

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-ninth Session
March 20, 2017**

The Senate Committee on Finance was called to order by Chair Joyce Woodhouse at 8:03 a.m. on Monday, March 20, 2017, in Room 2134 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 Joyce Woodhouse, Chair
Senator David R. Parks, Vice Chair
Senator Moises Denis
Senator Aaron D. Ford
Senator Ben Kieckhefer
Senator Pete Goicoechea
Senator Becky Harris

GUEST LEGISLATORS PRESENT:

Senator Yvanna D. Cancela, Senatorial District No. 10
Senator Julia Ratti, Senatorial District No. 13
Senator Tick Segerblom, Senatorial District No. 3

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Lona Domenici, Committee Manager
Edgar Cervantes, Committee Secretary
Kurt Englehart, Committee Assistant

OTHERS PRESENT:

Roger M. Rahming, Deputy Superintendent, Business and Support Services,
Nevada Department of Education

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Ed Gonzales, Clark County Education Association
Brad Keating, Clark County School District
Denise F. Quirk, Clinical Director and CEO, Reno Problem Gambling Center
Anthony Cabot
Michael Lawton, Senior Research Analyst, Nevada Gaming Control Board
Alan Feldman, Executive Vice President, Global Government and Industry
Affairs, MGM Resorts International
Ted Hartwell
Carol O'Hare, Executive Director, Nevada Council on Problem Gambling
Michael Alonso, Caesars Entertainment, Nevada Council on Problem Gambling
Greg Ferraro, Nevada Resort Association
George A. Ross, Association of Gaming Equipment Manufacturers

CHAIR WOODHOUSE:

We will open our hearing with Senate Bill (S.B.) 112.

SENATE BILL 112: Requires a course of study in health provided to pupils in certain grade levels in public schools to include certain information on organ and tissue donation. (BDR 34-516)

SENATOR RATTI (Senatorial District No. 13):

Organ and tissue donations save and heal lives. More than 120,000 people await a life-saving organ transplant across the United States. Nearly 600 of those people are Nevadans. The shortage of available organs sadly results in 22 people nationally who die each day waiting. While it is easy to register as a donor at the Department of Motor Vehicles (DMV) or online, only 40 percent of adults in Nevada have done so. A single donor can provide 8 organs and more than 75 tissues to save and heal lives.

Most high school students look forward to obtaining their driver's license, and are asked at that time to register as a donor. They have little or no information on this topic in advance. This legislation will provide information for each student to make their donation decision before their visit to the DMV.

Family conversations about donations will naturally occur as students are engaged in the curriculum.

Organ and tissue donation education will be more widespread and consistent within the 360 high schools in Nevada. At its core, this bill will result in more

people registering as donors in Nevada and therefore, will save and heal lives. The advocates from the organ and tissue donor organizations are committed to making sure that this happens at almost no cost to the local school districts. The advocates are prepared to provide a predesigned curriculum to every high school. The curriculum is aligned with our current educational standards. We have spoken to numerous health teachers who have looked at the curriculum, and they are excited about it because it lines up nicely with things that they are already doing. This topic will spark curiosity among our young people. It is a straight-forward bill. We understand the challenges with education mandates and the challenges teachers face trying to push so many things into their day. With this bill, we are giving them tools that will improve what they are already doing.

CHAIR WOODHOUSE:

It is my understanding that all fiscal notes were removed from this bill, and particularly the fiscal note from the Department of Education and school districts, is that correct?

ROGER M. RAHMING (Deputy Superintendent, Business and Support Services, Nevada Department of Education):

That is correct. The intent is to remove our fiscal note from S.B. 112. The fiscal note reflects the additional costs for modifying the health standards with the adoption of this bill. After further review and understanding that the health standards are scheduled for review and potential modification in the next year, there does not appear to be a need for a fiscal note.

