

SENATE FINANCE COMMITTEE
MINUTES OF MEETINGS
MARCH 15, 1973

The meeting was called to order at 8:30 a.m. Senator Lamb was in the chair.

PRESENT: Floyd R. Lamb, Chairman
Warren L. Monroe
B. Mahlon Brown
James I. Gibson
William J. Raggio
Clifton Young
(Archie Pozzi was absent)

Earl Oliver, LCB Fiscal Analyst
Howard Barrett, Budget Director
Cy Ryan, UPI

Robert Goodman, Economic Development
Fred H. Settelmeyer
Ray Knisley
Naomi Millison, League of Women Voters
John R. Duarte, Welfare Division
D. T. Tomlinson, "
George E. Miller, "
W. J. LaBodie, "
Ruby Duncan, Welfare Rights Organization
Arlene West Joyce, "
Harriet Truedell, "
E. Lavonne Lewis, "
Louis Vitale, "
Maya Miller, Coalition For Alternatives to Welfare
E. L. Newton, Taxpayers Association
Aoron Williams, Clark County Commissioner
Robert Broadbent, "

ECONOMIC DEVELOPMENT:

Mr. Goodman said, "We are going to spend 40% of our budget to promote tourism or \$56,000. Public service announcements cost us \$300 a month. Through these we are trying to get in-state and out-of-state people to attend local events in small communities."

Senator Lamb asked how they work in conjunction with the hotels who spent millions. Mr. Goodman said most hotels promote their own hotel and the chambers of commerce don't promote the entire state. He said they are in the process of regionalizing their campaign and that they receive 2,500

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letters from tourists per month on an average. "We can send them one of these brochures and get them off the freeways. We can slow them down and keep them one extra day. We are also developing a brochure printed in Japanese to develop that market. We are particularly developing Lake Tahoe in this connection. Las Vegas has requested this brochure from us to supplement their program, and this compliments their promotions.

"California's similar brochure cost \$70,000 for 500,000 copies, and we won't have to spend very much for ours. With regard to promoting tourism, recently 60 people in Virginia requested brochures and are now planning to spend five days in Nevada while they are on their way to a convention in Los Angeles. We get one to two thousand requests from the auto club of Michigan.

"We are also trying to interest movie companies in filming here. Arizona and New Mexico have done this, and New Mexico has a \$60,000 budget for this specific purpose. They had a direct return of \$1 million on this last year."

Senator Young said, "Reno had a 10,000 increase last year in population. We heard testimony yesterday that if the proposed hotels and houses at Lake Tahoe currently under construction are completed, we will need a 40-lane highway in front of Harrah's. We heard a plea from the city of Genoa that their little town is being ruined by growth. Douglas County is one of the prettiest counties in the state, and they say the same thing. Carson City has grown 50% in the last three years. Washoe County is talking about a moritorium on building. It doesn't seem like we are working together. You show great craftsmanship and skill, but the basic philosophies are out of balance. The rapid growth and our welfare don't balance. We would be giving you \$300,000 to help bring people in this state to ruin the environment that keeps us here. We are ruining a great state."

Mr. Goodman said, "We are trying to place them (the tourists and light industry)." Senator Young replied, "Tourism brings vandalism. Every place you have people you are going to have problems such as in Red Rock where the environment is deteriorating, and the BLM doesn't have funds to properly police the area. I can see where in North Dakota or someplace where there isn't growth might need to stimulate growth,

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but in the fastest growing state in the union do you need this because you're ruining the environment." Mr. Goodman said, "Our duty is to find industry for rural areas to keep kids there. Youth are moving out of rural areas into urban areas because of a lack of jobs. We are very careful in our industrial clients now to direct them to areas of high unemployment and to get clean industries." The committee discussed the location of Winnebago in Reno, and Mr. Goodman said, "Winnebago has agreed to hire local high school youth under an apprenticeship program. They have agreed to hire Nevada people first and are not going to run ads in California." Senator Young said, "You also said you were going to try to locate industry in Las Vegas. They have the most high powered promotions in the country, and yet you have a deputy director located in Las Vegas." Mr. Goodman said, "It is very important that we develop distribution centers in Las Vegas and warehousing. These industries have no pollution." Senator Young said, "You have deputies in Las Vegas and Carson City, but do you have one of these for the boonies where you say we need them?" Mr. Goodman said the employees in Carson City promote the rural areas.

