

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

**Eighty-first Session
April 5, 2021**

The Senate Committee on Commerce and Labor was called to order by Vice Chair Dina Neal at 8:05 a.m. on Monday, April 5, 2021, Online. [Exhibit A](#) is the Agenda. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Dina Neal, Vice Chair
Senator Melanie Scheible
Senator Roberta Lange
Senator Joseph P. Hardy
Senator James A. Settelmeyer
Senator Keith F. Pickard

COMMITTEE MEMBERS ABSENT:

Senator Pat Spearman, Chair (Excused)

GUEST LEGISLATORS PRESENT:

Senator Moises Denis, Senatorial District No. 2
Assemblywoman Heidi Kasama, Assembly District No. 2

STAFF MEMBERS PRESENT:

Cesar Melgarejo, Policy Analyst
Wil Keane, Counsel
Kim Cadra-Nixon, Committee Secretary

OTHERS PRESENT:

Sharath Chandra, Administrator, Real Estate Division, Department of Business
and Industry
Teresa McKee, CEO, Nevada Association of Realtors
David Tina, Nevada Association of Realtors
Keith Lynam, Nevada Association of Realtors

Senate Committee on Commerce and Labor
April 5, 2021
Page 2

Jarryd Davis, Zillow Group
Jennifer Atlas, American Resort Development Association
Brad Spires, President, Nevada Association of Realtors
Terry Reynolds, Director, Department of Business and Industry

VICE CHAIR NEAL:
I will open the hearing on Senate Bill (S.B.) 276.

SENATE BILL 276: Imposes a technology fee for the issuance or renewal of certain licenses, certificates, permits and registrations issued by the Real Estate Division of the Department of Business and Industry. (BDR 54-840)

SENATOR MOISES DENIS (Senatorial District No. 2):
I am presenting two bills today containing various provisions that are interwoven. While both S.B. 276 and S.B. 282 impose a \$15 technology fee, S.B. 276 establishes the accounts within the State General Fund where the fee must be deposited.

SENATE BILL 282: Revises provisions relating to real estate. (BDR 54-841)

Every year our State's information technology (IT) becomes outdated. When State agencies come to the Legislature to request funding for IT modernization, we run into the issue of trying to find the appropriate funds. The Covid-19 pandemic raised demands for government work and services in many new, unexpected and rapidly changing ways.

For example, the rapid transition to remote work required more automated business processes so agencies could operate with minimal paper and in-office staff. It is also important these remote capabilities do not compromise IT security or data privacy. It is becoming clear that older enterprise systems and processes cannot keep pace with many emerging government needs.

As we look ahead to the post-pandemic future, we need to acknowledge the revenue decline, which makes it vital to identify every opportunity for cost control and operational efficiencies. In addition, we need a resilient technology platform to maintain service continuity during unforeseen conditions that stress or disrupt the business environments. The IT modernization needs vary between State agencies; ultimately, it is necessary to leverage technology to meet

expanding goals and streamline services offered to our residents and consumers. I was drawn to this legislation because I changed careers five years ago from computers to real estate. This bill has elements from both areas.

Senate Bill 276 imposes a fee, specifically dedicated to improving the technology needs of the Real Estate Division (NRED) of the Department of Business and Industry. As an example of improving technology, as a realtor you have to take continuing education (CE) classes. Every time you take a class, you are given a certificate. You have to hold onto that certificate until it is time to reregister for your license. That certificate must physically be in hand because the class locations cannot submit them electronically to NRED. Having the opportunity for technology connections between schools, NRED and realtors is one of the reasons why this bill is important.

Senate Bill 276 establishes a \$15 technology fee imposed to each applicant for the issuance or renewal of certain licenses, certificates, permits and registrations issued by NRED. In addition, the bill creates various technology accounts for Chapters 645, 645C, 645D, 645H and 119A of the *Nevada Revised Statutes* (NRS) in the State General Fund, administered by NRED. Any interest and income earned must be credited to the accounts, and any remaining balance in the accounts does not revert to the General Fund.

Finally, the bill requires that money collected from the technology fee be deposited in the respective account governing certain professions or occupations and be accounted for and used for acquiring or improving the technology used by NRED for administering the respective professions.

ASSEMBLYWOMAN HEIDI KASAMA (Assembly District No. 2):

I echo the comments Senator Denis made. For example, we have a training section division of our company. People who took a class 18 months before are trying to renew their licenses and frantically calling our company for the paper copy they lost and need the next day or their license expires. It is a problem.

There is an option with NRED to either mail your renewal certificate and copies of all the CE certificates or use a program to upload it online. I have had many issues with my agents who upload their paperwork, but it does not work. It is not a consistent program.