ED GONZALES (Clark County Education Association):

We are in support of S.B. 112. We believe this bill will save lives and have a limited impact on classroom time. This can easily be incorporated into the classroom curriculum in a cost-effective way.

BRAD KEATING (Clark County School District):

There will probably be a minimal amount of money that the Clark County School District will have to invest to bring teachers together and figure out where to implement this in the curriculum. We are happy to do that, and we will remove our fiscal note.

CHAIR WOODHOUSE:

When we heard this bill in the Senate Committee on Education, the testimony that was provided by the donor families and recipients was special. The bill passed the Committee on Education unanimously. Seeing no further comments we will close the hearing on S.B. 112.

We will now open the hearing on S.B. 120 which revises provisions related to problem gambling.

SENATE BILL 120: Revises provisions relating to problem gambling.
(BDR 40-810)

SENATOR SEGERBLOM (Senatorial District No. 3):

The gaming industry has asked us to sponsor this bill. They recognize that the current problem-gambling law does not work, so they have come up with a new program and a new financing mechanism. It is an industry-driven solution. We know gambling is a vice, and we have learned to live with it in Nevada. We need to find a way to help people who cannot deal with gambling. The best thing for Nevada is to have a court and finance system to provide resources to these people with gambling problems. I will read from my prepared statements ([Exhibit C](#)).

SENATOR CANCELA (Senatorial District No. 10):

I will read from my prepared statements beginning on page 3 of [Exhibit C](#).

DENISE F. QUIRK (Clinical Director and CEO, Reno Problem Gambling Center):

I will read from my prepared statements ([Exhibit D](#)).

I have also submitted talking points provided by the Nevada Governor's Advisory Committee on Problem Gambling ([Exhibit E](#)). You will notice the graph on page 3 indicates that Nevada comes in last in the per-capita allocation by states for problem gambling services. A copy of our three-year strategic plan for problem gambling services, which we created alongside the Nevada Department of Health and Human Services (DHHS), has also been included ([Exhibit F](#)).

I urge your support on this bill because the funding source is changing and diminishing. We need your support to keep up with the times and Nevada's growing population. In this State, we are four times more likely to have citizens with gambling problems than the average across the Nation.

SENATOR DENIS:

Section 1 of S.B. 120 changes the makeup of the advisory committee. Why do we need to make this particular change?

MS. QUIRK:

This change allows people with certain mental health licenses and certain gaming licenses to be able to serve on the advisory committee. We want to expand the membership of the committee to make it more diverse and easier for people to apply to serve on this committee.

SENATOR DENIS:

Section 1, subsection (d) of S.B. 120 makes the change from a member of the Nevada System of Higher Education (NSHE) to a member who represents an organization that promotes awareness of problem gambling and provides assistance to persons affected by problem gambling. Is this more prevalent today than it was before?

MS. QUIRK:

Several people who have been involved in prevention efforts at the universities have been supportive. We want to broaden the language to allow more agencies who are interested in helping with that kind of research, support and prevention to be able to apply for positions on the committee.

SENATOR DENIS:

This language replaces a member from NSHE with members of organizations. Could you have people who are not from NSHE serve as a member?

MS. QUIRK:

That is correct. The language broadens the membership to members who might not come from NSHE.

SENATOR DENIS:

The bill requires the Nevada Gaming Commission to deposit to the Revolving Account whichever is less between the \$722,500 or the proceeds of the license fees for the calendar quarter of the last preceding deposit. What is the consistent amount coming in over the last recent fees?

MS. QUIRK:

It varies. It has ranged from \$700,000 to \$800,000 and in some years to \$1 million depending on the revenue, but that number has been dropping.

SENATOR DENIS:

Under that scenario, you may not have to come up with any money out of the General Fund to do this, right?

ANTHONY CABOT:

I will now read from my prepared statements ([Exhibit G](#)).

SENATOR DENIS:

If we bring in more than the sum of \$722,500, do we have to use money from the General Fund? Where did this \$722,500 figure come from?

