with fire sprinklers. The codes are part of a comprehensive approach to life safety and community risk reduction that includes effective response, innovative technology, prevention programs and coordination with other public safety agencies to ensure a safe, secure and well-informed community. We must oppose S.B. 477 as drafted in the interest of public safety.

To that end, we have submitted a proposed amendment, [Exhibit T](#), which we have shared with the sponsor of the bill. The sponsor has assured us that he will work to make sure that the City of Henderson is grandfathered. This means that the City of Henderson's rules will not be taken away because of any legislation that goes forward.

In addition, we have a serious technical issue with this bill. Section 1 in the Legislative Counsel's Digest states that "this bill specifically authorizes such a governing body to adopt a building code or take any other action that requires the installation of an automatic fire sprinkler system in a single-family residence." However, a careful reading of section 1 of the bill repeatedly uses the term "residential dwelling unit." This term is not unique within the IRC for one- and two-family dwellings. This term is also used and is well defined within the IRC as apartments, townhouses, group care homes, motels, fraternities and sororities.

If this bill goes forward, one of those buildings that is less than 5,000 square feet would not have sprinklers. We are adamantly opposed to that.

The generic use of that term in the bill captures and all but prohibits the installation of sprinklers.

Chair Goicoechea:

I interrupt you to let Legal Counsel explain our interpretation of the bill.

Ms. Chlarson:

A residential dwelling unit is defined in NRS 278.4977 as “a building or a portion of a building, planned, designed or used as a residence for one family only, living independently of other families or persons, and having its own bathroom and housekeeping facilities included in the unit.”

Mr. Nielson:

It still does not change the definition with respect to the IRC. The statute is subject to interpretation. Whether you are dealing with the International Residential Code or the International Building Code, this term is defined the same way. So having it defined in NRS is not going to help.

Senator Lipparelli:

Based on the sponsor’s testimony, you argue that the cost-benefit analysis should not be considered as part of your ongoing requirement. Do you consider that as beneficial in the bill and a guiding principle for your mandate on new building?

Mr. Nielson:

When the City of Henderson adopted its version of the IRC, without amendment, we looked at it from a cost perspective because costs came up and people wanted to know the cost a square foot. We did much research and provided that data; but more important, we looked at it from the community risk and life safety perspective.

Our fire chief went to the University Medical Center of Southern Nevada Lions Burn Care Center and obtained statistical data regarding the cost to the community for someone who is burned, whose insurance does not cover it yet taxpayers have to. He brought back that data and it was huge.

The cost-benefit analysis that the sponsor has put into this bill is just one leg of the multifaceted mechanism we looked at when we implemented residential sprinklers in Henderson.

Mr. Lynn:

This bill is not ready for prime time. From a historical basis, this bill is not appropriate where it is placed. After the MGM Grand fire in 1980, NRS went under a significant evolution. It was a commitment on the part of the government, the Legislature and the public to assure this State would not be exposed to conditions that would jeopardize the life and limb of our citizens and visitors. Because of then-Governor Bob List's blue ribbon panel, a number of suggestions were adopted by the Legislature, including some that were considered state-of-the-art concepts involving sprinklers and fire safety.

Retroactive standards were established that provided for the investigation and evaluation of use, occupancy and size, and then required fire sprinklers in existing and new buildings. This was for commercial buildings. I was part of that evaluation. I am not sure a cost-benefit analysis would have proven a benefit unless it had taken into account the loss of life and limb.

It is most unfortunate that codes are often written in blood and modified or adopted only after disasters. That is one of the reasons building codes are not subject to a business impact statement in state law. Because of a societal commitment, we needed to have a level playing field subject to technical input from both local and national sources to the finest minds to help us ensure a safe-built environment.

This in no way negates the role of local amendments necessary to most effectively implement the codes. Considerations may and should be made for climatic, geologic, geographic, unusual construction and the environment in which these codes function. Standards applicable in large urban centers may not be feasible in remote, rural areas. This is one of the reasons we do not adopt state law for building codes other than for public works projects.

