

**MINUTES OF THE
SENATE COMMITTEE ON GOVERNMENT AFFAIRS**

**Eighty-first Session
February 17, 2021**

The Senate Committee on Government Affairs was called to order by Chair Marilyn Dondero Loop at 3:30 p.m. on Wednesday, February 17, 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 Marilyn Dondero Loop, Chair
Senator James Ohrenschall, Vice Chair
Senator Dina Neal
Senator Pete Goicoechea
Senator Ira Hansen

STAFF MEMBERS PRESENT:

Alysa Keller, Policy Analyst
Heidi Chlarson, Counsel
Suzanne Efford, Committee Secretary

OTHERS PRESENT:

Zach Conine, State Treasurer
David Stoft, Clark County Water Reclamation District
Laura Freed, Director, Department of Administration
Erin Hasty, Interim Administrator, Office of Grant Procurement, Coordination and Management, Department of Administration

CHAIR DONDERO LOOP:

We will open the hearing with Senate Bill (S.B.) 39.

SENATE BILL 39: Provides for the acceptance of transfers of certain digital representations of United States dollars by certain governmental entities.
(BDR 31-396)

ZACH CONINE (State Treasurer):

Senate Bill 39 makes a handful of changes to Nevada law which will modernize the way the State does business. The bill does so by updating Nevada law to allow State, local and other government entities to accept transactions through digital representations of dollars, commonly referred to as stablecoin. Stablecoin refers to a payment method, not a specific brand or company using them. These changes would apply to transactions residents have with government, such as registering a car at the Department of Motor Vehicles (DMV) or paying for a fishing license.

To be specific, this does not include bitcoin or other cryptocurrencies that have their own inherent supply demand cycles. These are stablecoins, a digital representation of money existing in a bank. This is an extension of taking checks, electronic transfers of funds, of taking credit cards or something like PayPal or Venmo.

Section 3 of the bill permits the State Treasurer, upon approval from the State Board of Finance, to enter into contracts with technology providers that offer stablecoin transactions.

As described in sections 1, 2 and 4, the State, local and other government entities may participate in such contracts to accept stablecoins in government transactions. While State agencies, local governments and constables may participate in contracts with these vendors, they would not be required to do so.

This language mirrors existing statute which allows the State to contract with and receive payments from credit card providers. Think about this as an extension of credit cards; however, like credit cards, if an agency chooses not to accept them, they do not have to. The Office of the State Treasurer is here to ensure those transactions are available and as safe as possible.

Leading financial institutions across the world, including Visa and J.P. Morgan, are exploring and adopting methods for stablecoin payments. Last month, the federal government issued guidance allowing for the adoption of such payments at federally chartered banks. The federal government likens the technology to that of debit cards. As a digital value is stored on a debit card, a digital value is stored on a stablecoin. In today's connected world, technology changes rapidly. Government is often the last to keep up.

Senate Bill 39 presents an opportunity for the State to not only keep up, but to forge a path ahead. I have also submitted a written statement ([Exhibit B](#)).

SENATOR NEAL:

A Federal Reserve article was presented to the Board of Governors of the Federal Reserve System in December 2019. It was called "Update on Digital Currency, Stablecoins, and the Challenges Ahead."

Stablecoin is tied to a reserve asset. It would be helpful to the Committee if you could explain the features of a reserve asset. It can fall into two categories—a security or a derivative.

TREASURER CONINE:

First, forget about a derivative. Stablecoins provide a digital representation of a U.S. dollar, an ounce of gold or an ounce of silver that can be used to pay for government services. That is the reserve asset we are talking about.

Bitcoin has its own supply and demand where the value of bitcoin is worth whatever someone will pay for it—its value fluctuates. Stablecoins are tied to things like the U.S. dollar which, though they have their own inflationary pressures, is similar to accepting payment with a credit card.