MR. CABOT:

The money will come from the amount of money collected from the general gaming taxes by the State Gaming Commission. A portion of that amount is taken out every year to fund problem-gambling programs. The rest of it goes back to the General Fund. Every year the Commission takes two times the number of slot machines and multiplies it by four and that amount is the amount that is taken out on an annual basis. Instead of continuing that mechanism, we suggest the Legislature takes out \$722,500 quarterly or a total of \$2.8 million. What was intended to be taken out and what we are asking for is a delta of about \$1.2 million from the general gaming taxes.

SENATOR DENIS:

So, that amount will come out of the general gaming fund. Where is the \$1.2 million currently going to?

MR. CABOT:

A small amount is taken out from the Problem Gambling Fund, the rest of it goes to the General Fund. We are diverting a little more to the Problem Gambling Fund before it gets put into the General Fund.

SENATOR DENIS:

Was this included in the *Executive Budget*?

MR. CABOT:

The total amount was not in the *Executive Budget*. However, there was a line item for problem gambling in the *Executive Budget*.

SENATOR DENIS:

Is the nexus \$1.2 million annually?

MR. CABOT:

That is correct. We cannot say it will be exactly \$1.2 million annually because we do not know the number of slot machines that will be in the State next year.

SENATOR DENIS:

The projections are based on the pattern of slot machines that we have had over the last few years, is that correct?

MR. CABOT:

That is correct.

SENATOR KIECKHEFER:

The DHHS Problem Gambling Strategic Plan [Exhibit F](#) indicates that the total budget for problem gambling services for the current biennium is \$1,315,000. Does that amount come out of this transfer that we have been talking about?

MR. CABOT:

That sounds correct.

SENATOR KIECKHEFER:

How do we reach the delta of \$1.2 million? The bill as it reads on page 6, section 4 would transfer \$722,500 quarterly to the Problem Gambling Account, which if we multiply by eight would be \$5,780,000 for the biennium. Jumping from \$1.3 million to \$5,780,000 is a larger delta than the \$1.2 million.

MR. CABOT:

The delta is based on the original 2005 funding amount of \$1,650,000. That has been steadily decreasing.

SENATOR KIECKHEFER:

Is the idea to transfer \$722,500 quarterly?

MR. CABOT:
That is correct.

MICHAEL LAWTON (Senior Research Analyst, Nevada Gaming Control Board):
The Nevada Gaming Control Board has already prepared the fiscal analysis for this bill under the assumption that at some point we are going to have to address the fiscal note. Senate Bill 120 changes the funding for problem gambling from \$2 per slot machine each quarter to a flat rate of \$722,500 with an annual Consumer Price Index (CPI) adjustment. We are estimating that approximately \$1.3 million will leave the General Fund and go to problem gambling in fiscal year (FY) 2017-2018, which works out to approximately \$331,000 per quarter. Our calculations estimate that this bill will reduce revenues going into the General Fund by approximately \$1.5 million in FY 2017-2018. In FY 2018-2019, the impact to the General Fund is unknown because we do not know what the CPI adjustment will be. The reduction could be slightly greater than the \$1.5 million under the assumption that the CPI will increase with inflation.

SENATOR KIECKHEFER:
How much is currently transferred quarterly?

MR. LAWTON
"The current quarterly transfer is about \$2 per machine per quarter. We collected \$334,600 in the first quarter of FY 2016-2017, and \$335,000 in the second quarter. We are sitting at \$669,600 for FY 2016-2017, which works out to \$334,500 per quarter. We are averaging approximately \$335,000 per quarter compared to the \$722,500. That is what the difference will be each quarter. If we multiply the \$722,500 figure by four, we come up with a delta of approximately \$1.5 million as the difference between current funding and the proposed figure under this bill."

