

**MINUTES OF THE
SENATE COMMITTEE ON COMMERCE, LABOR AND ENERGY**

**Seventy-ninth Session
February 8, 2017**

The Senate Committee on Commerce, Labor and Energy was called to order by Chair Kelvin Atkinson at 9:03 a.m. on Wednesday, February 8, 2017, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 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 Kelvin Atkinson, Chair
Senator Pat Spearman, Vice Chair
Senator Yvanna D. Cancela
Senator Nicole J. Cannizzaro
Senator Joseph P. Hardy
Senator James A. Settelmeyer
Senator Heidi S. Gansert

STAFF MEMBERS PRESENT:

Marji Paslov Thomas, Policy Analyst
Bryan Fernley, Counsel
Linda Gentry, Committee Manager
Christine Miner, Committee Secretary
Daniel Putney, Committee Secretary
Luisa Stringer, Legislative Assistant
Lynn Hendricks, Committee Secretary

OTHERS PRESENT:

Bruce H. Breslow, Director, Department of Business and Industry
George E. Burns, Commissioner, Financial Institutions Division, Department of
Business and Industry
Peter Morgan, Charles Schwab Bank, Charles Schwab Trust Company
Justin Harrison, Las Vegas Metro Chamber of Commerce
Sam P. McMullen, Nevada Bankers Association

CHAIR ATKINSON:

Before we start, I would like to inform everyone that this meeting is being recorded, as well as being broadcast via the Internet in audio and visual formats. Any comments made in this room before and after the meeting may also be recorded and broadcast. For those who would like to follow the meetings of this Committee via the Internet, you may access the Legislative Website at <www.leg.state.nv.us>. Click on the Calendar of Meetings link, find the appropriate meeting and click on View.

Our meetings will begin promptly at the scheduled time. We are scheduled to meet on Monday, Wednesday and Friday at 8:00 a.m.; however, we will plan to meet at 9:00 a.m. on Mondays when possible to allow travel time for those coming from Las Vegas. I ask all Committee members to attend all meetings and stay for the entire meeting unless excused in advance. I would also like to emphasize the importance of courtesy in dealing with other Committee members, staff and testifiers at all times.

I want to emphasize the importance of providing a fair hearing to all parties on all measures heard in this Committee. We never want to forget that we are here to serve the public, and their testimony deserves our utmost respect. Those of you who attend these meetings will often see that our laptops are open during meetings. That does not mean we are not paying attention. We often use the Nevada Electronic Legislative Information System on our laptops to access bills, exhibits and amendments, as well as doing research about testimony being presented.

We will move to the adoption of the Committee rules ([Exhibit C](#)).

SENATOR SETTELMAYER MOVED TO ADOPT [EXHIBIT C](#) AS THE RULES OF THE SENATE COMMITTEE ON COMMERCE, LABOR AND ENERGY.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR ATKINSON:

We will now have a presentation from Marji Paslov Thomas, Policy Analyst, regarding the Committee Brief ([Exhibit D](#)).

MARJI PASLOV THOMAS (Policy Analyst):

The Senate Committee on Commerce, Labor and Energy is the third busiest policy committee in the Senate. The sections of the *Nevada Revised Statutes* (NRS) falling under the jurisdiction of the Committee are listed briefly on page 2 of [Exhibit D](#) and in more detail on pages 10 through 17. The Committee covers issues such as occupations and professions, energy, health and other types of insurance, general business, financial and trade practices, and labor, minimum wage and unemployment issues.

Pages 5 through 9 of [Exhibit D](#) give contact information for departments and agencies, selected professional boards and Committee staff.

CHAIR ATKINSON:

Let me explain how I typically run Committee hearings. I will generally call on the sponsors of the measure first, followed by those who support the measure, those who oppose it, and finally those who are neutral on the measure. Those who wish to speak on a measure should come up to the table at the proper time without waiting to be called. Testifiers should always state their names and spell them for the record the first time they speak.