SENATOR NEAL:

In my research, I found stablecoins are not all tied to the U.S. dollar because they cross borders. The asset backing stablecoin could be U.S. dollars, gold or something else.

A challenge with the stablecoin is it can put consumers at risk. In 2018, estimated losses were \$1.7 billion because of how stablecoins operate within the economy. It is an alternate form of currency. Losses were estimated at \$4.4 billion in 2019. These losses could be attributed to weak antimoney laundering controls and weak counterterrorist financing protections. Would you speak to that?

TREASURER CONINE:

Thank you for bringing this up. That is a good differentiation between what I am talking about and the broader use of cryptocurrencies. The stablecoins you were referring to are pegged to the U.S. dollar but not actually tied to the U.S. dollar.

They are issued stablecoins worth a dollar, a euro or something else. A dollar is not actually in a bank somewhere.

For the State to meet its responsibilities, and for the State Treasurer to meet fiscal and fiduciary responsibilities, a dollar must actually back up the stablecoin. It is a digital representation of a dollar in a bank as opposed to some stable tokens which are tied to the value of a dollar, but no actual dollar is there. The value is set, but the number of tokens is not controlled. It is the difference between changing from the gold standard to a fiat currency. Stablecoin is the gold standard. Something is in a bank.

The losses that have happened in bitcoin or stablecoin are not tied to actual U.S. dollars in a bank. Under this bill, stablecoin would be tied to U.S. dollars in a bank as controlled by State regulations. That is an important point.

The State contracts in U.S. dollars. The State is not going to enter into an agreement with something not backed by U.S. dollars such as Chinese yuan or pounds sterling. When the State obtains foreign currency in a safe deposit box from unclaimed property, it is immediately exchanged into U.S. dollars. The same thing will happen with stablecoins. In section 3, subsection 3 of the bill, the State must convert stablecoins into U.S. dollars within 24 hours of receipt. The State is protected from loss as any transaction in U.S. dollars would be.

SENATOR NEAL:

I understand this is a State; however, these concerns were brought up at the federal level about a national scheme tied to stablecoins.

I also read about issues regarding the operational risk with stablecoins. The risk is associated with the lack of clarity regarding the management of the reserve and the rights and responsibilities of the market participants in the network.

I understand what you are saying about the backing, but I want to talk about the issue of who is in the network, who is providing the asset being backed in a commercial bank and the lack of clarity. If the Federal Reserve believes there is a lack of clarity regarding the management of the reserve and the rights and responsibilities of the participant, how can Nevada better manage that?

TREASURER CONINE:

We need to clarify the difference between stablecoin and digital representations of physical assets. As I understand it, you are talking about stablecoins put out by a third-party participant. Assets might be somewhere, but there is no direct tie. I am talking about stablecoins put out by agencies where we can look at the collateral in the same way as when someone uses AMEX. American Express is behind that transaction. It is regulated, and insurance is in place.

The goal is to allow the State to transact with parties with whom it can verify that the assets are real. The State does not transact with every credit card provider on the planet. It works with those it can verify are U.S. based and ensure the bills are going to get paid when they occur. The State does not extend credit to businesses it has not done business with before. All of the protections in place would be in place for this. It is exactly the same as taking a check, except the State gets the money sooner. It gets verified sooner and is less expensive for the State.

SENATOR GOICOECHEA:

Will Nevada be breaking ground with this, or do other states have this system in place?

TREASURER CONINE:

There are other states looking at it. The City of Miami is starting to take cryptocurrencies such as stablecoin, bitcoin and Ethereum. As those exchanges become more prevalent, more people will accept this. I am not talking about cryptocurrencies. We are trying to dip our toe a little bit into the stablecoin water as we have done in past legislation allowing the Washoe County Assessor's Office to keep records in blockchain.

We want to be ahead of these things while still ensuring we are fully protected. This is just enough of toe in the water to say we are interested in this kind of universe. We want to ensure Nevadans have as many options as possible to pay their bills while keeping costs down. Dealing with anything monetary is a concern of ours; however, if this is done correctly, it can save people money.

