

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

**Eighty-first Session
March 24, 2021**

The Senate Committee on Government Affairs was called to order by Chair Marilyn Dondero Loop at 3:33 p.m. on Wednesday, March 24, 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

GUEST LEGISLATORS PRESENT:

Senator Julia Ratti, Senatorial District No. 13

STAFF MEMBERS PRESENT:

Alysa Keller, Policy Analyst
Heidi Chlarson, Counsel
Janae Johnson, Committee Secretary

OTHERS PRESENT:

Steve Aichroth, Administrator, Housing Division, Department of Business and Industry
Catherine Byrne, State Controller

CHAIR DONDERO LOOP:

We will open the hearing in work session on Senate Bill (S.B.) 12.

SENATE BILL 12: Requires certain notices before the termination of a restriction relating to the affordability of certain housing. (BDR 25-372)

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ALYSA KELLER (Policy Analyst):

Senate Bill 12 was heard on March 8 as referenced from the work session document ([Exhibit B](#)).

SENATOR GOICOECHEA:

Is there an approximate number of housing units in the State? How many people are active in the program?

STEVE AICHROTH (Administrator, Housing Division, Department of Business and Industry):

Over the next 5 years, 7,500 affordable units are at risk to go through this process.

SENATOR GOICOECHEA:

I am concerned about some of the penalties. The \$10,000 applies to the owner who fails to submit written notice a year ahead of time. If you missed the deadline because you are on a 15-year time frame and failed to notify within that year, could it be rolled out for a month to send the notice in at 15 years and a month, stating you do not intend to continue with the program?

MR. AICHROTH:

Yes, as long as there is a year's notice ahead of time. If you wanted to exit at 15 years and missed the 14-year deadline, you could potentially exit the program at 15 years and 1 month.

SENATOR NEAL:

In Proposed Amendment 3134, is there a change to the contract terms? Are they subject to new contract terms?

MR. AICHROTH:

There would not be any change in the contract terms. There would be a need for the notification process that exists in the contract.

SENATOR NEAL:

I am still reading through the amendment. I asked during the first introduction of the bill if there is undue restraint on contracts. The answer was yes, we could do it as long as the contract was to expire or had expired. I will vote yes on this, but I want to reserve my right to change my vote.

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SENATOR GOICOECHEA:

In the event you hit the 15 years, have a contract in place and intend to renew the contract but make changes in the terms or conditions, is there an ability to adjust it and enter into a new contract?

MR. AICHROTH:

We see when they approach the deadline for the preservation part of the affordability, the Division queues them up for another 30 years of affordability with rehabilitation and the revision process. Yes, they can sign up. If you are asking if they go in the qualified contract process, the only reason they would go into that process is to exit affordability, and what I described would not happen.

SENATOR GOICOECHEA:

I do not understand enough about the program. We have this affordable housing and charge this much rent for 15 years. Say in 14 years you need another \$100 a month out of these units to make it feasible. At the end of the next year, I will need to pull out of it or enter into a new contract to raise the rates. It almost sounds like you are saying, you can enter into another contract to fund and rehab the units to continue on.

MR. AICHROTH:

That is correct. The rental rates are determined through the U.S. Department of Housing and Urban Development (HUD), are fixed and move with HUD standards. What you described is not something we have seen baked into the original agreement for affordability.

SENATOR GOICOECHEA:

The tax credits are aligned with affordable housing. Because you have a renter who cannot afford much, the renter is only paying \$300 a month, and the basic price is \$1200. Would the owner get \$800 or \$900 off the tax credit to offset those units?

MR. AICHROTH:

The developer does receive the tax credits to help build the building and support the operations of the building. You are comparing this to a Housing Choice Voucher Program of Section 8. What happens is HUD determines the rate. Say the rate is \$685 for the unit and what the tenant has to pay. The regular unit would be \$1,000. If the tenant has to pay \$685 and cannot afford it, the tenant

can no longer stay in the unit unless that person gets some other type of assistance.

SENATOR GOICOECHEA:

I did have it confused with Section 8 housing. Are you saying that if the rent is \$700 a month and the tenant cannot afford it, then the tenant has to move?

MR. AICHROTH:

If they cannot get assistance through Section 8 or other processes, that is correct; they do have to pay the amount.

SENATOR GOICOECHEA:

There is no time frame for the rate; if you are in arrears, cannot afford the rent that goes past 90 days and have no other way of paying it, do you have to move?

MR. AICHROTH:

Yes, that is correct. They would be subject to the same eviction type of process. Most or all the people who participate in this program as property managers, developers and owners of properties will try to figure out a solution for this issue.

SENATOR HANSEN:

If after 13 years, tenants give you notice for the 15 years, they go out into the open market. Is that correct if they want to leave under the open market current contracts?

MR. AICHROTH:

Yes. If they go through the qualified contract process and give us notice to go through the qualified contract process, there is a three-year leadoff of affordability. Existing residents will receive those affordability protections for a three-year period. At the end of the three-year period for existing residents, it becomes a full market rate.