The Clark County Board of Commissioners demonstrated this consideration during its adoption of the 2012 IRC and amended out the provisions concerning one- and two-family dwellings specified under the Clark County Code of Ordinances, Title 22, Chapter 22.05 and IRC section 313.2. As Mr. Hodgson mentioned, we have held to that agreement to revisit this. Many driving needs require sprinklers aside from square footage.

I applaud a public discussion of the sprinkler issues, and I would like to work with the proponents. Many amendments that I could not finish would make a

better bill. Depending solely on a cost-benefit study as a determining factor is drastically in error.

Terry Taylor (Fire Prevention Association of Nevada; International Association of Arson Investigators, Nevada Chapter):

I oppose the installation of fire sprinklers as it relates to this bill. I am concerned about the definitions of "independent" and "cost-benefit." We want to work with the bill's sponsors to create a bill that ensures an improvement to public safety.

Senator Hardy:

For clarification, are you against sprinklers or against the bill?

Mr. Taylor:

I am against the bill but very much for sprinklers. It is ironic that I am testifying against a bill that includes making fire sprinklers statewide.

We want to create a bill that improves public safety by installing fire sprinklers. We too are concerned about section 6 and the restriction on local government. Local government should be able to tailor an adequate response. There are some great things in the bill about issues of access, roads and water supply.

The independent cost-benefit analysis is incomplete. As we add houses and subdivisions, we are required to build fire stations, buy fire trucks and hire firefighters or in the rural areas, recruit volunteers and buy fire equipment. I do not see any of that in this analysis.

Our mission is to protect the lives of all citizens in the State. However, because of our concerns about how this bill will be implemented and if we will have fire sprinklers where we deem them appropriate, we are testifying against this bill.

Dave Ruben (International Association of Arson Investigators, Nevada Chapter; Fire Prevention Association of Nevada):

I am the Fire Marshal for Carson City Fire Department. As a group, the fire service would like to work with the sponsors of the bill because fire sprinklers are important.

A few things that concern me are the studies based on Clark County data, because the number of fire occurrences is based on mild weather and no

heating issues. Northern Nevada is the opposite of that. Furnaces, woodstoves and improper disposal of ashes cause most of the fires here. We need to be careful about applying data statewide from an isolated part of southern Nevada. We are a varied State and because of the geography and local issues, this should be left at the local level.

The findings in section 3 regarding distance from fire stations, response times, water supply and other things are important, but they are also vague and leave much to interpretation. It would be better to nail down some of those things prescriptively.

While smoke detectors or smoke alarms are great, most fire fatalities are because of alcohol and people too intoxicated to be aroused by the alarm. Fire sprinklers would have put the fire out, and those people would still be alive.

Eric A. Guevin (Fire Marshal, Tahoe Douglas Fire Protection District):

I signed in as supporting this bill, but because of the changes that have become known, I would like to change that. I can no longer support it.

There is no clear definition of the cost-benefit statement. I have concerns with that and doing retroactive cost-benefit statements and public hearings. Doing that for individual homes would be a problem for us. We already have a good fire sprinkler ordinance in our district. I do not want to see that changed or mandated inaccurately through State law. It represents the needs of the fire department. We put these standards in place and adopted codes to protect the people. We had hearings when we adopted the codes, and they were accepted.

This bill includes some good points such as water pressure, but it still mandates the cost-benefit statement. I do not know how to put a cost on life. That is one of our concerns. I do not oppose fire sprinklers and I do not oppose a fire sprinkler bill, but this one needs some work before I can support it.

The Tahoe Regional Planning Agency (TRPA) has issues with time. They get allotments for building. If we had to do cost-analysis hearings and hold up the TRPA permitting process, the opportunity to build within that build season might be lost. That is a disadvantage.

Our hope is that someone will come to us so we can work together to create a safe bill for everyone.

Mr. Taylor:

Complete hearings were held on the State and local levels on all of the code adoptions in which I have been involved. Notice is given and everyone has an opportunity to be heard.

Bob Schreihans (Fire Chief, Carson City Fire Department):

Obviously, we are in favor of sprinkler systems. Carson City has adopted a code with 5,000 square feet and has elected not to pursue it into smaller residences. Municipalities should make their own decisions. This is almost like an unfunded mandate because it requires independent studies of the costs. We do not have the workforce to do that and neither do some of the other jurisdictions.