SENATOR HANSEN:

Is there a demand on the State to do this? Senator Neal just touched on some of the concerns I have. Bitcoin and similar issues are confusing.

Is there any prohibition in the Nevada Constitution about paying bills with anything but legal currency? I have seen contracts in which payments must be made in U.S. currency. Are there any such provisions in Nevada law?

TREASURER CONINE:

This is legal currency. It is another representation of it as with someone paying with a credit card. It is not the same as walking into a local constable's office and handing over \$100 in greenbacks. This is just a digital expansion of that.

We have not created new legislation to allow the use of PayPal or Zelle. However, we want this in statute because we want companies to know Nevada is open for business. We want businesses that use stablecoins to try it in Nevada.

The State gives us a controlled mechanism. We only have one payee at the State level. All payments go through the Office of the State Treasurer. We have the State Board of Finance, the Office of Finance in the Office of the Governor and the Interim Finance Committee as backstops to ensure that as we put regulations in place the use of stablecoins can be as safe as possible.

There is demand for this. J.P. Morgan, Wells Fargo, Chase Bank, Bank of America and other states are looking at it. There is a massive amount of customer demand for products like this. If we put something out there, it gives people another way to pay and hopefully save money.

The other benefit is it does not cost the State anything to offer this service, unless someone wants to pay with it and is willing to pay the associated fees as with American Express, Master Card or Visa.

SENATOR HANSEN:

I am confused about the whole bitcoin thing. I am old enough to remember when people argued about using silver coins versus fake coins.

I am intrigued by it. My initial instinct is that we are going down a rabbit hole. It makes me anxious on behalf of the State. If private sector people want to do this, that is fine, but in this case it is the government of Nevada getting ahead of the curve. That makes me uncomfortable.

SENATOR NEAL:

I was reading about the challenges with a network engaging in stablecoin. It was interesting to me that less than one-third of the cryptocurrency networks require ID verification and proof of address. Although it is backed by the U.S. dollar, there seems to be concern that it is not always clear who is involved in a transaction.

I know you are saying it is backed by the U.S. dollar, but the asset itself can be something other than the U.S. dollar. I interpret this bill as being connected to innovation zones. This is a foundational piece for it to work. If I am wrong, then correct me.

TREASURER CONINE:

It is not connected. As I understand it, the State's acceptance of payments in the form of stablecoins and innovation zones have nothing to do with each other.

When it comes to knowing your customers, antimoney laundering laws and other laws are in place in different parts of our banking laws, regulations, statutes, best practices and the things the Office of the State Treasurer must do to be a depository institution.

They are all separate from stablecoin. This is how money comes in. By definition, we have to know who the customer is. For example, the State cannot accept a property tax payment without knowing who is paying. Federal rules and restrictions regulate that. None of those are changed by this bill. This bill is the equivalent of allowing someone to pay with a credit card before credit cards were widely accepted.

It is going to happen around the world. Our opportunity is to be first and attract some of those companies such as Wells Fargo to Nevada. Where are they going to do the initial rollout of their stablecoin? Is it going to be here or in another state? Which state is going to get the benefit of those transactions? That is our goal.

SENATOR NEAL:

I hesitate because it is an alternate form of currency. I understand that for it to become a recognized form of currency, it has to be legitimized through state

government and other entities. The more widely it becomes accepted, the more its use becomes common.

I do not want it to become common. I do not want it to be legitimized. That is what my questions are about. Cryptocurrency, stablecoin or any form of it has made its way into areas where monetary policy is at risk. That is my opinion because I look at everything in context. If Nevada, Arizona and Idaho do it, then it becomes legitimized within a region. In my mind, I do not want to legitimize it. I understand people want to be creative and these currencies are out there. This is opinion now, and it was my opinion in 2019; however, I hesitantly voted to allow the use of bitcoin, but it is growing. That was my fear in 2019. I like the monetary system we have. I do not want to go back to the confederacy of states in which each state has a different coinage because it is difficult to determine what the exchange is.