SENATOR HANSEN:

We just heard a bill about this issue. An enormous shortage in the open market is forcing rent rates up dramatically. It is an interesting dilemma. On one hand, we want to expand the open-market rentals available to drive the cost down to provide rental units needed; at the same time, we are restricting the ones that

could go into the market and solve the dilemma. I will be voting no on this for a couple of reasons. It is an impairment of contract. I am uncomfortable with the idea that we change it midstream and with the \$10,000 penalty. This does not seem like the right solution for this kind of problem.

SENATOR GOICOECHEA:

I will vote for the bill, but I reserve my right to change my vote if more information comes available. Clearly, the developers go into this with their eyes open by signing the contracts and taking the tax credits.

SENATOR NEAL:

Senator Ratti, do you have any clarifying points on sections 4 and 5 of Proposed Amendment 3134?

SENATOR HANSEN:

I am uncomfortable with the impairment of contract. We are changing the rules after a 13-year window and the penalties for people who fail to do those things during the new time frames. I am uncomfortable with keeping more affordable rental units off the open market. We have a real shortage as the cost of the market is spiking which is driving people out of the rental market.

SENATOR JULIA RATTI (Senatorial District No. 13):

Senator Neal, section 4 is rather lengthy, is there anything specific you wanted me to comment on?

SENATOR NEAL:

I am still reading Proposed Amendment 3134; we can talk offline.

SENATOR RATTI:

It is scheduled for work session today, but we have time before the deadline. If you have questions about the bill and the amendment, I suggest moving this bill to another work session to get clarification on the questions.

CHAIR DONDERO LOOP:

I will move S.B. 12 to another work session to make sure all the questions are answered. We will move to S.B. 45 in work session.

SENATE BILL 45: Revises provisions relating to crimes. (BDR 18-421)

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MS. KELLER:

Senate Bill 45 was heard on March 1 as referenced from the work session document ([Exhibit C](#)).

SENATOR NEAL MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 45.

SENATOR HANSEN SECONDED THE MOTION.

SENATOR OHRENSCHALL:

I will be voting yes but reserve my right to change my vote.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR DONDERO LOOP:

We will move to S.B. 127 in work session.

SENATE BILL 127: Revises provisions relating to the Charter of the City of Mesquite. (BDR S-619)

MS. KELLER:

Senate Bill 127 was heard on March 1 as referenced from the work session document ([Exhibit D](#)).

SENATOR OHRENSCHALL MOVED TO AMEND AND DO PASS AS
AMENDED S.B. 127.

SENATOR GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR DONDERO LOOP:

We will close work session and open the hearing on Assembly Bill (A.B.) 13.

ASSEMBLY BILL 13: Revises requirements related to certain financial reporting by the State Controller. (BDR 18-353)

CATHERINE BYRNE (State Controller):

I am going to talk about the responsibilities of the State Controller's Office. Title 18 of *Nevada Revised Statutes* (NRS) 227 defines the duties and responsibilities of the State Controller. Title 31 of NRS 353 covers the collection of debts owed to the State. The Controller's Office has 41 authorized full-time positions divided into 4 sections. The four sections are Financial Reporting, Operations, Debt Collection and Information Technology (IT). In addition, management is comprised of the State Controller, the chief deputy controller and an executive assistant.

The Financial Reporting Section is comprised of ten full-time positions headed by one lead, a comprehensive annual financial reporting accountant. Financial reporting activities are provided to a broad audience, municipal bond holders, writers, the Governor and Legislators. The public is provided with a comprehensive financial report prepared by using the generally accepted accounting principles required by State accounting law. The State must follow accounting statements standards and procedures applicable to state and local governments issued by the Government Accounting Standards Board. States are required to produce their comprehensive annual financial reports in conformity with these standards to sell municipal bonds and obtain federal grants.

The annual financial report is required to be included in the annual single audit, and this audit is for federal awards. The annual financial report information is used for accumulation of comparable historical data year over year from jurisdiction to jurisdiction. The annual financial report is essential to marketing and selling of State bonds as well as for obtaining federal grant monies. An essential function of the Financial Reporting Section is assisting State agencies with providing reporting information for administrating their budgets and conducting financial activities associated with their legislative-directed missions.

We review certain accounting activities of agencies to ensure their financial transactions are being recorded in accordance with State law. The State Controller prepares a Popular Annual Financial Report, and the report is not audited. The Popular Annual Financial Report communicates financial data extracted from the Comprehensive Annual Fiscal Report in plain language. It is designed to give the reader an overview of the State's finances. The report is

specifically designed to be readily accessible and easily understandable to the general public and other interested parties without backgrounds in public finance.

Other financial reporting responsibilities include developing the State Accounting Policies and Procedures; assisting agencies with accounting questions and issues; approving of agency journal vouchers and certain transactions posted in ADVANTAGE; reviewing, entering and approving work programs for the Budget Division in the Governor's Office of Finance; preparing quarterly financial statements for the Permanent School Fund, quarterly census data for the U.S. Census Bureau, and tables and schedules included in bond official statements.

