

MINUTES

ASSEMBLY COMMERCE COMMITTEE

February 28, 1977

Members Present:

Chairman Harmon
Vice Chairman Mello
Mr. Demers
Mrs. Hayes
Mr. Price
Mr. Sena
Mr. Weise

Members Excused:

Mr. Barengo
Mr. Moody

Guests Present:

See Guest List Attached

Chairman Harmon called the meeting to order at 3:15 p.m. Mr. Mello moved that the minutes of the meeting of February 23, 1977, be approved. Seconded by Mr. Demers and carried unanimously.

Chairman Harmon stated that he had been requested to postpone the hearing on Assembly Bill 276 for approximately two weeks since certain witnesses were not able to be present today.

Assembly Bill 306

Mr. Virgil Anderson, California State Automobile Association, said the independent agents were the proponents of the bill but Mr. Kelly was unable to be present. They are in favor of the bill which requires that insurance agents keep records for 3 years instead of the 6 years presently required.

Mr. Richard Garrod, representing Farmers Insurance Group, informed the committee that their agents were very much in favor of this legislation. When an individual is no longer insured by a company, it is unnecessary to keep his records for 6 years.

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Claim files are different than an agent's records, and claim files are retained permanently on tape. In answer to Mr. Weise's question concerning the \$5,000 bond, Mr. Garrod thought this was a good faith bond but it was the prerogative of the legislature to determine the amount of this bond.

Assembly Joint Resolution 24

Assemblyman Lloyd Mann said that he received this idea for a state lottery to support senior citizens' tax relief from a newspaper article that described such an operation in the east. Mr. Mann explained how he thought such a lottery could be operated. He does not feel that it would take away any money from the gaming industry, but if the gaming people think it would be detrimental to the state he would back off from his support of the bill because he wouldn't want to do anything to destroy the major industry of the state.

Mr. Les Kofoed, Director of the Gaming Industry of Northern Nevada, stated that he was also representing the Nevada Resort Association in this matter since Mr. Cahill had been injured. Mr. Kofoed stated it was hard to oppose a bill with such a noble purpose, but they do not like this approach to relief for senior citizens. They do not think a state lottery would be successful; they don't think it would attract any new business; they do not agree that it would not create competition for the gaming industry and they are faced with increasing competition now.

Mr. Kofoed reminded the committee that Mr. Mann had stated that if the gaming industry is opposed to it, he would withdraw the resolution. Since the gaming industry does oppose the bill, the committee should entertain a motion to indefinitely postpone this measure.

COMMITTEE ACTION

Assembly Joint Resolution 24: Mr. Weise moved Indefinitely Postpone. Seconded by Mr. Mello and unanimously carried.

Assembly Bill 130

Assemblyman Lloyd Mann said he introduced this bill by request and would have Mr. Charles W. Ivy who requested it address the committee.

Mr. Ivy stated the purpose of this bill was to keep Nevada tax dollars within the state in creating a preference in buying

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by state and local government agencies. It is disheartening to taxpayers and local businessmen to see money go out of the state. He has personally experienced this several times since May 10, 1975, when the old in-state preference bill was done away with. The bill should not be too difficult to enforce. The legality has been questioned, but Federal funds are specifically exempted from an in-state preference. The local businesses that are making an effort to grow and increase their inventory for the state, local and other businesses and are a revenue source for the state, should receive consideration under A.B. 130.

Mr. Mello asked how many western states had this type of legislation. Mr. Harmon stated that an editorial in the Nevada State Journal of February 28, 1977, said there were 11 states left with this law.

Mr. John Martin of Reno, Nevada, stated that his views were similar to Mr. Ivy's. There was some question about policing the bill, but Mr. Martin thought that the bidders within the state could police it themselves.

Mr. Demers pointed out that in all the years the preference bill was on the statutes he did not think it fostered any manufacturing in the State of Nevada. He also agrees with Mr. Weise that this is in effect a subsidy of business.

