

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Eighty-first Session
March 8, 2021**

The Senate Committee on Finance was called to order by Chair Chris Brooks at 9:01 a.m. on Monday, March 8, 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 Chris Brooks, Chair
Senator Moises Denis, Vice Chair
Senator Julia Ratti
Senator Nicole J. Cannizzaro
Senator Marilyn Dondero Loop
Senator Ben Kieckhefer
Senator Pete Goicoechea
Senator Scott Hammond
Senator Heidi Seevers Gansert

STAFF MEMBERS PRESENT:

Wayne Thorley, Senate Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Sarah Sawyer, Committee Secretary
Vicki Kemp, Committee Secretary

OTHERS PRESENT:

Kate Marshall, Lieutenant Governor
Erin Houston, Deputy of Securities, Office of the Secretary of State
Kevin Ingram, Executive Director, Private Investigator's Licensing Board
Tara Hagan, Chief Deputy Treasurer, Office of the State Treasurer
Patrick Conmay, Chief, Investigation Division, Department of Public Safety

CHAIR BROOKS:

I will open the hearing on Senate Bill (S.B.) 9.

SENATE BILL 9: Creates an exemption from licensing requirements for investment advisers to certain private funds. (BDR 7-423)

KATE MARSHALL (Lieutenant Governor):

My Office was contacted by Jeffrey Saling, cofounder of StartUpNV, Nevada's only Statewide business incubator. StartUpNV provides training and resources for local entrepreneurs. Mr. Saling expressed the need for the State to update its blue sky laws to better attract and retain early stage investment capital.

Blue sky laws are State laws that impose standards for offering and selling securities and aim to protect individuals from overly speculative investments. The law in Nevada has not been updated since the 1990s and was written in alignment with federal regulations at the time to address the dot-com boom. Since that time, both federal law and Securities and Exchange Commission regulations have evolved significantly.

The intent of S.B. 9 is to update State law to match federal law and North American Securities Administrators Association recommendations. Doing so would align Nevada law with 23 other states, including our neighbors Utah, Arizona and Idaho. This would create greater modernization and competitive advantage within the entrepreneurial ecosystem.

The Office of the Secretary of State (SOS) attached a fiscal note to S.B. 9 of approximately \$12,000 per year, noting it was due to decreased licensing fees should the legislation be enacted. Section 4, subsection (e) addresses this decrease in revenue.

This subsection read that in order for an advisor to qualify for an exemption they must pay an Administrator-prescribed fee. In this instance, the Administrator is the Deputy of Securities appointed by the Secretary of State. Given that the bill authorizes a fee, we support imposing a fair and reasonable fee. This would mitigate or even negate the fiscal impact to the State.

The economic activity associated with increased venture capital business development catalyzed by passage of this bill and the ability for small business to raise money closer to home would significantly outpace any loss in licensing revenue the State experiences due to this exemption.

Senate Committee on Finance
March 8, 2021
Page 3

Over 99 percent of businesses in Nevada are small businesses. They cannot, for practical reasons, raise investment capital in New York or Chicago. They must look closer to home.

SENATOR CANNIZZARO:

Is it your position the allowed prescribed fee in section 4 could compensate the State for the loss of revenue described in the fiscal note?

LIEUTENANT GOVERNOR MARSHALL:

Yes. The bill gives the authority to the Administrator. We would expect the fee to be reasonable.

ERIN HOUSTON (Deputy of Securities, Office of the Secretary of State):

Section 4(e) of the bill contemplates a fee prescribed by the Administrator, but it does not specify the fee could be used as a renewal fee. I would point out our fiscal note exclusively addresses renewal fees. If the statute could more explicitly address renewal fees, then it would work as a revenue offset.

CHAIR BROOKS:

Does the Administrator have the authority to define whether the fee is a renewal fee?

Ms. HOUSTON:

If the language in the statute is clear in giving the Administrator authority to prescribe a renewal fee, then my concerns are addressed. The language of the bill does not mention a renewal fee, which current statute does in a breakout of initial fees and renewal fees. If the sponsor's position is S.B. 9 can be read to authorize renewal fees, then that ameliorates the loss of future State revenue.

SENATOR DENNIS:

Would passage of this legislation create the need to change things on the SOS website which might add to costs?

Ms. HOUSTON:

There would be an update to our website, but it would not create a cost that would warrant a fiscal note.