We will get a notice from NRED that my agent has not renewed his or her license and gets a warning. If that person does not see the warning, the license expires. I can have someone in the middle of a transaction helping a consumer buy a home, and we find out the license has expired even though the paperwork was submitted. We then have a person who is no longer licensed and cannot complete that transaction. As a result, we have to reassign another person to the deal. Before, we could rush the person down to the NRED office with the necessary paperwork and have it resolved, but with Covid-19 we cannot. The pandemic has magnified the technology issues NRED is having.

I know NRED has been trying its best but is hampered by lack of funds. That is a big reason why we are presenting S.B. 276—so NRED has the funds to properly upgrade systems and have people trained. This issue not only affects the license, it affects consumers and their transactions.

SENATOR PICKARD:

As an inactive broker, I appreciate the idea of bringing NRED into the twenty-first century. I am not much of a procrastinator and have a hard time justifying applying a \$15 fee to everyone because people tend to procrastinate. However, that is the reality, and we need to have the ability to do things. This is not like a cosmetology license where you have to demonstrate physical skills. How much money will be needed to update the computer systems to bring us into a modern-day system that is scalable on the fly?

SHARATH CHANDRA (Administrator, Real Estate Division, Department of Business and Industry):

To create something that meets today's standards, as a ballpark figure, we are looking at \$800,000 to \$900,000 initially and then an annual contract of about \$150,000. Everything is managed through cloud computing and online. The annual contract would maintain service, updates, hosting and technology enhancements.

SENATOR PICKARD:

I expected that figure to be an order of magnitude larger, given that the Department of Motor Vehicles has quoted \$40 million to update its system. I am glad to hear it is that cheap. We are expecting to acquire \$4 billion through the American Rescue Plan (ARP) Act of 2021. Why would we charge \$15 for renewals on the backs of licensees rather than making use of the incoming funds from the federal government?

SENATOR DENIS:

With technology, you have the issue of putting in a new system and then maintaining that system. There is also the issue of training persons on how to use that system. There will always be an ongoing cost. You could possibly use those one-shot funds to do this; what we are looking for is a permanent solution. With the pandemic, we have increased the number of licensees because persons have lost their jobs and switched to realtor licensure. Real estate prices are good right now. With the thousands of realtors out there, we need to have the ability to create a system to support them.

SENATOR PICKARD:

I agree. This is an ongoing issue, particularly since technology is constantly adapting. Unlike the technology fee we see in many other agencies of \$1 or \$2, this is \$15 and on the backs of licensees instead of a technology fee on each real estate transaction. Why not put this fee on each transaction instead of the licensee? Perhaps we could use the funds from the ARP Act for initial setup and then use a technology fee for maintenance. What was the thought process for this choice?

TERESA MCKEE (CEO, Nevada Association of Realtors):

We have met with the NRED multiple times with varying degrees of leadership over the past three years to identify the problems with NRED and with licensing issues, and to find solutions for those. Over the last two years, we have come to a meeting of the minds on what needs to be done. As a realtor organization, we have requested this technology fee be added. It is the No. 1 issue for our members in dealing with NRED. There is simply not the technology we should have to allow transactions to go through smoothly. The \$15.00 technology fee will be payable every two years for the licensees, so the yearly fee would be \$7.50. This will help support needed upgrades to online services beyond the simple licensing abilities in place. This improvement will help tracking, change of licenses between brokers and other simple things that should be done online.

Real estate should be one of the top-level users of technology. It is one of the largest transactions that people make in their lives. We should not have to use pen and paper, and physical mail to make this process function. We stand in full support of S.B. 276.

MR. CHANDRA:

The technology issues we are experiencing have been talked about in the past many times. There are different components—we have education, licensing, new licensee applications, pre- and post-licensing, and CE. There are many levels NRED deals with. Our technology foundation is 15 years old. The vendor we use has been sold, rebought and merged about four times since I have been in this position. Technology has evolved, but our foundation has remained the same. It costs NRED more to do any kind of enhancement.

The Covid-19 pandemic has brought to light the deficiencies and created a crisis for us. When the pandemic first happened, one of our first actions was to try and turn on all features in the software we have which would allow people to complete paperwork online. It is limited. Anything more would require painstaking upgrades, and it is complicated. As a result, we had to rely on mail. United States Parcel Service challenges during the pandemic exacerbated the situation.

We explored many possibilities to maintain the process. Ultimately, there is a fundamental problem with our technology base. The issue is not only in the front-facing technology, it is also on the backend. This problem affects multiple systems internally as well. We want customers to come in only if they want to. We do not want to force licensees to come in just to get a renewal. With these issues, we need to keep enhancing our technology and build reserves in case other changes need to be made in the future to stay sustainable.