SENATOR KIECKHEFER:
The bill requires a transfer of either the sum of \$722,500 quarterly or the proceeds of the license fees from the preceding quarter, whichever is less. Are you not simply going to end up transferring \$335,000 again if the requirement is to transfer the preceding amount or the higher amount, whichever is less?

MARK KRMPOTIC (Senate Fiscal Analyst):

For clarification, Mr. Lawton should identify what the quarterly nonrestrictive and restrictive slot-machine fees are to compare against the \$722,500 figure.

MR. LAWTON:

We collected \$2.6 million in the first quarter for nonrestrictive slot fees and \$2,684,000 in the second quarter. For FY 2016-2017, we are sitting at \$5,358,000 in collections for the nonrestrictive quarterly fees.

SENATOR GOICOECHEA:

Is the \$722,500 an arbitrary number?

SENATOR CANCELA:

The \$722,500 is not a random number. Mr. Cabot can speak to how we arrived at that number.

MR. CABOT:

Two subcommittees from the Nevada Governor's Advisory Committee on Problem Gambling helped us reach that amount. One of the two subcommittees looked at the financial perspective of how much money it would take to reasonably fund the revised three-year comprehensive plan [Exhibit F](#). This is where the \$722,500 total came from.

SENATOR HARRIS:

Have you considered having someone from the medical school serve on this Commission because of the research component and the status we are hoping the medical school will have in southern Nevada? It would be an opportunity to leverage resources.

MS. QUIRK:

We invite all members of research, medical and public health. The University of Nevada, Las Vegas, has had a very active role in helping us with the research component, and we hope to be able to expand that with additional funds.

SENATOR CANCELA:

There is an amendment ([Exhibit H](#)) that speaks directly to the composition of the Board. This amendment adds in language that makes sure board members

are qualified mental health professionals who are currently practicing within the mental health field.

CHAIR WOODHOUSE:

I will now open public comment.

ALAN FELDMAN (Executive Vice President, Global Government and Industry Affairs, MGM Resorts International):

I will read from my prepared statements ([Exhibit I](#)).

TED HARTWELL:

I will read from my prepared statements ([Exhibit J](#)).

CAROL O'HARE (Executive Director, Nevada Council on Problem Gambling):

The Nevada Council on Problem Gambling does not directly provide services to individuals facing gambling problems. We need to integrate services with our mental health and community health services.

I support the funding increase because we are operating with less funds than we began with a decade ago. When we began a decade ago, we were building the problem-gambling field for the first time in Nevada. We are now moving backwards. We need to have growth in the field to prevent and reduce the impact of problem gambling.

MICHAEL ALONSO (Caesars Entertainment; Nevada Council on Problem Gambling):

I am here on behalf of Caesars Entertainment to support S.B. 120. When the funding for problem-gambling was created in 2005, it was focused on the notion that the number of slot machines would continue to grow. However, the number of slot machines did not continue to grow. The delta is bigger because the funding mechanism did not work. If the mechanism worked properly we would not have been having this discussion. Theoretically, there would have been more slot machines, and we would have had the funds we need.

GREG FERRARO (Nevada Resort Association):

On behalf of the Nevada Resort Association, we urge your favorable consideration of S.B. 120.

SENATOR DENIS:

Does the Nevada Resort Association have any suggestions on how to increase the money we have to take from the General Fund to go towards implementing this bill?

MR. FERRARO:

It is a conversation we need to continue to have. This specific proposal and the rationale behind this proposal are meritorious.

GEORGE A. ROSS (Association of Gaming Equipment Manufacturers):

We have a history of supporting issues to deal with responsible gaming and we support this bill.

SENATOR DENIS:

Does the Association of Gaming Equipment Manufacturers have any suggestions on how to increase the money we have to take from the General Fund to go towards implementing this bill?

MR. ROSS:

This should be on the list of things that the Legislature looks at when considering the mental health budget.

SENATOR SEGERBLOM:

This is one of those issues where we know a certain industry will result in people having certain mental health problems. I do not see why we cannot have a funding source from that industry designed for problem gambling as opposed to taking money from the General Fund. We need to look at something like that going forward.