CHAIR BROOKS:

I will close the hearing on S.B. 9 and open the hearing on S.B. 35.

SENATE BILL 35: Revises provisions relating to the Private Investigator's Licensing Board. (BDR 54-419)

KEVIN INGRAM (Executive Director, Private Investigator's Licensing Board):

The State Private Investigator's Licensing Board (PILB) is a self-funded agency outside of Executive Budget. The bill requests removal of the PILB from the State General Fund. In 2007, a fund was set up in the budget of the Office of the Attorney General (AG) housing the PILB's nonexecutive budget. The Board uses the State accounting and central payroll services.

While the AG's fiscal management team does not have oversight of the PILB budget, the funds are still housed within that budget, requiring our general ledger be included in the AG's year-end budget accounting. It is because of these challenges the AG Office has asked the PILB to provide input into S.B. 35.

We support S.B. 35. We understand our budget should be set up differently than it is.

TARA HAGAN (Chief Deputy Treasurer, Office of the State Treasurer):

Senate Bill 35 removes the budget account for the PILB from the General Fund. The PILB budget account does not have statutory authority to receive interest from the Treasurer's pooled cash investment. Rather, interest on the balance in the account accrues to the General Fund. Our Office calculated the earnings attributable to the PILB budget account. Pursuant to statute, we distribute interest on a quarterly basis on the accounts daily average balance.

For fiscal year (FY) 2018-2019, the average balance for the PILB account was approximately \$835,000. This contributed a total of \$18,458 to the General Fund in interest earnings. The average balance in FY 2019-2020 was higher at \$1,024,000 with interest earnings totaling \$19,321. We calculated an estimated earnings for the next three fiscal years, using the previous ten quarters average daily balance as a methodology. We also used the same methodology we use for General Fund interest earnings we provide to the Economic Forum technical advisory committee. This rate was based on market related factors as of November 2020. If we ran these assumptions today, the numbers would be a bit different.

The estimated interest earnings for FY 2020-2021, using two quarters with actual rates, are \$8,313. For FY 2021-2022, they are \$13,913 and for

Senate Committee on Finance
March 8, 2021
Page 5

FY 2022-2023 projected interest earnings are \$17,719. The biennium estimated interest earnings total for the General Fund would be approximately \$31,000.

SENATOR GOICOECHEA:

The PILB is a statutory board. If there is a budget shortfall, would the State be on the hook for it?

Ms. HAGAN:

I cannot answer that question.

WAYNE THORLEY (Senate Fiscal Analyst):

The PILB fund is within the General Fund, but does not receive General Fund appropriations. If there is a shortfall in the account, the PILB does not have access to contingency funds through the Interim Finance Committee.

The majority of occupational licensing boards and commissions have authority in statute to create bank accounts outside the State accounting system. This authority is being sought for the PILB in S.B. 35.

SENATOR SEEVERS GANSERT:

Ms. Hagan stated that in the 2021-2023 biennium, this account would earn approximately \$31,000 in interest. Does that amount transfer to the PILB?

Ms. HAGAN:

This account does not have statutory authority to receive interest. The interest accrues to the General Fund.

SENATOR RATTI:

I assume the PILB does not operate to a zero balance perfectly every year. If they meet their budget and there are reserves, are those sequestered for them to use in the subsequent year?

Ms. HAGAN:

Although the account does not earn interest, the balance does go forward each fiscal year.

SENATOR RATTI:

So the PILB keeps the balance, and the State keeps the earnings. Are they unique in this way?

MS. HAGAN:

I could not speak on behalf of every board in the State. It depends on how the statute governing them is written.

SENATOR GOICOECHEA:

If the PILB holds its funds in an outside account, will the State continue to receive the interest?

MS. HAGAN:

No. If S.B. 35 passes, the PILB would have statutory authority to receive the interest.

CHAIR BROOKS:

I will close the hearing on S.B. 35 and open the hearing on S.B. 58.

SENATE BILL 58: Revises certain functions and responsibilities of the Investigation Division of the Department of Public Safety. (BDR 43-352)

PATRICK CONMAY (Chief, Investigation Division, Department of Public Safety):

The intent of S.B. 58 is to update statutory language that delineates the Investigation Division's duties and responsibilities in order to ensure compliance with existing mandates and to meet the needs of various entities that occasionally require investigative assistance. The Division recognizes its mission to be one of support for the Department of Public Safety's (DPS) effort to promote safer communities throughout Nevada. In pursuit of that, the Division conducts a variety of criminal investigations, both as the primary investigative entity or upon specific request from assorted public agencies.