DAVID TINA (Nevada Association of Realtors):

I did a survey with my members, asking them about the \$7.50 annual fee and if they opposed it. I did not get one response of no because NRED is doing a wonderful job while fighting against such backward technology. Every realtor I spoke with said yes because we have to bring our technology into 2021 and on the same level of the states surrounding us. This cost is minimal to get us where we want to be.

SENATOR PICKARD:

If we can use the ARP Act funds to fund the initial cost, can we reduce the fee?

SENATOR DENIS:

That would be great if we could find those funds, but we have many different entities trying to find ways to spend the funds coming into the State. We cannot afford to put this action off. This should have occurred years ago.

Senate Bill 276 will end up in the Senate Finance Committee, so the important thing right now is to get the policy right. As we look at the budgets overall in Finance, the funding piece can be attended to.

SENATOR PICKARD:

I appreciate that, and I am supportive of S.B. 276; I just hate to pass up an opportunity. There is plenty of money to go around from the ARP Act money. We have already received almost \$30 billion this last year that has been pumped into our economy. My guess is there will be enough money to do this, I am just trying to find ways to reduce the cost on the realtors. That fee amount might make a difference to people.

SENATOR SCHEIBLE:

Would this fee be a permanent increase? This fee would enable NRED to continue keeping up with technological advances beyond the initial investment to get them up to speed?

SENATOR DENIS:

You are correct. Technology is something you have to continue supporting. You have to upgrade systems, train people and have the ability to switch to a new system when necessary. Having this fee allows you to have the funds available and plan for the future.

VICE CHAIR NEAL:

Section 4, subsection 2 of S.B. 276 refers to monies not reverting to the State General Fund. Has that practice always been there, or has it typically gone back to the General Fund?

MR. CHANDRA:

This ties in with the next bill Senator Denis will present. The way S.B. 276 is crafted essentially says the technology fee will remain with the NRED to be used for technology purposes. At the end of the year, any money left in the account rolls over to the next year. Technology is an ongoing initiative. If we do not get the one-shot appropriation Senator Pickard mentioned, we need to build

up to \$1 million. The \$15 technology fee would translate to around \$250,000 per year. Once we have built up the funds necessary, the annual maintenance fee of this new infrastructure would be around \$150,000 to \$200,000. Remaining funds would be kept and built up until new technology requirements come about.

VICE CHAIR NEAL:

Has NRED always kept its funds, or have they gone to the General Fund in the past? Is this a new change to keep the money?

MR. CHANDRA:

Yes, this is a new change.

SENATOR DENIS:

One of the challenges is the way funds come into NRED. Previously, any remaining funds were transferred to the General Fund, so any additional monies have not been available to engage in an upgrade like this. This change would ensure the funding would be there.

SENATOR HARDY:

Is there a point where we will want to sunset this fee? What guardrails do we have on this fund? The bottom line is this fund will accrue. This account sounds like a slush fund because we do not know where we will use it in the future.

SENATOR DENIS:

We know where the money needs to be spent now. There will be ongoing costs, and I do not anticipate money will continue to accumulate because it will be spent on keeping technology up to date. Up until now, that has not been the case.

MR. CHANDRA:

The idea is not to develop a slush fund per se but to do technology enhancements with these funds. There will be a front-end cost to this that far exceeds what we will collect. As we go through the process, there will be a maintenance and hosting service. You have to pay to maintain those services. Money may accumulate which then can be used for further upgrades in the future. As the industry changes, you have to keep up by enhancing your technology and using other upgrades. I do not see the money accumulating over time to any significant amount.

SENATOR DENIS:

In addition, NRED will have to present budgets to the Legislature and Governor Steve Sisolak. There is oversight to the money going in and how it is spent.

SENATOR HARDY:

I appreciate the elucidation of how this money will be used. This is wonderful and will go to a good use. It is honorable. I also recognize we are making an ongoing fund that will last to the next Legislative Session, and we will have a better idea then how much money was used and where. If we pass S.B. 276 as is, there is no accounting. People who say they want to pay this fee right now may change their mind in two years. I do not think there is anything wrong with saying this fund will be for two years, and then next Session, we have a track record to determine the future.

VICE CHAIR NEAL:

In section 17, subsection 4 of S.B. 276, a line talks about "all claims." This shows up several times throughout the bill. What kinds of claims come against these accounts where the language in the bill says they will be paid in the same manner?

MR. CHANDRA:

That standard language is referenced throughout statute. It is general practice. It does not have anything to do with the technology fee.