Senator Young said, "You may not stop growth, but do you have to spend \$300,000 to increase it? There isn't hardly a county in the state that has got planning. Look at Virginia City and the development for 36,000 to 140,000 people that was being planned. Skip Hansen of the Real Estate Division said that they have 200,000 lots and subdivisions in the state. Testimony yesterday indicated that Lake Tahoe wanted almost emergency consideration to stop growth because they say it threatens the very existence of the basin. We are tempting people into the state when we are threatened with being overwhelmed." Mr. Goodman said, "We got a call from a subdivider yesterday and we told him don't bother. We are trying very carefully to manage growth."

Senator Young said, "Wildhorse is a good example. You advertise this and yet it is overwhelmed. They were afraid they would have a hepatitis epidemic because of sewage going into the reservoir."

Mr. Goodman said, "They filmed Charlie Varik in Northern Nevada, and lived for three months in Genoa, renting rooms and having catered food. We didn't have one complaint by Douglas County."

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Mr. Goodman said local people couldn't do this job alone because, "The Las Vegas County Commissioners don't get the leads. People interested in locating industry in Nevada don't go to local people, they come to a state agency." Senator Young said, "Can't the mail be forwarded to Las Vegas?" Mr. Goodman said, "They will give a slanted opinion. Also we try to sell rural Nevada."

Senator Raggio said, "I think there is another side of this coin. I'm not knocking what Senator Young is saying and am as concerned as Senator Young, but we just can't stick our head in the sand and stand still. We have to face the fact that the number one industry in this state is tourism, and tourism has supported this state by and large. I want to protect the environment, but we can't just build a gate at the border. What we want is to control tourism, developments, and industry. If that is what they are doing, then I can support this."

Mr. Goodman said, "Every penny of this budget is going for this, to educate tourists and attract clean industries." Senator Young said, "How can you control growth when you put out ads on tax structure, mountains, recreational areas, etc., in Nevada. The more you proclaim the attractions you have in Nevada the more people are going to come in. You might try to direct it, but you can't control it. Even if we didn't have you people at all we would still grow 8-10%. We can't keep up with the controlled growth, let alone the stimulated growth."

Later in the meeting Mr. Fred Settelmeyer said, "I want to compliment Senator Young and his statements on economic development. With whats going on right now we would like to have a program to ask people to move away. In Douglas County we are forced to have a bond issue for something over \$4 million for schools, \$1 million for a jail, and \$3 million for sewage. Unfortunately, the tourists just seem to have the faculty of not remaining tourists and stay with us. Nevada has tremendous areas, but about 90% of the state jackrabbits and rattlesnakes have difficulty in making a living.

"I have thought of moving to Eureka County because they will do everything possible to keep development out." Senator Monroe mentioned that the Central Nevada Development Authority is working on developing rural Nevada, and, "Don't think Eureka is not going into development."

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S.B. 445:

Senator Young left the meeting at 9:00 a.m.

Mr. Settlemeyer said, "This bill provides for the study of the use of water principally to determine the use of water and its effects on plants in the areas in Fallon below Lahontan and the Carson River water above Lahontan.

"This is necessary because of a long, drawn out litigation which was filed in 1925 but has never been resolved and is now coming to life. We met with attorneys in Reno and we need to know the amount of water that is required in this area.

"This involves a substantial amount of water, far more than is involved in the Colorado River project--two or three times as much. We need this study to develop the information to defend this suit."

Mr. Knisley said, "This study involves whether or not the use of water in this area is wasteful. The results of studies so far have shown that application practices in this area are remarkably good, much better than most of the irrigation practices throughout the country. This information will all be used in litigation before the U.S. Supreme Court, if they accept this for trial. If not, it will go to district court.

"This study involves percolation studies of various soils in the area. We intended to use federal funds to complete the study, but Hatch Act funds were severely cut. This is the reason we came to you very late with this request."

