

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Eighty-first Session  
March 22, 2021**

The Senate Committee on Finance was called to order by Chair Chris Brooks at 8:06 a.m. on Monday, March 22, 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  
Eileen O'Grady, Counsel  
Tom Weber, Committee Secretary  
Joko Cailles, Committee Secretary

**OTHERS PRESENT:**

Tara Hagan, Chief Deputy Treasurer, Office of the State Treasurer  
Zach Conine, State Treasurer

**CHAIR BROOKS:**

The Senate Committee on Finance will hold a work session for Senate Bill (S.B.) 47 and S.B. 68.

**[SENATE BILL 47](#)**: Revises provisions governing public borrowing. (BDR 30-395)

**SENATE BILL 68**: Revises provisions governing public investments.  
(BDR 31-399)

ALEX HAARTZ (Principal Deputy Fiscal Analyst):

Senate Bill 47 was heard by the Senate Committee on Finance on March 15, 2021. The bill revises provisions governing public borrowing. Senate Bill 47 prevents the provisions of S.B. No. 4 of the 31st Special Session from expiring on June 30, 2021. This authorizes the Office of the State Treasurer to issue up to \$150 million in interim debentures at any given time.

Senate Bill 47 also revises the process through which the State Treasurer determines the need to issue interim debentures. Under the bill, the State Treasurer would have to determine that the General Fund's cash balance is insufficient to meet expected future obligations. Senate Bill 47 requires the State Treasurer to obtain approval from the Interim Finance Committee (IFC) for the issuance of interim debentures. The IFC would review and consider the request. If IFC did not consider the State Treasurer's request within 15 days, the debt issuance would be automatically approved under S.B. 47.

The bill was presented by State Treasurer Zach Conine, who explained S.B. 47 eliminates the June 30 sunset provision. The sunset provision is established in sections 8 and 9 of S.B. No. 4 of the 31st Special Session. Treasurer Conine indicated the purpose of S.B. 47 is to provide additional flexibility and may eliminate the need for future special sessions of the Legislature.

Treasurer Conine indicated the debenture provisions of S.B. No. 4 of the 31st Special Session had not been used. To Treasurer Conine's knowledge, previously approved lines of credit such as those authorized in Assembly Bill No. 2 of the 25th Special Session had also not been used. During the meeting on March 15, 2021, there was no testimony provided in support, in neutral or in opposition to S.B. 47. There are no amendments or fiscal notes associated with S.B. 47. Senate Bill 47 becomes effective upon passage and approval. If the Committee wishes to approve S.B. 47, the Committee's motion would be to Do Pass the legislation.

SENATOR KIECKHEFER:

The process through which the IFC would approve the interim debentures is too loose. I do not like how the debt would be approved if the IFC did not affirmatively take action within 15 days. Much power would be concentrated

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with the legislator chairing the IFC. I do not have conceptual language for such an amendment. I should work with the Legislative Counsel Bureau's Legal Division to put language together. I would be happy to vote Do Pass on S.B. 47 and present a floor amendment. We can collaborate on the floor amendment. I have discussed this issue with Treasurer Conine in the past.

CHAIR BROOKS:

If the Committee votes to Do Pass S.B. 47, I am interested in working with Senator Kieckhefer and Treasurer Conine on a potential floor amendment.

SENATOR SEEVERS GANSERT:

I agree with Senator Kieckhefer and appreciate the opportunity for a floor amendment.

SENATOR GOICOECHEA:

I agree with Senator Kieckhefer.

CHAIR BROOKS:

It seems there is consensus around working together on a floor amendment for S.B. 47. If the Committee votes to Do Pass S.B. 47, legislators can work with Treasurer Conine to see what a proposed floor amendment would look like.

SENATOR KIECKHEFER MOVED TO DO PASS S.B. 47.

SENATOR DENIS SECONDED THE MOTION.

SENATOR DENIS:

I would be interested in looking at the floor amendment. The proposal by Senator Kieckhefer is an interesting concept.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR BROOKS:

I assign the floor statement for S.B. 47 to Senator Kieckhefer. We move to S.B. 68.

WAYNE THORLEY (Senate Fiscal Analyst):

Senate Bill 68 was heard by the Committee on Finance on March 15, 2021. It was sponsored by the Senate Committee on Government Affairs on behalf of the State Treasurer. Senate Bill 68 revises various provisions governing the investment of certain money held by the State. The bill abolishes the prohibition against the investment of the State's general portfolio in a reverse repurchase agreement.

Under current law, the State Treasurer can transfer up to \$50 million from the Permanent School Fund (PSF) to a public benefit corporation. This can be done to provide private equity funding for businesses in certain industries that are located in Nevada or are moving to Nevada. Senate Bill 68 increases the amount eligible for transfer from \$50 million to \$75 million.

Under current law, the State Treasurer is able to use up to \$40 million from the PSF to guarantee outstanding bonds issued by school districts. Senate Bill 68 increases this figure to \$60 million.