VICE CHAIR NEAL:

The additional fee is about getting more money into an account for improvements. Seeing this claim language, I want to know what kinds of claims typically pop up. Will those claims eat away at the fund?

SENATOR DENIS:

That may be a better question for the Legal Counsel who drafted the bill.

VICE CHAIR NEAL:

In NRS 119A.200, a local government piece allows fees and revenue. Will local government be sharing in this \$15 fee? Section 1 of S.B. 276 is dropped directly from that section of statute. I want to get a real-life understanding of the application of this fee.

MR. CHANDRA:

In time-shares, the Real Estate Division licenses time-share agents and representatives. There are two categories. Time-share agents are the closest to a real estate agent. They would have to take a test, and there is an actual license. The technology fee goes on that license type. It does not apply to developers, builders and all the other companies that register with NRED. In time-shares, the time-share sales agent is the licensee, and this \$15 technology fee would go on that license at the time of renewal.

VICE CHAIR NEAL:

Local governments are excluded since they are allowed to collect the licensing fee in NRS 119A.200?

MR. CHANDRA:

Yes. This is only for the licensees that apply to NRED for renewal.

SENATOR PICKARD:

To confirm, it will take about four years to make this technology change with us pulling in \$250,000 per year?

MR. CHANDRA:

That is correct. We may have to think of getting an appropriation from the General Fund to get this started and then repay the money. That is something we will have to discuss.

SENATOR PICKARD:

Senator Denis, I encourage you to work with the Finance Committee to acquire the upfront expenses. I support this bill and want to see it done this year.

SENATOR HARDY:

If we get the Finance Committee to give us the money we need to make the change right now, what becomes of the \$250,000 we acquire per year?

SENATOR DENIS:

There will be ongoing costs. Money will not sit there. You will have various fees to pay every year. This is not a one-shot thing where you put in the system and have no other costs. If it was just a one-time thing, we would be asking for a one-time amount. To keep up with the technology, we will need the money to flow every year.

SENATOR HARDY:

What I am hearing is we need \$1 million now to upgrade the system, and then we need \$250,000 per year to upgrade the system we now have upgraded?

SENATOR DENIS:

We need to put the system in, which is the bigger cost. After that, we need the maintenance. We are going off of estimates right now; we do not have specific numbers because it has not been approved yet. This bill still has to go through the budget process and be approved every two years. The oversight does exist.

SENATOR HARDY:

Are you asking for \$1 million from the ARP Act?

SENATOR DENIS:

We are asking this Committee about the policy and whether this makes sense. Then we will have to go to the Finance Committee to figure out the best way to fund this policy. It is unknown if we can get the initial \$1 million from the ARP Act. That was not contemplated during the drafting of this bill. If that kind of appropriation can be discussed, we can look at that. We need to change the way we do technology in NRED so the Division can be up to date and service the realtors who need help.

SENATOR HARDY:

I agree. If you do not ask, you will not get. We would be disingenuous to not ask for \$1 million right now and then look at the ongoing expenses you described.

SENATOR SETTELMAYER:

I appreciate the concept of the \$1 million to establish this program. The idea here is we would use \$1 million from the ARP Act to bring NRED into the future, and then the fees assessed would be for ongoing costs. We should not look at the idea of these revenues coming in to be used for ongoing costs. These incoming funds should be for situations of emergency like we are in right now.

I would love to see an amendment to S.B. 276 to acquire \$1 million from the ARP Act. However, we should also look at the Department of Motor Vehicles and Department of Employment, Training and Rehabilitation that are critically

failing the citizens of Nevada. We need to look at how to get them the technology.

SENATOR DENIS:

You can use one-shot funds to put technology in, but an ongoing cost will occur. We know the needs, but we do not know we can spend the money coming from the ARP Act. Senate Bill 276 does not pretend to figure that out. This bill is to figure out how we can have this technology and maintain it on an ongoing basis. I agree that you cannot use incoming funds to manage ongoing costs. It does not work. We are looking for an ongoing solution to the problem, having appropriate technology so people can get their job done in the most efficient way possible.

SENATOR SETTELMAYER:

I am happy to work with you to accomplish S.B. 276 if we can make sure we include items in this bill that are critical to the citizens of Nevada.

KEITH LYNAM (Nevada Association of Realtors):

We support S.B. 276. The need is well-established by Senator Denis, Assemblywoman Kasama, Teresa McKee and David Tina why this bill is important. I am also a senior faculty member in Las Vegas. As part of that job, we have to submit classes to NRED for approval. In doing so, I submitted a class with a few pdf files and a video clip. I was informed to not submit a collection that big as it would crash the system. That was only a few years ago.