SENATOR CANCELA:

There is a moral component to this bill that is directly tied to its funding. At a time when we are looking at mental health services across the board, this is a funding source to address one of our biggest mental health issues. This bill will not put us in a leadership position, but at least it will put us on par with what other states are doing to address problem gambling.

CHAIR WOODHOUSE:

Seeing no more questions, we will close the hearing on S.B. 120. Our next order of business is our meeting organization.

MR. KRMPOTIC:

As we wind down the month of March, the Committee is also winding down its work on the hearing phase of the budget process, where the various committees and subcommittees hear the various budget accounts of State government. We have reached that point in time when the Committee begins making decisions on budgets. That involves the work session process and the budget closing process.

The money committees have traditionally conducted select work sessions on certain topical areas that merit more discussion due to either their complexity or the size of the issues coming forward. The work sessions provide an opportunity for the joint subcommittees to provide direction to Fiscal staff in developing potential options for the subcommittees' members when those budgets are brought back for closing. At the same time, additional information is provided to the subcommittees' members regarding those issues. Generally, certain issues have been identified for subsequent work sessions which will begin in the month of April. These issues include: the recommended reductions on the Behavioral Health budgets, particularly the Northern Adult Mental Health and the Southern Adult Mental Health budgets; updates regarding the Medicaid caseloads including the federal matching percentage share and the reductions in the Medicaid account that are recommended by the Governor; workforce development reorganization; the Public Employees' Benefits Program; the Department of Corrections; and population housing projections.

Joined with that work session would be hearing the division of Parole and Probation recidivism measures as recommended by the Governor, and therefore, reducing the number of reoffenders coming into the prison system. Other issues identified for subsequent work sessions include: the Early Intervention Service model, Specialized Foster Care recommendations and the significant recommendations by the Governor on the State Parks Initiative in regards to new and existing State parks. Some of the items that are conspicuous by their absence on this list are the K-12 budget and the specific issues to discuss at work session that are still being considered.

What typically happens at a work session is staff provides further information to subcommittees' members based on questions asked and responded to by the agencies subsequent to the subcommittees' hearings. This gives the members an opportunity to discuss, in the public forum, some of their positions on these issues and to ask further questions of staff and the agencies.

Concurrent with the work sessions in the month of April, staff will be presenting closings to the committees for their consideration. At the subcommittee level, they are recommending to the full Committee as to what should and what should not be funded in the *Executive Budget*.

Staff will be seeking authority from the subcommittees to make technical adjustments as we close these budgets. The process begins on March 28 for budget accounts assigned to the full Committee. These will begin with simple straightforward budgets that do not have a lot of recommendations. The process begins on March 29 for subcommittees beginning with the DHHS. Subcommittees' actions are considered in one motion. However, the Senate Finance Committee may decide to close a budget with a different recommendation than the Assembly Ways and Means subcommittees. Those recommendations would be resolved at the full committee level when they are presented for closure. Subcommittees' actions are considered recommendations to the full committee.

Subcommittees may request to issue letters of intent. Letters of intent often times request that an agency report to the Interim Finance Committee on the progress and funding recommendations approved by the money committees. Occasionally the money committees will express their intent as to how funding will be executed. Letters of intent recommended by the subcommittees receive final approval by the full Committee.

Once the subcommittees' finalize their closing recommendations for a particular agency, those actions are reported by staff to the full joint committees and acted upon by the full joint committees. A number of these full committee meetings will likely occur jointly. This will take place in the month of May.

Once the Committees act on the closing recommendations for all State agencies and resolve any differences, Fiscal staff records those actions and begins to draft the five major appropriation and authorization bills to operate State government for the upcoming biennium. Those include: the Appropriations Act, Authorizations Act, Education Funding Bill, Pay Bill and the Capital Improvement Project Bill.