That is my position. I am being theoretical.

TREASURER CONINE:

I appreciate that. We totally agree, which is why we want it pegged to the U.S. dollar as opposed to a currency Nevada creates. That is a constitutional problem which would also create commerce clause issues with going back and forth between states. We do not want that. We want people to be able to pay their bills.

In the midst of one of the greatest economic recessions we have ever seen, and what is happening at the federal, state and city levels, I would like Nevada to be closer to the top on this one than closer to the bottom. That is our intention.

Just like credit cards, the ability to accept checks and the ability for people to take on individual credit, which has helped millions of people expand their opportunities, this is an extension of that with all the safeguards in place to ensure Nevadans are protected.

CHAIR DONDERO LOOP:

I know you said it is like a check or a credit card. Those things are tangible. Checks or credit cards indicate I have money or credit. What is this going to be? Is this just kind of out there? I am not sure if I am clear on where we are going.

TREASURER CONINE:

It is important to talk about what a credit card is. A credit card is a piece of plastic with a magnetic strip. It does not store money on it. It connects your account to the account of the person you are paying through a series of intermediaries. There is a process in which money moves from one to the other. Actually, the credit card itself is worth nothing. That is why if you lose it, you can call the credit card company and turn it off.

A check has a similar purpose. It is a vehicle by which the receiver of the check can deposit it in their bank, their bank contacts the issuing bank and money is transferred electronically from one bank to the other. It is not as if someone is bringing \$15.47 in cash from Wells Fargo to Chase Bank.

All of these things are electronic representations of money. The difference in something like a stablecoin is it exists. When it is transferred from one location to the other, it is actually transferred. When a check is written, there is a delay between when the check is written and when the check goes to the bank. If a mistake is made or not enough money is in the bank, that check bounces. Stablecoins cannot bounce because the coin is either there or it is not. The coin is simply a digital representation of money. In the same way, everyone's money is a digital representation.

To Senator Hansen, we have been off the gold and silver standards for a long time. We have a fiat currency, currency that exists because of the full-faith and credit of the United States. This is a digital representation of that.

CHAIR DONDERO LOOP:

I understand and I heard everything you said. So just to confirm, I will not have anything physical in my hand. Will I have a number to enter? What will I do to show it is me? With a credit card I know it is me.

TREASURER CONINE:

Digital purchases with stablecoin is the same as entering your credit card information into Amazon online. It is not going to an Amazon store and swiping your credit card. You enter your information and it is pulled from your account.

When you pay online with a check at the DMV, you are asked for your routing number and your check number. You do not have to throw away or mail that

check. You are simply connecting your form of payment with the form of payment accepted on the other side.

It is the same with stablecoins. Some people hold them in a digital wallet, which effectively looks like a bank account. When you sign into your bank account you can see your balance or transfer money. It is the same mechanics. It looks the same.

CHAIR DONDERO LOOP:

If I go to the grocery store and owe \$18, what am I going to do? I understand the Amazon thing because you are at home on your own computer. How do I pay in stores?

TREASURER CONINE:

This does not affect commercial transactions. Senate Bill 39 is specifically about the government accepting stablecoin payment. The State accepts very few payments in person except at the DMV. It would work like Apple Pay at an in-person location where a phone is tapped on the card reader. Apple Pay is connected to a credit card, a bank account or a digital stablecoin.

CHAIR DONDERO LOOP:

In your conversation, you said the bill does not have a fiscal note. However, the bill indicates there is an effect on the State.

TREASURER CONINE:

If we choose to accept stablecoin, there would be a fee—the same way there is a fee when someone pays with a credit card. The State passing on the fee is the fiscal impact. As with a credit card, the State would pass on the fee. There is no cost to the State, unless the State agency chooses not to pass that fee through and absorbs it. Some State agencies do it one way; some do it the other way.