In regard to the conversation over the fee assessed to realtors, I want to make this clear, the industry is begging for this fee. The industry is badly in need of this fee. One of the pleasures I get while teaching is speaking with thousands of realtors across Nevada. They have all asked why we have to renew, submit CE credits, change licensing and the other processes in the current fashion. That is why we need this bill. Realtors are asking for this bill. It is not a snap decision.

JARRYD DAVIS (Zillow Group):

The Zillow Group has a support letter ([Exhibit B](#)) for S.B. 276.

JENNIFER ATLAS (American Resort Development Association):

We support S.B. 276. This bill will help NRED to increase its revenue stream and move forward with much-needed modernization. This will benefit both the industry and consumers.

BRAD SPIRES (President, Nevada Association of Realtors):

Last Session, we worked with Senator Denis on a bill to increase our pre-licensing and CE across NRED. Our goal continues to increase the professionalism of our members who serve our communities. When we worked on that bill, we understood this would create an additional burden on NRED to process these CE certificates. Since last Session, real estate license counts have grown steadily, and we have now reached prerecession highs. Less and less resources have been allocated to service licensees who are contributing to the growth of our industry and the State economy. It has been 15 years since NRED had an upgrade to its infrastructure which has limited the ability for the Division to do its job. Now is the time for us to help. We support S.B. 276.

SENATOR DENIS:

You have heard of a huge need our people in the real estate industry have. They are asking for this bill so we can better do the work that needs to be done.

VICE CHAIR NEAL:

I will close the hearing on S.B. 276 and open the hearing on S.B. 282.

SENATOR MOISES DENIS (Senatorial District No. 2):

Senate Bill 282 seeks to require that certain money collected by NRED be used solely for the purpose of carrying out the provisions governing professions and occupations regulated by NRED. We are facing unprecedented budget shortfalls at a time when demand for services has increased more than ever. Several federal funding sources have emerged to help state and local governments ensure business continuity during this challenging time. Together, these federal funding sources have given the State an invaluable opportunity to confront the challenges caused by the pandemic. However, these sources are temporary.

Therefore, S.B. 282 would ensure that NRED will maintain a dedicated funding source, which is funded by each applicant for the issuance or renewal of certain licenses, certificates, permits and registrations issued by NRED.

I will discuss the substantive provisions of the bill. Mr. Chandra will present an amendment ([Exhibit C](#)) to the Committee. Senate Bill 282, as introduced, creates various administration accounts administered by NRED within the State General Fund. Any interest and income earned must be credited to the accounts and any remaining balance in the accounts, does not revert to the General Fund. In addition, money deposited in the separate accounts must be used solely for the purpose of defraying costs and expenses incurred in carrying out the administration of the respective professions and occupations governed by NRED. The bill also establishes the previously discussed \$15 technology fee, imposed to each applicant for the issuance or renewal of certain licenses, certificates, permits and registrations issued by NRED. This is not an additional \$15 technology fee; it is the same one previously discussed. It just happens to be included in this bill as well.

ASSEMBLYWOMAN KASAMA:

Senate Bill 282 will make NRED self-funding. We are one of the few, if not the only, departments that has all its funds coming through the General Fund. This bill corrects this.

TERRY REYNOLDS (Director, Department of Business and Industry):

To give an overview of how we got to this point, we have been working with the real estate community for the last several years. We have been trying to come up with an overall solution for NRED on how to properly fund it. Over the years and since the Great Recession, we have seen the number of employees in NRED drop back. Just when we think we can get ahead and licensees are increasing, the pandemic occurred, and we had to take over a 20 percent hit to NRED. We had to lay off people, and it has hurt us during a peak time within real estate.

Over the last 10 to 12 years, the Real Estate Division has sent back over \$90 million to the General Fund, above and beyond what it takes to run the Agency. We collect upwards of \$7 million to \$8 million, but we only have expenditures of about \$4.5 million to \$5 million within NRED. We want to see the transition to a fee-funded agency and then return whatever excess above and beyond our normal reserve into the General Fund. This is the best way to operate NRED so we can do what needs to be done—keep up with market increases and go back to where we were prior to the Great Recession. We do not know how the ARP Act funds will impact us. We have not been provided information in terms of what is coming. We know there is about \$5 million

coming into the State, but we do not know the rules for use of that money. We hope that money will come during this Session so decisions can be made, and we can look at it in the context of what is happening across the State.

VICE CHAIR NEAL:

Because you are an Executive Branch agency, it is important to spell out the employees associated. I would also like you to provide the history on why you are an Executive Branch agency.