Mr. Settlemeyer said, "They measure water on the ground and water run off, and they are starting the same work in Carson Valley to study the effect of the use of water on the ground water table.

"It is real involved and complex, but it is necessary to determine use of this water because unfortunately we have attorneys coming out of Washington who read the book and judgment and experience apparently don't count. I haven't any degrees in hydrology so my testimony doesn't apparently mean very much."

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S.B. 320:

SUMMARY: Relieves Overton Water District and Moapa Valley Water Company from duty to repay money borrowed from state.

Mr. Ray Knisley testified, "Mr. Settelmeyer in 1963 was responsible for this bill in the Senate, and I handled it in the Assembly. At that time we realized that there would certainly be loans made that might not be possible to collect. At the time this loan was under consideration I made four to five trips down there to see what caused the failure of the system. It was badly mismanaged from the start, but not from the people in the valley. The failure was in administration and the engineer hired to oversee inspection of the job. The local residents relied completely on the contractor and the FHA, who were to approve it. During construction about five miles of pipe washed out creating a flood. As a result of poor workmanship poor laying of pipe meant even though the pipe was replaced it never carries the amounts of water it was designed to carry. The contractor went bankrupt, and they couldn't recover damages.

"At that time we found conditions down there that are again about to recur. We found tadpoles in the drinking water, small fish, slime, etc., and an irrigation ditch getting into the water system. Walley White, the then director of the State Health Division, expected a typhoid epidemic.

"We knew there were some loans that can't be repaid, and this comes into this category."

Senator Raggio said, "Have any payments been made?" Senator Gibson said, "No. This loan was only part of the financing. There was a NIC loan and a large loan through the FHA. With this loan outstanding they cannot negotiate for additional financing through FHA, but if they can clear this loan they could negotiate for a larger loan."

Senator Raggio said, "I have concern that this sets a precedent of sorts." Senator Gibson said that they had done this before and mentioned the Battle Mountain flood and the aid the state gave in that instance which was very similar. Senator Gibson said the water rates in this district (the Overton/Moapa) were three to three and a half times the rates in Las Vegas. Mr. Knisley confirmed this and added, "There was no question this was a disaster. People were stuck with the bills and did not contribute to the conditions."

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WELFARE:

See supplemental material #9.

Mr. Jack Anderson testified, "During the current biennium (1971-73) over \$5 million allotted to welfare was not used. This represents 26% of the state funds that were appropriated for cash and medical assistance to our poor people. In addition to this \$8.6 million in federal funds that were available to match the Nevada appropriation were not utilized. Over \$13.6 million that the legislature had reason to reasonably expect to be used were not.

"At the same time both Clark and Washoe Counties were experiencing crisis situations. Welfare problems had to be handled by local tax dollars without the benefit of matching federal funds.

"There is a certain amount of fat in the welfare budget to the extent of \$5.2 million. This fat has resulted from unrealistic caseload and per case projections. That is why we have prepared an alternate welfare budget. (see supplemental material #9) Our budget converts that fat to assistance to poor people in Nevada.

"In our budget there would allow for a \$67 average grant which is recommended by the welfare division, an aid to unemployed fathers program (AFDC-U), emergency cash grants, dual food programs of both commodity and food stamp programs, and aid to the medically indigent. All of these programs can be added to the current welfare program for \$3.2 over the governor's recommended budget. We are proposing \$3.5 million for administration as opposed to \$4.3 which the governor recommends. This is a savings of \$848,000.

"You might wonder why a 25% in welfare administration would be justified. (See page 38 of the supplemental materia.) During the last session welfare administration received 77 new eligibility workers, however the caseload projections never materialized, and in fact the caseload in every category of assistance declined. At that time the welfare division projected 643,884 recipient months and there were only 431,123 actual recipient months. (A recipient month is to have one person on assistance for one month. If he were on assistance for 12 months, this would be 12 recipient months.) Existing staff could handle this lesser

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caseload and could handle it this biennium. If the staffing was based on serving 643,000 and actually handled 200,000 less the obvious question was what were the people doing? We do have in Nevada the highest percentage of working mothers in the nation. We may have the highest percentage of non-working welfare employees.