Mr. J. T. Klenke, Jr., Purchasing Agent for the Clark County School District, appeared in opposition to A.B. 130. Mr. Klenke is also chairman of the Southern Nevada Government Purchasing Study Commission.

A copy of Mr. Klenke's statement in opposition to the bill is attached as Exhibit 1. Mr. Klenke also presented a photostatic copy of an editorial which appeared in the Nevada State Journal on February 28, 1977, a copy of which is attached as Exhibit 2.

Chairman Harmon asked Mr. Terry Sullivan, Nevada State Purchasing Department, if he wished to speak. Mr. Sullivan stated that Mr. Klenke's statement covered the comments he would have made, and they are in opposition to the bill.

Mr. Robert Petroni, attorney for Clark County School District, said this bill is a nightmare. It is impossible to administer and he cited several examples of language in the bill which were confusing. They prefer that the statute be kept the way it is.

Mr. Dick Miles, Director of Purchasing, Washoe County School District, was very much in agreement with Mr. Klenke's position in being opposed to A.B. 130. He feels that it is an unsound

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and uneconomical piece of legislation.

Mr. Bob Warren, Nevada League of Cities, also opposed the bill. If there is some appetite for the bill, it should be sent back for a fiscal note because it does have a fiscal impact. He supports the suggestion of the Purchasing Study Commissions that they be given authority to develop a legislative bill for recommendation at the next legislative session which would benefit the small businessmen.

COMMITTEE ACTION

Assembly Bill 130: Mr. Mello moved to Indefinitely Postpone. Seconded by Mrs. Hayes and unanimously carried.

Assembly Joint Resolution 28

Mr. Pete Kelly said this was a resolution which was being sponsored nationally by the Independent Insurance Agents of America. It memorializes Congress to retain state control of insurance. Nevada would like to be the first state to adopt something like this.

COMMITTEE ACTION

Mr. Mello moved Do Pass Assembly Joint Resolution 28. Seconded by Mr. Demers and unanimously carried with the exception of Chairman Harmon who did not vote.

The discussion returned to A.B. 306. Bill Hopkins of Carson-Douglas Independent Insurance Agents, appeared in favor of the bill. He has recently applied for the surplus line broker's bond referred to in the bill, and he feels there is a duplication required as he had to obtain one bond for the corporation and one for himself. Therefore, he approves the new section of the bill requiring only one bond. He also approves the new provision for retaining records for 3 years.

Mr. Dick Rottman, State Insurance Commissioner, said he would recommend the passage of A.B. 306. He agrees that there should only be one bond required.

COMMITTEE ACTION

Mr. Weise moved Do Pass Assembly Bill 306. Mr. Mello seconded. All members present, with the exception of Chairman Harmon who did not vote, voted aye.

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The meeting was adjourned by Chairman Harmon at 4:40 p.m.

Respectfully submitted,

Jane Dunne
Assembly Attache

SOUTHERN NEVADA GOVERNMENT PURCHASING STUDY COMMISSION
4212 EUCALYPTUS AVENUE
LAS VEGAS, NEVADA 89121

Clark County School District
City of Las Vegas
County of Clark
Las Vegas Convention & Visitors Authority
Las Vegas Valley Water District

Southern Nevada Memorial Hospital
City of Henderson
City of Boulder City
City of North Las Vegas
Clark County District Health Department

POSITION STATEMENT ON AB-130

The Southern Nevada Government Purchasing Study Commission, which is authorized under NRS 332.215, met on February 4, 1977 to discuss AB-130 which gives a preference to in-state bidders in public purchasing. All members of this Commission expressed their complete opposition to AB-130.

There are a number of reasons why people engaged in public purchasing oppose a preference act. One is the question of legality. There is some evidence that a preference given certain vendors would be against Federal legislation. The legislation referred to is the Robinson-Patman Act and Section 2 of the Clayton Antitrust Act. At this time legal counsel is researching both acts so that the Commission can be better informed and equipped to assist you.