MR. CHANDRA:

Section 1 of S.B. 282 says we are creating an account in NRED. In the proposed amendment, [Exhibit C](#), we call it the Account for the Real Estate Administration. The way the bill was crafted, every NRS 645 chapter created a separate account, but the idea is to create an account in NRED for all the monies generated. This account would balance out NRED's expenditures, establish a reserve and move the overage, as Director Reynolds indicated, into the General Fund. Right not, the money is bifurcated into a couple of different pots. We only get a certain amount of money to balance our budgets, and the rest goes directly into the General Fund. Over the years, massive cuts stretched NRED beyond any reasonable way of operating.

The amendment to section 1 specifies the \$15 technology fee also goes into the account. The same changes in NRS 645 are repeated across all the sections of law. One section talks about NRS 116, which is the homeowners' association. That group is already self-funded, so we removed that language from the original bill. There is also an education account which was separate before; that account is now being combined into this new account for NRED. Nothing in the intent of this bill has been altered. The changes reflect the mechanics of how that money is talked about.

In answer to Vice Chair Neal's question about the history of NRED, back before the financial crisis, NRED had about 37,000 licensees. We are now up to 40,000. During the Great Recession, NRED went down to about 24 employees from a high of 32 employees. We ended up stabilizing at 26 employees throughout the rest of the Great Recession. Essentially, we never recovered from about a 30 percent cut. This cycle, we had to cut about \$400,000 in resources. We lost three positions—including a deputy administrator. The goal is to get NRED to a point where it can sustain operations, build a reserve and do

the things we want to do. The \$15 technology fee adds that resource toward also achieving that goal.

SENATOR PICKARD:

You mentioned we moved \$90 million back to the General Fund. Was that just from NRED, or was that across all of the Department of Business and Industry?

MR. REYNOLDS:

That was just NRED. Over time, NRED has generated more revenue than expenditures to operate the Division.

SENATOR PICKARD:

Does this bill fix the structure to retain employees and upgrade technology? We could have changed this system over 90 times in the last biennium if we had kept that money with NRED. Does S.B. 282 fix that problem?

MR. REYNOLDS:

Yes, that is the intent of S.B. 276 and S.B. 282. As you are aware, 98 percent of our divisions are fee-funded. Only the Real Estate Division and Office of Labor Commissioner are not. Real estate is a hybrid. It has the common-interest community side, which is self-funded. The real estate side draws from the General Fund. We are hoping to lose that gap. Through the entire Great Recession, we generated more income than necessary to support NRED, but we were tied to the General Fund so any excess funds went back, and we could not generate a reserve.

The real estate community has asked why this has happened and why they are put into this position. We have met with them over the years to work on their concerns, and come up with a solution that provides them the services they have for the fees they pay. These bills would rectify that issue. We do not want these changes to impact the General Fund, so excess funds will go back into the General Fund after expenditures. This change would go a long way to fixing that problem.

SENATOR PICKARD:

I appreciate that answer. I had this question years ago when I was first involved in the real estate industry. Why were we sending so much money back when other boards I dealt with, such as the contractor's board, were allowed to cover

all their operating expenses, including upgrades and new employees, before sending excess funds back?

You convinced me we do not need S.B. 276. We have the money. If we are moving money back and this bill fixes that, we do not have to add \$15 to anybody to pay for the systems because we could have already done that 90 times over. I am not saying I want to kill S.B. 276; we desperately need the infrastructure. But when we listen to people like Mr. Spires and others saying "We desperately need this fee," they meant they need the technology upgrades, not to send more money to the government. I would encourage everyone involved in these two bills to revisit why we are doing this. If S.B. 282 fixes the problem of taking money from NRED that should stay there to pay for necessary things without raising a dollar on others, we just fixed our problem.

SENATOR HARDY:

What is the difference in the number of employees had NRED been fee-based in the pandemic versus what we had to go down to? Would we have been able to retain those employees?

MR. REYNOLDS:

That is the case. If we had kept fees that came into NRED, we could have kept those employees.

SENATOR HARDY:

Would we be able to afford upgrading the ongoing technology issue and maintain it through this bill?

MR. REYNOLDS:

There are two components to this. First, I want to make sure the real estate community is assured they will get the requested technology improvements. The fee is dedicated to making sure those technology improvements happen. With this bill we are discussing, we can add that technology fee. Second, we want to keep the General Fund somewhat whole in terms of expenses to revenues. We did not want to create a bigger hole in the General Fund. That is what the amendment to this bill does. In a couple years, I have no problem with reviewing this bill after approval and not creating more funding than necessary.