"The federal government has said we will take over the eligibility and payments for the adult categories if you so desire. The federal government would provide for this 100%. They said if the state objected to this they could maintain control in the adult category, but if they did this the federal government will only underwrite half of the costs. The state handles eligibility and payments, but if they let the federal government do this it could be 100% financed. There was a bill introduced recently making it mandatory that the state handle this, but they don't need this bill because by law they don't have to. It costs 2¢ per person or \$16 per person for each biennium for the state to handle this.

"Twenty percent of the state money appropriated for ADC wasn't used on Nevada's poor. It wasn't spent. Are you aware that in July of 1971 there was a fairly dramatic change in the ADC program. Formerly in ADC we had a standard of need of \$320 per month for a family of four. A family of four was eligible for assistance if he had less than \$320. July, 1971 they changed the budgeting system and we now have it so when the income exceeds \$176 they are ineligible or terminated. We thought that the legislature thought the need level was set at \$320."

Mr. Anderson discussed the aid to families with dependent children with unemployed fathers on pages 19 and 20 of the supplemental. He also said, "In 1971 Congress as part of the revenue act set up a 20% tax grant to employers who employed WIN recipients or unemployed fathers. (To receive this, however, the fathers would have to be on assistance and the state would have to participate in this program. The state currently does not have this program.) If the employer hires a WIN recipient or an unemployed father and that person earns \$5,000 in annual salary in the first 12 months (and this tax break applies only to the first 12 months), the employer gets a 20% tax deduction. It also decreases his liability dollar for dollar. It means if he hired from these categories a \$2 an hour employee, he will get that person for \$1.65 an hour.

"Groups in Las Vegas and Southern Nevada have been interested 2 246

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in opening up a day care center. The only day care money for this in the state is \$25,000 through the WIN program. There is federal matching funds for this under the WIN program on a 9% federal, 1% state match, and for non-WIN programs the federal match is three (federal) to one (state).

"Regarding the dual food program on page 22 (of the supplemental), we advocate a statewide dual program which would cost \$400,000 less than what the governor recommends for just food program in Clark County alone. The certification costs the welfare division talks about for the food stamp program should involve less funds than they suggest. According to federal guidelines and regulations, once someone on welfare is initially certified for the food stamp program they are automatically eligible for food stamps and don't require further certification. Or, you can certify the individual each month. In New York they experience \$2 a case to certify. According to the governor's recommendations it will cost this state \$100 to certify. No matter how you cut it, can New York be fifty times as efficient as Nevada. We suggest \$10 for certification costs is more realistic. Food stamps would stimulate the economy in that they would bring in \$5 to \$10 million in food to the state.

"Regarding SAMI and APTD programs (see page 31-32) HEW informed us that their total APTD-APTED caseload under SSI will not exceed 3,000 persons in Nevada. This means that only 2,350 additional persons would be eligible for SSI and for SAMI if Nevada decides to extend them medical benefits. The Center for Social Statistics of HEW stated that the \$125 monthly medical cost projected by the Welfare Division for the new APTED cases is grossly inflated. As \$58 is the national average, \$75 would be more realistic for Nevada, increasing to \$80 for the next fiscal year.

"It is clear that the welfare division is in need of an audit. We therefore ask that the members of this committee critically examine the material we have submitted."

Mr. Miller said this was the first opportunity he had had to look at the material (contained in the supplemental material #9). Senator Lamb said they could come back later to rebut the material.

Mr. Miller said, "They are taking one thing that is a fact and putting it together with another thing that is not a fact. The statement that the federal government will take over the adult categories of eligibility and payments and the state has the option to do it and pay half of it. The first part of that statement is right and the last part isn't. I see

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nothing more than the same things we have heard for the last two years from Jack Anderson. He can make these statements because you don't hold him responsible for this budget, you hold us responsible.

"He has said that we have enough staff to take care of recipients, but that is not the fact. They would like us to be understaffed on eligibility, attorneys, and investigators, and the welfare rolls would climb.