Two, a preference act is against the principles of good purchasing practice, as it limits competition. Many out-of-state vendors will not submit a bid if they know a preference will be applied. This prohibits the purchasing officer from making the best decision when spending tax money. It could also encourage collusion between in-state and out-of-state vendors.

Three is the fact that a preference cannot be applied if Federal funds are to be used to purchase, in whole or in part, any item of a bid. This makes the administration of a preference allowance difficult and expensive to the governmental agency.

Both the Southern and Northern Commissions are in complete harmony in their opposition to passage of AB-130 for the reasons set forth above.

Random statistics from the larger entities in Clark County revealed the following:

The Clark County School District has, since the repeal of the local preferential law in 1975, enjoyed a substantial increase in competition. During the period from July 1, 1976 through January 31, 1977, 70% of the total dollars expended by the District was spent in Clark County, 2% in the State of Nevada, and 28% out of the state.

Exhibit 1, Page 1
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continued...

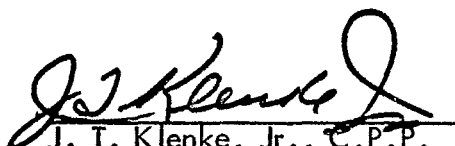
Southern Nevada Government Purchasing Study Commission
Position Statement on AB-130
Page Two

The Las Vegas Valley Water District statistics revealed an increase of 220% in competition since the repeal of the preferential law and that 50% of the money expended by this entity was in Nevada. A breakdown of the 50% showed that 45% of the money was spent in Clark County with local suppliers and 5% with vendors within the State of Nevada.

Representatives of the County of Clark reported that 93% of their budget was spent in Nevada, out of which 92% was spent in Clark County. Seven percent (7%) was spent out of state. They also reported a gain of 4% in competition since the repeal of the preferential law.

In addition, representatives of the City of Las Vegas reported that 85% of their budget was spent within the State of Nevada.

It is the recommendation of the Southern and Northern Nevada Government Purchasing Study Commissions that AB-130 be rejected and that both Commissions be given authority to develop a legislative bill for recommendation at the next legislative session which would benefit the small businessmen in the various communities of Nevada.



J. T. Klenke, Jr., C.P.P.
Chairman, Southern Nevada Government
Purchasing Study Commission

Exhibit 1, Page 2
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Nevada State Journal

107th Year—No. 98

A Speidel Newspaper

Ronald H. Einstoss Publisher

William M. Clemens Controller Warren L. Lerude Executive Editor

Dean C. Smith Advertising Director Frank H. Delaplane News Editor

Donn Wheeler Production Manager Foster Church Editorial Page Editor

John P. Oates Circulation Manager

Monday Feb. 28, 1977

Needless Advantage

Assemblyman Lloyd Mann has, by request, introduced a bill (AB 130), which would give preference to Nevada businesses in public purchasing.

The bill specifies that in public purchasing, preference is to be given to Nevada bidders when their bids are not more than 5 per cent higher than out of state bidders if a purchase is less than \$50,000; not more than two-and-one-half per cent higher if the amount is less than \$500,000 and not more than one-and-a-half per cent more if the bid is \$500,000 or more.

In order to be given preference, Nevada bidders or dealers would also be required to have paid taxes on a stock of materials of the kind offered "and reasonably sufficient in quantity to meet the requirements from stock, rather than shipping stock into the state . . ."

This bill have been opposed by several purchasing agents, including State Purchasing Agent Terry Sullivan, Washoe County Purchasing Agent Joyce Devine and Reno Purchasing Agent Stephen Topagna. It is indeed a poor bill and should be scuttled.

Although, according to Topagna, only 11 states now have such laws, there is now some doubt whether they are constitutional and whether they constitute a restraint of trade. They hobble purchasing agents who are attempting to secure the best deal for taxpayers. They can encourage collusion between in-state and out-of-state bidders by possibly prompting agreements to maintain bids at artificially high levels. Out-of-state bidders who might ordinarily have submitted much lower bids, might then be compensated by agreements to purchase supplies to be later sold to the state at higher prices.