CHAIR DONDERO LOOP:

In this case, unless it is removed, there is a fiscal note on this bill.

TREASURER CONINE:

That is because of the fee involved. This will not cost the State anything on its face. There is no cost to implement. There might be a cost if the State accepted

stablecoin because the fee would be passed on to Nevadans or absorbed by the State agency. It is the State agency's decision as it is with DMV fees.

CHAIR DONDERO LOOP:

I will close the hearing on S.B. 39.

We will move on to the first bill in the work session, S.B. 14.

SENATE BILL 14: Revises provisions relating to certain emergency response plans and assessments. (BDR 36-280)

ALYSA KELLER (Policy Analyst):

The first bill in the work session for the Committee's consideration is S.B. 14.

I will present a brief overview of S.B. 14 from the work session document ([Exhibit C](#)).

A friendly amendment has been proposed by the Clark County Water Reclamation District (CCWRD), [Exhibit C](#), page 2.

SENATOR GOICOECHEA:

As I understand the amendment, this only applies to a utility with 500 or more service locations. I want to make sure this will not be applied to a small community with only 30 connections.

DAVID STOFT (Clark County Water Reclamation District):

Regarding this amendment, all the limits would still apply. The change we seek is to fill an unintentional, technical gap in the definitions of utility and municipal utility.

The CCWRD is a unique entity because it is the only wastewater service provider, at least in southern Nevada, that would not fall under one of the municipalities.

The definition of utility omits wastewater services. It addresses water and in a certain context the CCWRD tries to claim it is part of the water industry. However, it is not comfortable enough to do it in this context given the way the definitions read.

The CCWRD is asking to add a reference to wastewater services under the definition of utility. This will include it in the definition of utility which then includes it in the definition of municipal utility. The definition of municipal utility relies on and cross references the definition of utility.

All other wastewater providers will fall under municipal utility because they are owned by a municipality. The City of Las Vegas, Henderson and North Las Vegas all have their own wastewater services so they are covered in the definitions. Because the CCWRD is a general improvement district (GID) under *Nevada Revised Statutes* (NRS) 318, it slipped out of that definition somehow. The CCWRD is trying to work its way back in so if there is a reference to wastewater services, that will allow it to be referenced within the municipal utility definition as well. The same limitations apply to all those qualifying organizations.

SENATOR GOICOECHEA:

There are a number of GIDs across the State. Are they exempt?

MR. STOFT:

I cannot speak for all GIDs. I can speak for the CCWRD in that it does not qualify specifically because it is a wastewater service provider. General improvement districts are already referenced under the definitions. Under NRS 239C.110, subsection 1, paragraph (a), a utility is a provider of "water service, electric service or natural gas service to 500 or more service locations."

The term utility includes a government utility. Under NRS 239C.050, a government utility is "any utility that is owned, operated or controlled by this State or an agency or instrumentality of this State" and "any utility that is owned, operated or controlled by any county, city, town, general improvement district, special district, or other local government entity"

The issue is the CCWRD would qualify as a GID because it is referenced under government utility. However, because that definition begins with any utility, the definition of utility does not reference wastewater services. It appears as though it is excluded from those two references.

I do not want to speak for all GIDs in all contexts, but because of the way the definitions read, although it attempts to include the CCWRD as a GID, it does not because utility does not include a reference to wastewater services.

SENATOR OHRENSCHALL MOVED TO AMEND AND DO PASS AS AMENDED S.B. 14.

SENATOR NEAL SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR DONDERO LOOP:

We will move on to S.B. 15, the next bill in the work session.

SENATE BILL 15: Revises provisions relating to grant procurement, coordination and management. (BDR 18-255)

MS. KELLER:

I will summarize S.B. 15 from the work session document ([Exhibit D](#)). No amendments were proposed.