SENATOR PARKS:

Is this all consistent with past practices?

MR. KRMPOTIC:

Yes, they are consistent with past practices.

Staff will seek authority from the committees to make technical adjustments to global issues which will not be decided when the budgets are closed, but will be decided by the Committees at a later time.

In each of the budget accounts throughout State government, there are decisions units that cannot be closed until the Committees close certain budget accounts that allocate costs. This includes M-100 Statewide Inflation that changes various rates paid to internal service agencies such as the Attorney General, State Motor Pool, Enterprise Information Technology Services (EITS) Division, State Public Works Division, Division of Human Resource Management, vehicle insurance, purchasing assessment, property and contents insurance, employee bond and the statewide cost allocation.

Generally, these issues will be decided upon once the Committees close certain budget accounts that allocate these costs. Further, global decision units that are impacted in this way include: M-300, M-106 (methodology change for information technology service rates and cost pools), M-107 (General Fund portion of the Attorney General Cost Allocation Plan), E-671 (one-grade increase for IT positions) and E-672 (one-grade increase for correctional officer positions). Therefore, fiscal staff requests the committees grant staff the authority to make technical adjustments to these line items in the budget accounts as they are closed. Staff generally requests the same authority to make adjustments to the payroll and personnel assessments, EITS allocations, purchasing assessments, Attorney General allocations, building rents, vehicle insurance, property and contents insurance, and the statewide cost allocation once they are finalized.

SENATOR KIECKHEFER:

Are the EITS and the corrections officer upgrades still decision units that will come to the Committee to adjust those positions or are you asking authority to do that now?

MR. KRMPOTIC:

No, that will come to the Committee at a later time. Staff is seeking authority to make those adjustments throughout the various budget accounts once the Committee has made a decision.

SENATOR KIECKHEFER:

So, we make the global decision, and you run that decision across all budget accounts?

MR. KRMPOTIC:

Correct.

SENATOR FORD MOVED TO GRANT FISCAL STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR WOODHOUSE:

The last thing on our agenda is our bill draft requests (BDR). I have received a request from the Director of the Governor's Finance Office for three supplemental appropriations that were not included in the Governor's initial budget transmitted on January 17.

The first request is for the Northern Nevada Child and Adolescent Services (NNCAS). This BDR would be a General Fund appropriation of \$201,329 for the NNCAS budget within the DHHS, Division of the Child and Family Services for Certified Public Expenditure cost settlement for FY 2014-2015.

In this fiscal year, an advance from the Division of Health Care Financing and Policy (DHCFP) to NNCAS exceeded the amount of fiscal year end settlement resulting in a payment owed to the DHCFP.

SENATOR FORD MOVED TO INITIATE A BDR TO APPROPRIATE \$201,329 FOR THE NNCAS.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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The second request is for the Southern Nevada Child and Adolescent Services (SNCAS). This is a General Fund appropriation of \$1,156,544 for the SNCAS budget within the DHHS, Division of the Child and Family Services for Certified Public Expenditure cost settlement for FY 2014-2015.

SENATOR FORD MOVED TO INITIATE A BDR TO APPROPRIATE \$1,156,544 FOR THE SNCAS.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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The last request is for the Judicial Branch on judicial selection. This is a General Fund appropriation of \$5,000 for the Judicial Selection budget for a projected shortfall related to the judicial selection processes to fill district judge seats.

SENATOR FORD MOVED TO INITIATE A BDR TO APPROPRIATE \$5,000 FOR THE PROJECTED JUDICIAL SELECTION SHORTFALL TO FILL DISTRICT JUDGE SEATS.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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That concludes our business for today. Seeing no public comment we are adjourned at 9:21 a.m.

RESPECTFULLY SUBMITTED:

Edgar Cervantes,
Committee Secretary

APPROVED BY:

Senator Joyce Woodhouse, Chair

DATE: _____

| EXHIBIT SUMMARY | | | | |
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