SENATOR HARDY:

I appreciate that if we had too much money, it would go back into the General Fund. In essence, we have those guardrails I brought up earlier in S.B. 276. Is that a correct perception?

MR. REYNOLDS:

You are correct. One of the things we want to achieve is ensure we have a balance between expenditures to run NRED and excess funds go back to the General Fund. We are happy to have this bill under review in the future.

VICE CHAIR NEAL:

The way this conversation has been framed around S.B. 282 indicates the General Fund is a metaphorical overseer syphoning off money from NRED. You are an Executive Branch agency. I want to understand the history of why you are. I do not see a fiscal note. This conversation has the amendment drafted to reduce the fiscal impact to the General Fund. This is a power shift to hold money, be self-funded and not have to start from ground zero. Why is there not a fiscal note?

MR. REYNOLDS:

There will be a fiscal note on S.B. 282. We are working on preparing that. Keep in mind, we went through the Great Recession. We were building our budget back up. We have been discussing this change since 2017; prior to that, the State had increased taxes. During that time, the real estate community was looking at what the cumulative effects would be on their realtors and agents. The Real Estate Division has not raised fees since 2003. They have been running efficiently and producing revenues above and beyond.

The pandemic has emphasized the need for NRED to have control over its own destiny. We are not trying to hurt the General Fund; we are trying to add a steady income stream coming to NRED so it can operate. The Division has dealt with varying employee levels. We have been lucky to transfer some of the individuals working in NRED over to other areas, but it is a Band-Aid approach. We want to settle and stabilize this issue to not have these swings. You have a situation right now where the real estate market has come on fire and you have over 40,000 licensees, but you are reducing your staffing levels down 20 percent to 30 percent.

VICE CHAIR NEAL:

In the amendment, the bill originally said \$300,000, and now it says ability to retain \$100,000 in the fund. What is the effect of that retention? What is the prospective fiscal note to the General Fund if this bill goes forward?

MR. CHANDRA:

The piece you are looking at was an education fund. Licensees pay \$40 every two years toward a recovery fund. That fund had an artificially high balance of \$300,000 that needed to be maintained over time. The way fiscal folks were interpreting it, the \$300,000 just sat there every year. All we are doing is adjusting the number of what that balance should be over time.

The larger question is how do we reduce the gap to the General Fund because while we contribute X dollars to the General Fund, NRED is reduced to such a level of staffing and resources. How do we adjust back while also contributing a certain amount of money to the General Fund without hurting NRED? The question is with the balance.

VICE CHAIR NEAL:

I understand wanting to control your destiny. When we start looking at federal money to help fix one-time issues that are long-term, we run into another issue. The assumption is we will get the federal money from the ARP Act that everybody feels will fill the hole of the General Fund, but the question that always looms in my mind is when this federal money expires, what then happens to the General Fund? Individuals are thinking about this but not thinking about 2023. They are not thinking about when the money goes away, what should the State do and perform mechanically to stabilize itself? If you take \$80 million to control your destiny, where then does the State get \$80 million to compensate?

This broader issue is occurring right now. Everyone sees this large amount of money coming in through the ARP Act. The State has a responsibility to stabilize itself and stand on its own two feet. The crutch of federal money will not be there forever. It also has a short window. I worry we act like this money will save the State and fix our already existing issues with managing our budget and effectively fund all services and agencies we need to take care of. To me, this bill is drawing out the broader context of how we treat money in Nevada and how we effectively plan for the future. What happens when it is just Nevada, and there is no money coming in to support us? I understand that

NRED wants to control its own destiny, but if every agency in Nevada tries to pull money from the General Fund and assume funds from the ARP Act will save us, we have blinders on.

SENATOR DENIS:

We have one specific division that has put \$90 million back into the General Fund. The Real Estate Division is being unfairly budgeted compared to everyone else. As was already said, 98 percent of those are already self-funded. We are asking the realtors to do more than everybody else. Senate Bill 282 puts them on the same level as others. When you ask where the money will be coming from into the General Fund if NRED keeps it, we need to be budgeting across the whole State. We should not be asking NRED to do a lot more than everybody else. This bill levels the playing field.

VICE CHAIR NEAL:

I agree with you, but S.B. 282 exposes another issue with how we fund. If NRED is being treated unfairly, that should be corrected. This bill still exposes the issue of a funding hole appearing by changing this. How do we fill that hole?

MS. MCKEE:

I want to emphasize that we have been meeting with Mr. Chandra and Mr. Reynolds for years now to discuss self-funding. This complex solution took many years for us all to get on the same page. We do share a common goal with self-funding and the needed technology fees. In the long run, self-funding does create a safety net for NRED. It will be less susceptible to the ebb and flow of real estate licensees. Self-funding is an achievable goal. It will help NRED and the licensees and provide better services to consumers.