I will open the hearing on Senate Bill (S.B.) 81.

SENATE BILL 81: Provides for the conversion of state-chartered savings and loan associations to savings banks. (BDR 56-163)

BRUCE H. BRESLOW (Director, Department of Business and Industry):

As many of you know, we have been working for several years with a number of reputable world-wide firms that want to move to Nevada. We were trying to use what are called industrial loan companies (ILCs) to bring them here. In spite of our efforts, the chair of our federal delegation did not want to approve any new ILCs. Because of this, the companies we have been working with have not been able to come to Nevada.

This bill alters an antiquated law regarding savings and loan banks to allow for savings banks in Nevada. The companies that have wanted to come to Nevada

feel this will give them the opportunity to relocate their headquarters to Nevada and bring jobs to the State.

This bill is very important to Nevada. It has been a long time coming. I take my hat off to the Financial Institutions Division (FID) for finding a way to pave the road into Nevada for some strong companies.

GEORGE E. BURNS (Commissioner, Financial Institutions Division, Department of Business and Industry):

I have two exhibits to offer: a fact sheet giving a summary of the need and purpose of the bill ([Exhibit E](#)) and a detailed section-by-section discussion of the bill ([Exhibit F](#)).

The intention of S.B. 81 is to take a dormant statute, NRS 673, that chartered savings and loan banks and modernize it to allow for savings banks. As many of you may be aware, most savings and loan banks collapsed during the savings and loan crisis in the late 1980s and early 1990s. Along with that was the collapse of the Federal Savings and Loan Insurance Corporation (FSLIC). All of the savings and loan banks that existed at that time were folded into federal savings banks (FSBs) and were put under the control of the Office of Thrift Supervision (OTS). With the passage of the Dodd-Frank Act in 2010, the OTS was folded into the Office of the Comptroller of the Currency (OCC), the regulator that oversees large national banks.

The issue that arose for many of the FSBs is they do not necessarily fit in the same category as the large national banks like Bank of America, Citigroup or Chase National Bank. They have been looking for a way to operate under a state charter rather than a federal charter, which would give them a more local or regional type of regulation at a much lower cost. The assessments made by the OCC are quite high.

This bill amends the antiquated savings and loan banks chapter of the NRS to modernize it and develop a savings bank charter. A number of other states have already done this, including Illinois and Utah. We are hoping S.B. 81 will open the door for FSBs looking for a state charter to come to Nevada.

CHAIR ATKINSON:

Are you going to go through the bill section by section?

MR. BURNS:

[Exhibit F](#) does that in great detail. The bill takes out everything in NRS 673 specific to savings and loan banks. Most of the amended provisions date back to 1959, and the chapter as a whole was last updated in 1989, just before the savings and loan crisis.

The bill inserts many of the rights and responsibilities of a commercial bank into NRS 673, while preserving the uniqueness of a savings bank charter. There are many differences between a commercial bank and a savings bank, including the type of holding company involved and the type of corporate structure. They also have different rights and limitations. In addition, savings banks are subject to the qualified thrift lender (QTL) limits and thus are not in direct competition with banks. We wanted to be able to establish and regulate savings banks in a similar way to the regular banks. You will see in [Exhibit F](#) that there are many parallels to our current banking statutes.

SENATOR SETTELMAYER:

From the consumer aspect, how does a savings bank differ from a regular bank? Is it better for someone trying to save for college?

MR. BURNS:

Historically, commercial banks had a broader charter mandate that enabled them to engage in all kinds of retail, small business, commercial and mortgage lending. In contrast, savings and loan banks had a more focused charter that required a significant commitment in the area of mortgage lending. It also provided incentives for engaging in mortgage lending. The differences between the two charters are not great, but savings and loan banks provide more of a savings mechanism, and they also provide more community investment. That is one of the things we hope S.B. 81 will bring to Nevada. If we are able to bring in these savings banks, we hope they will contribute greatly through the Community Reinvestment Act of 1977 to contributions within our communities.