The Operations Section is commonly called agency services. Comprised of 14 full-time positions headed by a chief accountant, its operations cover vendor services which include registering and maintaining all vendors paid through the State's financial system ADVANTAGE. Vendor services is responsible for applying foreign vendor backup withholding for vendors outside of the Country, and completing Internal Revenue Service (IRS) Form 1099-B notices and IRS levies. The 1099-B forms relate to preparing 1099 forms.

System administration and the financial helpdesk is included with agency services that maintains the financial system ADVANTAGE and assists State agencies with ADVANTAGE testing and troubleshooting. Security for ADVANTAGE and third-party, check-printing software includes user setup and removal. Another part of Operations is federal grant reporting which includes compiling and certifying the State's Single Audit Reports. The Section trains agencies for grant reporting for the Schedule of Expenditures of Federal Awards. We assist agencies and outside auditors to resolve these problems of the Single Audit Report. We prepare the federal Cash Management Improvement Act annual report.

Additional duties for agency services include processing wire transfers; printing, reissuing and canceling checks; and processing agencies' work programs related to file uploads and journal voucher documents. We process deposits and wage garnishments, and set up charter accounts, including budget accounts, categories and federal job numbers. Other responsibilities include completing the State's monthly bank reconciliation and issuing annual Form 1099s.

The Debt Collection Section is comprised of four full-time positions headed by a chief accountant. This section is responsible for the collection of debts owed to the State of Nevada. It is regulated by chapter 353C of both NRS and the *Nevada Administrative Code*. Debt collection responsibilities include collecting and managing past due State receivables. It provides information, training and technological assistance to State agencies on collection-related topics and accounts receivable processes; processes and reconciles payments received from debtors, provides reconciling reports to State agencies to reconcile accounts between the State Controller's Office and those agencies; submits uncollectable accounts and receivables from the State Board of Examiners for approval on write-offs; and compiles the Quarterly and Year End Accounts Receivable Reports for the State of Nevada that are used and included in preparing the Comprehensive Annual Fiscal Report.

The Information Technology Section is comprised of ten full-time positions and headed by an IT manager. The IT responsibilities include systems, networking, maintenance, support of IT networking with server hardware and users in the Controller's Office. Information Technology is responsible for programming, maintaining and supporting the Controller's Office databases, custom-built applications, website and ADVANTAGE financial system; managing the information technology security policies and security for the Controller's Office staff; and maintaining the agencies' networks, servers, websites, applications and user profiles.

SENATOR NEAL:

Can you get into the constitutional powers of Assembly Bill 13?

CONTROLLER BYRNE:

I am updating language in A.B. 13 for when we name the statements and address some requirements of the financial reports we prepare. Basically, I am updating the language for responsibilities addressed in NRS 227 for financial reporting and debt collection. We are responsible for cutting checks and the bank reconciliation. The Office functions are listed in the *Nevada Administrative Code*.

SENATOR NEAL:

Does the bill cite legislative history and a case? The language changing refers to income and property. Did it have any kind of nexus to constitutional provisions given the bill reference to *State ex rel. Lewis v. Doron*, 5 Nev. 399 (1870) or

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initiative petitions? I was trying to understand how these duties arrived. The statute goes back to 1915.

CONTROLLER BYRNE:
For the case, I do not see it in the bill.

SENATOR NEAL:
It is in the Legislative Counsel Bureau's Digest.

CONTROLLER BYRNE:
I do not know; I can follow up with the Committee later.

CHAIR DONDERO LOOP:
Regarding section 1, subsection 1, paragraph (a) on line 5, where you put in the "change from the immediately preceding fiscal year", can you give us some information on that?

CONTROLLER BYRNE:
The section is clarifying information. Where it strikes "condition of revenue," it does not mean anything to us as accountants. We look at the change and look at the change year over year. The language is clarifying what we actually report on, which is the change of revenue year over year. Legal Division helped us with this language.

CHAIR DONDERO LOOP:
I will close the hearing on A.B. 13. We have two bill draft requests for introduction, starting with Bill Draft Request (BDR) 31-717.

BILL DRAFT REQUEST 31-717: Encourages the Board of Regents to establish a compensation system for certain employees. (Later introduced as [Senate Bill 361](#).)

SENATOR OHRENSCHALL MOVED TO INTRODUCE BDR 31-717.

SENATOR NEAL SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR DONDERO LOOP:

The last BDR for introduction is BDR 23-1011.

BILL DRAFT REQUEST 23-1011: Revises provisions relating to public employment. (Later introduced as [Senate Bill 360](#).)

SENATOR OHRENSCHALL MOVED TO INTRODUCE BDR 23-1011.

SENATOR GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR DONDERO LOOP:

Seeing no further business, I adjourn this meeting at 4:26 p.m.

RESPECTFULLY SUBMITTED:

Janae Johnson,
Committee Secretary

APPROVED BY:

Senator Marilyn Dondero Loop, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Begins on Page	Witness / Entity	Description
	A	1		Agenda
S.B. 12	B	1	Alysa Keller	Work Session Document
S.B. 45	C	1	Alysa Keller	Work Session Document
S.B. 127	D	1	Alysa Keller	Work Session Document