SENATOR PICKARD:

The discussion today has pointed out self-funding is the model that all but one other board uses. The revenues generated from NRED fluctuate each year. We happen to be in a boom because there is a lot of market activity, although we end up with more realtors who are fighting for sales. If NRED was self-funded like most of the other boards, it would not have to downsize in the midst of a growing need.

My understanding is the Department of Business and Industry has costs that if NRED went self-funded, would no longer go against the General Fund. It is not

that we have a \$90 million contribution that if removed creates a \$90 million hole, because with that goes expenses also paid for out of the General Fund. We move both of these components over, and it would be a relatively small hole in the General Fund we would need to fill. If the hole is small enough, we can resolve that as part of the budgeting process. Is that a fair statement?

MR. REYNOLDS:

Yes, that is exactly what would occur. Looking at it from a simple numbers perspective, NRED would contribute \$10 to the General Fund, and it only takes \$5 to operate as appropriated from the General Fund. The excess \$5 stays in the General Fund. Over time, NRED has contributed more to the General Fund than it has expended.

SENATOR PICKARD:

Vice Chair Neal's point is an important one. If we are to move NRED to be completely self-funded, and not contribute more than we are spending, it will create a need to get money from somewhere else to fill that hole in the General Fund. It was always my understanding the actual difference between total NRED and Department of Business and Industry expenses was relative to the NRED contribution.

MR. REYNOLDS:

Over the last 10 to 15 years, NRED has contributed more to the General Fund than it has taken. All the funding from NRED either goes into specified accounts or into the General Fund. The Real Estate Division receives an appropriation back to operate out of the General Fund. The Division wants to keep the fees it generates up to a point to pay for expenditures and have a small reserve. The rest goes back to the General Fund. It will not impact the General Fund. I share the same concerns because there are a lot of demands on the General Fund, and we do not want to hurt the other entities that rely on it. We also want to stabilize the expenditures and revenues that come into NRED, so they do not have this seesaw over the years and can support the real estate community properly.

SENATOR PICKARD:

I appreciate that. It makes me feel better we are not creating a hole someone else will have to fill in the General Fund. Senator Denis is spot on when he said that realtors are essentially paying an additional tax to be realtors that no one else has to pay.

MR. LYMAN:

We are simply requesting NRED be treated as virtually every other division. This is not about paying more money to government. This is not about receiving one-shot money. This is about providing badly needed services to our licensees, and most importantly, protecting the consumers we service. In doing so, we would be treated as every other division. These two bills are not the result of a short meeting. They are the result of more than six years of discussion with administration and the industry on the best solutions for our industry and the consumer. Please support S.B. 282.

MR. SPIRES:

I want to go on a different take than what has been discussed. Last Session, not only did we increase pre-licensing in CE, we also clarified that our license numbers be included on all our advertising. These new requirements added to the responsibility of the Education and Compliance Sections of NRED. We have created an additional burden at a time when we have cut from 32 employees to 26 employees. In addition to that, we have an industry driving the economy in Nevada. We have added work, taken away staff and given money to others not in NRED. I would urge you to support S.B. 282.

MR. DAVIS:

The Zillow Group has a support letter ([Exhibit D](#)) for S.B. 282.

MS. ATLAS:

The American Resort Development Association supports S.B. 282. This bill will help with NRED funding and move forward with needed modernization. This will benefit both the industry and consumers.

VICE CHAIR NEAL:

I got caught up into a broader conversation on budget and its mechanics. I understand the issue of controlling funding for NRED. I am hearing the testimony and understanding the bill.

SENATOR DENIS:

As you have heard, what we intend to put into place will make it fair for realtors to get the services they need so they can provide services for Nevadans. This bill does that. It also provides for the technology to be upgraded.

Senate Committee on Commerce and Labor
April 5, 2021
Page 23

VICE CHAIR NEAL:

I will close the hearing on S.B. 282. Hearing no public comment, the meeting is adjourned at 10:07 a.m.

RESPECTFULLY SUBMITTED:

Ian Gahner,
Committee Secretary

APPROVED BY:

Senator Dina Neal, Vice Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Begins on Page	Witness / Entity	Description
	A	1		Agenda
S.B. 276	B	1	Jarryd Davis / Zillow Group	Support Letter
S.B. 282	C	1	Senator Moises Denis	Proposed Amendment
S.B. 282	C	1	Sharath Chandra / Real Estate Division	Proposed Amendment
S.B. 282	D	1	Jarryd Davis / Zillow Group	Support Letter