The bill does not define what is included in the study. It can be life safety and include the cost of a fire truck and a fire station. If we lower our standards and do not install sprinkler systems in homes, we would have to spend millions of dollars to build fire stations and add workforce. All of these things have to be incorporated in the study. It is a mandate down on us; however, leaving it to the individual jurisdictions is a better choice.

Chair Goicoechea:

The intent of the bill is to keep local jurisdictions from going overboard in requiring fire sprinklers in homes. I hope everyone can get together and look at some of these issues. There has to be some middle ground somewhere.

Greg Esposito (Southern Nevada Plumbers and Pipefitters Union Local 525; Northern Nevada Plumbers and Pipefitters Local 350; Sprinkler Fitters Union Local 669):

Local 669 is a statewide union that installs fire sprinkler systems. Local 669 supports this bill because we support making building codes regarding the installation of sprinkler systems uniform and easier to understand.

Every jurisdiction should address the issue and implement applicable codes that promote public safety. Not only is this a public safety issue, it can be considered a jobs bill as well. Sprinkler Fitters Local 669 performs this type of work. We look forward to improving public safety while putting our members to work using their skills as tradesmen.

Robert Fash (Fire Marshal, Deputy Chief, Las Vegas Fire and Rescue, City of Las Vegas):

The City of Las Vegas is neutral on this bill. If a fire sprinkler ordinance is brought forward, we must actively engage all of the stakeholders, including the homebuilders association, to make sure their viewpoints are considered when we move forward with a community action.

Mr. Hicks:

Many people have expressed concerns, and we will be happy to have discussions with them. This bill does not prohibit sprinklers. It requires a cost-benefit study, which is an important safeguard that needs to be done, balances the public interest and the cost of these homes passed on to homeowners.

Chair Goicoechea:

I will close the hearing on S.B. 477 and call for public comment.

Rusty McAllister (Professional Firefighters of Nevada):

We are always interested in ensuring that firefighters' jobs are safer, and fire sprinklers do that. They are also safer for the public; however, at the end of the day, I do not want to be one of their statistics. How much is one person worth? If you save one person, is it worth it? I do not know, that is not in the cost-benefit analysis. Those things need to be taken care of because we are talking about people's lives.

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Chair Goicoechea:

The Senate Committee on Government Affairs is adjourned at 3:43 p.m.

RESPECTFULLY SUBMITTED:

Suzanne Efford,
Committee Secretary

APPROVED BY:

Senator Pete Goicoechea, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	1		Agenda
	B	19		Attendance Roster
S.B. 420	C	3	Tina Leiss	Written Testimony
S.B. 340	D	1	Associated General Contractors, Nevada Chapter	Proposed Amendment
S.B. 108	E	1	Gus Nunez	Proposed Amendment
S.B. 108	F	3	Jack Mallory	Bureau of Labor Statistics Data
S.B. 108	G	1	Jack Mallory	Website Link
S.B. 108	H	1	Lisa Stevens	Written Testimony
S.B. 108	I	7	The Surety and Fidelity Association of America	Public Works Performance and Payment Bond Requirements
S.B. 108	J	1	Kurt Faux	Letter of Opposition
S.B. 238	K	4	Jennifer Ruedy	Work Session Document
S.B. 249	L	3	Jennifer Ruedy	Work Session Document
S.B. 271	M	3	Jennifer Ruedy	Work Session Document
S.B. 297	N	1	Jennifer Ruedy	Work Session Document
S.B. 362	O	1	Jennifer Ruedy	Work Session Document
S.B. 477	P	9	Nat Hodgson	Printed Presentation
S.B. 477	Q	13	Nat Hodgson	International Residential Code Information
S.B. 477	R	70	Applied Analysis	Benefit-Cost Analysis of Residential Fire Sprinkler Systems
S.B. 477	S	2	Southern Nevada Home Builders Association	Proposed Amendment
S.B. 477	T	1	City of Henderson	Proposed Amendment
S.B. 477	U	2	Nevada Housing Alliance	Proposed Amendment