SENATOR SETTELMAYER:

I do not wish to do a commercial for these institutions, but could you name a few savings banks so I can look them up?

MR. BURNS:

Certainly. They fit in specialized areas. The list includes securities brokers and dealers that have FSBs, such as Charles Schwab Bank and E*Trade, as well as

insurance companies, such as the United Services Automobile Association (USAA). Some manufacturing firms such as John Deere have FSBs that manage their branded credit cards.

SENATOR HARDY:

Do FSBs have kiosks or other physical buildings where consumers can drive in and make deposits? Can a random consumer have a savings account, get a monthly statement, have a checking account at a savings bank?

MR. BURNS:

Savings banks do sometimes have brick-and-mortar retail outlets in which consumers can walk into the lobby and do the types of transactions you are talking about. The FSB of USAA has many retail outlets in Texas. Charles Schwab Bank has many retail outlets in the San Francisco Bay area, even though their corporate headquarters are located in Reno. Retail companies such as Nordstrom that have FSBs provide credit at their retail locations.

SENATOR HARDY:

Do you need to be a member of a specific organization to get an account at an FSB?

MR. BURNS:

No.

SENATOR HARDY:

It sounds like a bank, looks like a bank and acts like a bank, but it is called a savings bank.

MR. BURNS:

Yes. Savings banks have to abide by the FSB rules under the Homeowners Refinancing Act, according to the type of holding company they are organized under. They also have to meet that QTL test of not having too much invested in commercial loans. The FSB is a horse, but it is a horse of a different color.

SENATOR SPEARMAN:

You mentioned a relationship to the Dodd-Frank Act. Can you elaborate further on that? What is the connection?

MR. BURNS:

When the FSLIC collapsed, everything was moved into the OTS. The Dodd-Frank Act consolidated the functions of the OTS into the OCC and eliminated the OTS. Savings banks were then placed into the same category as the trillion-dollar, too-big-to-fail banks. It is an uncomfortable position for many FSBs. That is why they are seeking a state charter that gives them the same rights and responsibilities they have under the federal charter with all of the local regulatory handling of a state charter.

SENATOR SPEARMAN:

If the Dodd-Frank Act is repealed at the federal level, would that have any effect on S.B. 81?

MR. BURNS:

The OTS is gone and will not come back regardless of what happens to the Dodd-Frank Act.

SENATOR CANCELA:

I have some questions related to oversight and the difference between federal and state oversight. What does state oversight of the charter look like? I am thinking specifically of the sections of the bill talking about the board of directors. Who will be making these regulations? The bill does not seem to include language mandating that regulations be made by someone in Nevada. How do we maintain control?

MR. BURNS:

An FSB that decides to convert to a Nevada state-chartered savings bank will have two options regarding federal oversight. If the FSB is a state-chartered bank, it will be overseen by the FID, and the Federal Deposit Insurance Corporation will be the federal regulator. If the FSB opts to become a member of the Federal Reserve System, it would be overseen by Nevada's FID and the Federal Reserve Bank.

Regarding boards of directors, there are no specific requirements with regard to local directorship. However, it has been our protocol in Nevada to make sure any bank headquartered here has good local representation on that representative board of directors. An FSB would have to be headquartered in Nevada to be chartered here.

MR. BRESLOW:

One of the organizations supporting S.B. 81 is Charles Schwab Bank, which would like to become a state-chartered bank in Nevada. Having a bank with the worldwide reputation of Charles Schwab in Nevada would mean lower assessments to all the other banks because we do not have that many banks in Nevada anymore. Because we assess banks in the State to recoup our operating costs, the more banks come to Nevada, the lower those assessments will be and the more affordable it will be for other banks to come to Nevada.

There were several questions about the difference between FSBs and other banks, and Senator Settelmeyer asked for the names of some FSBs. There are industrial loan companies that probably would move into this arena, but some of the names you may have heard of include GMAC, Toyota Financial, USAA and Harley Davidson, all of which make loans to their customers. John Deere also would like to come to Nevada to make loans and finance equipment for its customers. E*Trade needs a bank to use when customers buy or sell stock, and I believe Charles Schwab has a similar scenario. This is not competition for the local banks already doing business in Nevada.