Such laws also cause local bidders to be less concerned with being competitive, knowing they have an advantage.

It is ironic that some businessmen, who are vocal in protesting government restrictions on private enterprise, are quite supportive of legislation of this nature which blatantly restricts trade.

Such legislation also amounts to a governmental subsidy. And, of course, it is the taxpayer who foots the bill by possibly paying inflated prices for an article which might be purchased more cheaply from outside the state.

By virtue of their proximity to governmental purchasers and their knowledge of local needs, local suppliers already have an advantage. It's absurd to give them yet another advantage at public expense.

59TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATIVE ACTION

DATE February 28, 1977

SUBJECT A.B. 306

MOTION: _____

Do Pass Amend Indefinitely Postpone Reconsider

Moved by Mr. Weise Seconded by Mr. Mello

AMENDMENT _____

Moved by _____ Seconded by _____

AMENDMENT _____

Moved by _____ Seconded by _____

VOTE:	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Harmon		Not Voting				
Mello	<input checked="" type="checkbox"/>					
Barengo		Not Present				
Demers	<input checked="" type="checkbox"/>					
Hayes	<input checked="" type="checkbox"/>					
Moody		Not Present				
Price	<input checked="" type="checkbox"/>					
Sena	<input checked="" type="checkbox"/>					
Weise	<input checked="" type="checkbox"/>					

TALLY:

Original Motion: Passed Defeated Withdrawn

Amended & Passed _____ Amended & Defeated _____

Amended & Passed _____ Amended & Defeated _____

Attach to Minutes Feb. 28, 1977
Date

59TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATIVE ACTION

DATE Feb. 28, 1977

SUBJECT A.J.R. 28

MOTION: _____

Do Pass Amend _____ Indefinitely Postpone _____ Reconsiderer _____

Moved by Mr. Mello Seconded by Mr. Demers

AMENDMENT _____

Moved by _____ Seconded by _____

AMENDMENT _____

Moved by _____ Seconded by _____

VOTE:	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Harmon		Not Voting				
Mello	X					
Barengo		NOT present				
Demers	X					
Hayes	X					
Moody		NOT present				
Price	X					
Sena	X					
Weise	X					

TALLY:

Original Motion: Passed Defeated _____ Withdrawn _____

Amended & Passed _____ Amended & Defeated _____

Amended & Passed _____ Amended & Defeated _____

Attach to Minutes Feb. 28, 1977
Date

59TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATIVE ACTION

DATE Feb. 28, 1977

SUBJECT A. B 130

MOTION: _____

Do Pass Amend Indefinitely Postpone Reconsider

Moved by Mr. Mello Seconded by Mrs. Hayes

AMENDMENT _____

Moved by _____ Seconded by _____

AMENDMENT _____

Moved by _____ Seconded by _____

VOTE:	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Harmon	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Mello	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Barengo	<u>Not present</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Demers	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Hayes	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Moody	<u>Not Present</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Price	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sena	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weise	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

TALLY:

Original Motion: Passed Defeated Withdrawn

Amended & Passed _____ Amended & Defeated _____

Amended & Passed _____ Amended & Defeated _____

Attach to Minutes Feb. 28, 1977
Date

59TH NEVADA LEGISLATURE

COMMERCE COMMITTEE
LEGISLATIVE ACTION

DATE Feb. 28, 1977

SUBJECT A.J.R. 24

MOTION: _____

Do Pass Amend Indefinitely Postpone Reconsider

Moved by Mr. Weise Seconded by Mr. Mello

AMENDMENT _____

Moved by _____ Seconded by _____

AMENDMENT _____

Moved by _____ Seconded by _____

VOTE:	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
Harmon	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Mello	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Barengo	<u>Not present</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Demers	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Hayes	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Moody	<u>Not present</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Price	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sena	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weise	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

TALLY:

Original Motion: Passed X Defeated Withdrawn

Amended & Passed Amended & Defeated

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Attach to Minutes Feb. 28, 1977
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