Statutory language enables Nevada's sheriffs, chiefs of police, district attorneys, the Attorney General, the Secretary of State and the Department of Education to request investigative assistance from the Division. We routinely receive such requests and provide assistance.

Historically, the Division has received requests for investigative assistance from various other State agencies and entities. These may involve threats against State officials, employees or facilities; fraudulent transactions involving public monies or conflicts of interest for the requesting agency. Over its history, and where no other option existed, the Division has provided that assistance.

Statutory language does not specifically enable the Director of DPS to use the Investigation Division to provide investigative assistance to other divisions within the Department. Statutes delineating the responsibilities of the Nevada Office of Cyber Defense Coordination (OCDC) require the Investigation Division to coordinate with OCDC on gathering intelligence and initiating investigations of cyber threats and incidents.

The proposed changes outlined in S.B. 58 provide clarification as to the Division's role in providing investigative assistance and who can request such assistance. The changes enable State agencies and entities which might otherwise have no ability to conduct such investigations the ability to ask for help. The changes specify the Division will provide investigative services to the heads of certain state agencies upon request, investigate certain technological crimes and enforce provisions of law relating to technological crimes and provide investigative services upon request to certain state agencies in criminal investigations relating to cannabis. The changes also enable the Director of Public Safety to efficiently use available Department resources.

There is no fiscal note associated with this bill.

SENATOR KIECKHEFER:

Do you provide these services to other State agencies at no charge? Why is there no fiscal note?

MR. CONMAY:

We are staffed with the ability to provide services upon request. We have always provided these services when requested. The bill clarifies who can make such requests. On occasion, an administrator of an agency is faced with a challenge or a problem and has no idea who to turn to. Eventually, it may fall to the Investigation Division. The bill cleans up statutory language and directs administrators to the Division.

SENATOR KIECKHEFER:

Do you receive revenue from other State agencies when you provide a service to them?

MR. CONMAY:

No.

Senate Committee on Finance
March 8, 2021
Page 8

SENATOR KIECKHEFER:

Do you have an expectation that S.B. 58 would increase the Division's workload? Will providing this clarity result in more people coming forward to ask for assistance?

MR. CONMAY:

It is possible, but we are already getting those requests. This past year we received a number of requests for help regarding threats against State personnel or infrastructure. I would not anticipate the bill will create demand that would overwhelm us.

SENATOR KIECKHEFER:

Will you expand the scope of investigations? Will you need additional technological expertise or equipment?

MR. CONMAY:

We have no plan to do so. That is a separate conversation that others are having as to whether it may become necessary at some point, and is not the intent of this bill. We are already required to provide support to OCDC.

SENATOR KIECKHEFER:

Do you track which agencies you provide the most investigative support to? If you have that information, it would be helpful to this Committee.

MR. CONMAY:

I can get that through the case management system and will provide it to the Committee.

CHAIR BROOKS:

I will close the hearing on S.B. 58 and will entertain a motion to introduce Bill Draft Request (BDR) S-381.

BILL DRAFT REQUEST S-381: Appropriates money to the Adopt-a-Vet Dental Program. (Later introduced as [Senate Bill 185](#).)

This BDR is a recommendation from the Interim Legislative Committee on Senior Citizens, Veterans and Adults with Special Needs. The measure seeks to make a General Fund appropriation of \$250,000 in each fiscal year of the 2021-2023 biennium to the Department of Veterans Services to provide

Senate Committee on Finance
March 8, 2021
Page 9

financial assistance for the Adopt-a-Vet Dental Program. Money appropriated pursuant to the measure must not be committed for expenditure after June 30 of the respective fiscal years and any unspent money must be reverted to the General Fund at the end of each respective fiscal year.

SENATOR DENIS MOVED TO INTRODUCE BDR S-381.

SENATOR RATTI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Remainder of page intentionally left blank; signature page to follow.

Senate Committee on Finance
March 8, 2021
Page 10

CHAIR BROOKS:

Seeing no public comment, this meeting is adjourned at 9:47 a.m.

RESPECTFULLY SUBMITTED:

Barbara Williams,
Committee Secretary

APPROVED BY:

Senator Chris Brooks, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Begins on Page	Witness / Entity	Description
	A	1		Agenda