PETER MORGAN (Charles Schwab Bank, Charles Schwab Trust Company):

We support S.B. 81. I have written testimony giving our perspective on this bill ([Exhibit G](#)).

Charles Schwab Bank provides banking and custody services for a variety of channels, including online and mobile branches. The Charles Schwab Trust Company is also a wholly owned subsidiary of the Charles Schwab Corporation, which is headquartered in Henderson, Nevada. Our corporate trust company provides corporate trustee services to Charles Schwab's individual investor clients. The Charles Schwab Corporation is overseen by the Federal Reserve.

The United States is unique in that it operates under a dual banking system. Under this structure, state and federal banking systems coexist. The federal system is based on a federal bank charter, with powers defined under federal law, operation under federal standards, and oversight by a federal supervisor. The state system is characterized by a state charter, with bank powers established under state law and operation under state standards, including oversight by state supervisors.

While the differences between charters may seem insignificant at first, they can and do result in different paths and operating environments for the institutions involved. Consistency, ease of access to supervisory staff, regulatory costs and other aspects of state versus federal charters can make a significant financial operating difference for both new and existing institutions. These choices make the process of review and consideration of the most optimum charter for an institution a constant and continuing process.

JUSTIN HARRISON (Las Vegas Metro Chamber of Commerce):

We support S.B. 81. As Nevada seeks to continue to grow and expand existing and new businesses in the State, we believe the proposed legislation allows for more options to not only bring new financial institutions into Nevada but also expand the current banking services to Nevada businesses and residents.

SAM P. MCMULLEN (Nevada Bankers Association):

We are fully in support of this bill. It not only does exactly what the text proposes, but also the things Mr. Burns and others have said it does. It enlarges the market and gives opportunities for people to do banking in the way that fits their businesses. We have no problem with the bill and do not consider it will present a competitive problem at all. In fact, we want to grow the market with banks and other entities like this. That makes sense, and there should not be any fences around that.

SENATOR HARDY:

What are the differences between S.B. 81 and the language used in Illinois and Utah?

MR. MCMULLEN:

I have not done a side-by-side analysis.

MR. BURNS:

The process we undertook in creating S.B. 81 was to identify the best practices from the legislation from Illinois, Utah and other states and incorporate them with needs unique to banking in Nevada. The bill has a lot of the same elements as those other states, but it has been tailored to Nevada.

SENATOR HARDY:

Are there any aspects in S.B. 81 that have not been vetted somewhere in some way?

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MR. BURNS:
Not to my knowledge.

CHAIR ATKINSON:
I will close the hearing on S.B. 81.

As you know, this Committee deals with energy issues. I have a lot on my plate this Session and have asked Senator Spearman to chair a subcommittee on energy issues. I have asked Senator Settlemeyer to be on that subcommittee, and I will also be asking Senator Patricia Farley, Senatorial District No. 8, to be part of that subcommittee. I will be intimately involved in the business of the subcommittee, though I will not be a member. I will meet and talk with them often. The subcommittee will vet bills on that subject and bring them back to the full Committee for discussion and action.

Is there any public comment? Hearing none, I will adjourn the Committee at 9:53 a.m.

RESPECTFULLY SUBMITTED:

Lynn Hendricks,
Committee Secretary

APPROVED BY:

Senator Kelvin Atkinson, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	3		Attendance Roster
	C	2		Senate Committee on Commerce, Labor and Energy Committee Rules—79th Legislative Session
	D	18	Marji Paslov Thomas	Senate Commerce, Labor and Energy Committee Brief
S.B. 81	E	2	George Burns	Fact Sheet
S.B. 81	F	76	George Burns	Section-by-Section Discussion
S.B. 81	G	1	Peter Morgan	Written Testimony