"If you examine the budgets you will find that we have added no new positions over what the governor recommended for that biennium. What happened is that we had lost a law suit at that time (when the session met two years ago) and the committee gave us additional staff to meet this problem."

Mr. Broadbent, a Clark County Commissioner said, "Last month the commission endorsed food stamps in lieu of the commodity food program." Senator Lamb said, "You are saying you would rather have the food stamps rather than commodities?" He replied, "Yes." Ruby Duncan said, "We would rather have the dual program, but if we don't have this choice we would rather have food stamps than commodities."

Mr. Barrett said, "The governor didn't make any recommendation of food stamps in lieu of commodity foods. He merely put money in this budget so the legislature could make their decision."

Mr. Broadbent said, "The Clark County Commissioners felt that if the people that are involved in receiving these programs felt they preferred food stamps then the commissioners endorsed food stamps over commodities."

Mr. Jack Anderson said, "If we have food stamps in the state, actually the optimum would be to have both programs (the dual program). All it takes to have this dual program is for the county to request both programs. If the state requests this and is denied then the state has done its part. (It should be noted that the welfare rights people feel that if the request were denied the state could then file a lawsuit. However, as stated in earlier testimony the welfare division feels a lawsuit would definitely not be successful.)

Senator Raggio said, "The welfare division has reiterated many times that three counties were successful in obtaining a dual program in the Seattle area because of high unemployment in the aerospace industry. I don't think we ought to hold out for the probability that we could have a dual program. I don't want to sit here and kid anybody. Our

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decision is going to have to be based on that. We can't make this decision based on some thin hope that we may get a dual program. The federal government has said to Nevada we are adamant. I don't want to sit here and build or kindle the hope that out of the sky there is going to be a dual program. I don't think there will be."

Senator Lamb said, "I don't think anybody on the committee feels there will be a dual program."

Mr. Barrett said, "In their presentation (the welfare rights people) they show funds from title 19 that reverts, but it doesn't revert because this money is used for unpaid bills that come in after July 1. The welfare division has spent some of that money that the welfare rights people show as being unspent. They've copied the figure out of the budget, but we have spent these funds consistently since July 1. I would be willing to go back to my office and show Jack Anderson these figures. The books (budget accounts) close every two years. I am not saying we have a surplus, I am saying this figure you have is wrong."

Senator Gibson said, "This is the first time the welfare division hasn't come in for a supplemental. The supplementals really hurt us, and on one occasion the supplemental was over \$1 million. So last session we tried on a basis of experience to intentionally give them enough money to cover expenses. You know you can't budget exactly. I don't think it is fair to charge them with overpadding in budgeting. This committee tried intentionally to budget enough. This committee is as much a part of this as the welfare division."

Senator Lamb said, "We keep hearing two entirely different statements from you. This is very confusing to this committee. We aren't getting much closer now, so I want you to sit down and get together. I know you have definite differences of opinion and will present this as such, but try to have a meeting of the minds if you are wrong. We can't continue this ping pong game."

"With regard to county welfare problems and Clark County, I don't know how they feel about this, but sometimes I wonder if they aren't trying to shift all of the responsibility onto the legislature."

"I also want a letter from the HEW spelling out their thoughts as to whether we can have a dual program." Mr. Miller said that San Diego County was refused when they had a 6.8% unemployment rate. He said that he had correspondence from them stating that they would not allow a dual program in

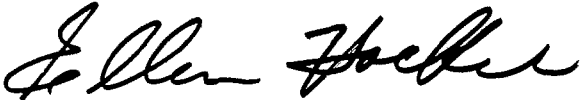
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Nevada. The welfare rights people said they thought that unemployment and circumstances were such in Nevada that we could qualify for a dual program.

Mr. Broadbent said, "With regard to the statement that the counties are shifting their responsibilities onto the legislature, we are going to ask that we have a chance to talk over welfare problems perhaps in a joint hearing (with Assembly Ways and Means). Welfare is not only a state problem but a county problem.

The meeting adjourned at 10:40 a.m.

Respectfully submitted,


Ellen Hocker, Secretary

APPROVED:

Floyd R. Lamb, Chairman