SENATOR HANSEN:

Is practicable a word? Should it be practical? I have never heard the word practicable before.

When the bill was presented, it was mentioned that the Office of Grant Procurement, Coordination and Management, Department of Administration had only three staff members for the entire grants procurement program. Will we address that later? I would like to hear what the actual staffing needs are.

In prior testimony, the Grants Office indicated the State went from fiftieth in getting grants to forty-eighth. We are moving in the right direction but this goes back to 2008 and the Spending and Government Efficiencies Commission report. It seems we are leaving a ton of money on the table.

Is the lack of matching funds a major problem in getting grants for the State? We had discussed that briefly behind the scenes.

LAURA FREED (Director, Department of Administration):

Yes, practicable is a word often used in drafting. I yield to your Counsel, Heidi Chlarson, to talk about the distinctions between practical and practicable.

There are five authorized positions in the Grants Office. The others are kept vacant due to fiscal year 2021 budget reductions from the Thirty-second Special Session last summer. The correct number of authorized positions is a policy discussion we can have within the context of the budget. That is open to disagreement.

SENATOR HANSEN:

The issue came up that some State agencies cannot get grants because they lack matching funds.

ERIN HASTY (Interim Administrator, Office of Grant Procurement, Coordination and Management, Department of Administration):

We had a pilot program for grant matching in which \$1 million was placed in a fund. We had a staff member to handle that. We accepted applications for about three months. We received 31 applications and were able to allocate \$970,000 of the \$1 million within three months. If everything had been awarded, there would have been a return of about \$3.2 million. Unfortunately, because of the budget shortfalls, we had to revert that. The program was successful and could have shown success. If there is opportunity in the future, the Grants Office would be happy to run it again.

SENATOR HANSEN:

I want to help the Grants Office get the staffing it needs. If we are leaving as much money on the table as it sounds like we are, this is an area in which we should be having serious discussions. It is unfortunate we are forty-eighth in the Nation in obtaining grants. There must be some reason that I am not aware of.

HEIDI CHLARSON (Counsel):

Practicable is a word used throughout NRS. Practicable means able to be done or put into practice successfully. In the context of this bill, to the extent the Grants Office is able to perform these tasks, it is authorized to do so. It is a drafting term, and it is used correctly in this bill.

SENATOR OHRENSCHALL MOVED TO DO PASS S.B. 15.

SENATOR HANSEN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR DONDERO LOOP:

We will move on to S.B. 16 in the work session.

SENATE BILL 16: Revises provisions relating to the Nevada Commission on Minority Affairs of the Department of Business and Industry. (BDR 18-244)

MS. KELLER:

I will summarize S.B. 16 as contained in the work session document ([Exhibit E](#)). No amendments were proposed.

SENATOR GOICOECHEA MOVED TO DO PASS S.B. 16.

SENATOR OHRENSCHALL SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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SENATOR DONDERO LOOP:

We will move on to the final bill in the work session, S.B. 28.

SENATE BILL 28: Revises provisions of the Nevada Code of Military Justice. (BDR 36-261)

MS. KELLER:

I will present a brief overview of S.B. 28 from the work session document ([Exhibit F](#)). No amendments were proposed.

SENATOR GOICOECHEA MOVED TO DO PASS S.B. 28.

SENATOR NEAL SECONDED THE MOTION.

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THE MOTION CARRIED UNANIMOUSLY.

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CHAIR DONDERO LOOP:

Having no further business to come before the Senate Committee on Government Affairs, we are adjourned at 4:28 p.m.

RESPECTFULLY SUBMITTED:

Suzanne Efford,
Committee Secretary

APPROVED BY:

Senator Marilyn Dondero Loop, Chair

DATE: _____

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S.B. 15	D	1	Alysa Keller	Work Session Document
S.B. 16	E	1	Alysa Keller	Work Session Document
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