According to Treasurer Conine, S.B. 68 seeks to expand Nevada's current investment vehicles and strengthen the State's investment statutes by strengthening the impact of the Nevada Capital Investment Corporation (NCIC) on public school funding. To date, NCIC investments have generated \$32.3 million for the PSF and \$12.8 million in interest payments for the Distributive School Account (DSA). The State Treasurer said there will be an increase in the amount of PSF dollars his Office is authorized to use to guarantee school construction bonds. This increase will allow the State's rural school districts to engage in more school construction in areas of need. Treasurer Conine testified that the authorization of reverse repurchase agreements will give his Office a cash management tool to avoid liquidating a security prior to its maturity date in order to meet unexpected or immediate cash flow needs. There was no testimony in support, in neutral or in opposition to S.B. 68.

## EDUCATION

### K-12 EDUCATION

NDE - Distributive School Account — Budget Page K-12 EDUCATION-26  
(Volume I)  
Budget Account 101-2610

The Office of the State Treasurer submitted conceptual language for an amendment to S.B. 68 ([Exhibit B](#)). [Exhibit B](#) aims to clarify the terms under which a reverse repurchase agreement can be entered into. The amendment requires proceeds for reverse repurchase agreements to be received at the time securities are transferred. The amendment requires funds to be matched to anticipated cash flows. The amendment sets the maximum length of a repurchase agreement to 90 days.

There are no fiscal notes attached to S.B. 68. Senate Bill 68 would become effective upon passage and approval. If the Committee does wish to approve the bill with the proposed amendment, the motion would be to Amend and Do Pass as Amended.

SENATOR SEEVERS GANSERT:

My question pertains to section 4, subsection 2 of S.B. 68. Under this provision, the State Board of Finance does not have to approve the issuance of bonds if the total principal and interest do not exceed that of the bonds being refunded.

My understanding of this provision is the State Treasurer could keep issuing new bonds as long as they are less expensive than the bonds they are refunding. Is this correct? I am concerned about granting the Office of the State Treasurer the ability to issue bonds on a continual basis without a set process.

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

That section only applies for bonds being issued to refund existing bonds. It would not apply to the issuance of new bonds outside the refund process.

SENATOR DENIS:

Does this increase or decrease risk to the PSF?

ZACH CONINE (State Treasurer):

It diversifies the risk on the PSF. The underlying holdings of the NCIC are not more or less risky than any other risk-adjusted opportunity we might be looking for in the portfolio. This is for diversification.

Most people would say additional diversification reduces risk, but risk is inherent to the underlying asset. We try not to make broad statements like that in the Treasury. Senate Bill 68 gives us the tools necessary in order to ensure the returns of the PSF can remain high without broadly increasing risk.

SENATOR DENIS:

Does this increase the amount that could be bonded against the PSF?

TREASURER CONINE:

The Office of the Treasurer does not believe the PSF would see additional risks with the increased guarantee authorization.

SENATOR DONDERO LOOP:

I remember hearing the corpus cannot be spent and that the PSF functions as an endowment fund. Is that correct?

TREASURER CONINE:

The PSF functions as an endowment. The corpus does not get spent. Interest earnings go to the DSA.

SENATOR SEEVERS GANSERT:

When bonds are refunded, do the terms remain the same or does the Office of the State Treasurer grant term extensions for the bonds when it replaces more expensive ones?

TREASURER CONINE:

In every bond issuance I am aware of, the refunding kept the original terms. Refunding can be thought of as similar to refinancing, but we do not extend the terms.

SENATOR KIECKHEFER:

Could you discuss the intent of the proposed amendment?

TREASURER CONINE:

The purpose of the amendment is to ensure reverse repurchase agreements are used for temporary cash flow needs instead of creating additional returns in the portfolio. The Office of the State Treasurer is not trying to create leverage. The Office instead wants additional tools to solve problems.

The requirement is that at or before the time securities are delivered with the appropriate written agreements, the associated proceeds must be received. We would get the money before we deliver the securities. The funds also have to be matched with anticipated cash flow needs. The goal is to only borrow, in the short term, what is needed for the duration of the reverse purchase agreements. The length of the agreements cannot exceed 90 days. That matches the language on normal repurchase agreements, but our internal investment policy limits the duration of normal repurchase agreements to 12 days. These are short-term instruments.

SENATOR DENIS:

Does the interest earned on the PSF go to the DSA?

TREASURER CONINE:

Yes.

SENATOR DENIS:

After the DSA is phased out, will the interest earned go to the new State Education Fund?

TREASURER CONINE:

I believe so, but am not certain.

SENATOR DENIS:

Since the DSA is being abolished, I want to make sure the interest earned remains with the State Education Fund.

MR. THORLEY:

Under S.B. No. 543 of the 80th Session, the interest earned on the PSF will go to the State Education Fund.

SENATOR DENIS MOVED TO AMEND AND DO PASS AS AMENDED  
S.B. 68.

SENATOR DONDERO LOOP SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR BROOKS:

I assign the floor statement for S.B. 68 to Senator Denis. I adjourn this meeting at 8:33 a.m.

RESPECTFULLY SUBMITTED:

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Joko Cailles,  
Committee Secretary

APPROVED BY:

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Senator Chris Brooks, Chair

DATE: \_\_\_\_\_



EXHIBIT SUMMARY				
Bill	Exhibit Letter	Begins on Page	Witness / Entity	Description
	A	1		Agenda
S.B. 68	B	1	Tara Hagan / Office of the State Treasurer	Proposed Amendment, Office of the State Treasurer