

ASSEMBLY
GOVERNMENT AFFAIRS
March 11, 1977
7:30am

MEMBERS PRESENT: Chairman Murphy
Mr. May
Mr. Craddock
Mr. Jeffrey
Mr. Mann
Mr. Moody
Mr. Robinson
Mrs. Westall
Mr. Jacobsen

GUESTS PRESENT: See attached list

Chairman Murphy called the meeting to order at 7:31am.

ASSEMBLY BILL 156

Assemblyman Mann, sponsor of the bill, told the committee that the bill was no longer needed.

ASSEMBLY BILL 84

John Crossley and Harry O'Nan from the Legislative Counsel Bureau, Audit Division, explained the bill in depth. A copy of their remarks are attached as Exhibit 1.

ASSEMBLY BILL 373

Assemblyman Rhoads told the committee that the City of Elko asked him to introduce this bill because they found that under their charter they can't put up the new ski tow that they purchased outside the city limits. This bill would allow them to.

Senate
~~ASSEMBLY~~ BILL 179

Frank Daykin, Legislative Counsel, explained to the committee that this bill clarifies required schedule of interest payments on state securities. He explained that this is a STATE Securities law and that it does not affect the counties or cities. He also told the committee that there needed to be a slight change in the language on line 7 page 2 of the 2nd reprint. The committee told him to prepare the amendment.

ASSEMBLY BILL 154

Lewis Murphy, Civil Defense Division and Bill Isaef, Deputy Attorney General and legal counsel to Civil Defense, told the committee that this bill updates the language in section 414 of NRS and it will also bring it in line with the 1974 Federal Relief Act by letting the state participate in a federal disaster aid program. It gives the Governor extraordinary powers if he declares a disaster area.

It also aids the state if there is a manmade disaster. It provides for power for the Warden of the State Prisoner to release the prisoners if there is no other alternative for saving them in a disaster. No one will be held liable for this act under these circumstances if the Warden does choose to let the prisoners go.

Assemblyman Mann commented that he could not accept letting the prisoners go if no one was responsible for their actions. He suggested that the state has to be responsible for them.

Chairman Murphy asked if the Warden didn't already have this kind of power, he was told no.

Assemblyman May commented that this language is very broad and asked how many other states had language like it. He did not receive an answer.

The committees' attention was drawn to section 8, line 18 of the bill which is a clause that makes the Governor's emergency powers expire in 90 days after the disaster is proclaimed.

Assemblyman May asked if this would affect the Civil Defense Division's budget in anyway, he was told no.

Assemblyman Jacobsen told the committee that under extreme emergencies the local police don't have the powers that are needed. The Governor is not going to do anything that would threaten our lives.

Bill Isaeff told the committee that some of the language of the bill comes from the Model Act Legislation of the Council of State Governments. In emergencies state agencies can't function together, the Governor needs to be able to take charge.

Assemblyman Robinson commented that people should be able to be compensated for property that is sacrificed for the public good in an emergency.

Chairman Murphy asked if sections 9, 10 and 11 in themselves would satisfy the requirements for federal aid. He was told yes.

Assemblyman Robinson asked if the Governor could redeclare another emergency to continue after his initial 90 period of power. He was told yes.

ASSEMBLY BILL 245

Bill Isaeff, Deputy Attorney General and legal counsel for the Nevada Commissioner for Veterans Affairs told the committee that the insurance carrier's opinion is that the Veterans Commissioner is not covered by the state employees blanket bond except for his state appropriations. But to cover the other monies we need the language back in NRS to cover this money with a surety bond.

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Mr. Isaeff then offered an amendment to the bill, attached as Exhibit 2. He said that this is almost exactly the same language as before when the Commissioner was covered under the surety bond.

Assemblyman Jacobsen told the committee that his brother used to be the Commissioner and that he had expressed concern in the past over the same matter.

Assemblyman May asked who pays for the bond, he was told that it comes out of the money he takes care of, the wards of the estates.

ASSEMBLY BILL 321

Mr. Russ McDonald told the committee that there was a problem with this bill that should be corrected. He said that there is no language to allow a fee for suits not concerning money. He pointed out that the provision does say \$2,500 or less and maybe less means no money but it should be clarified.

Assemblyman Mann asked why there was a difference in the fees charged with regard to the amount of money involved in the suit. Mr. McDonald guessed that it was probably based on the economic status of the claimant.

Tom Moore, representing Clark County, told the committee that he shared Mr. McDonald's concern.

Alex Coon, Washoe County Clerk, told the committee that this bill was an honest assessment of the worth of the action.

Chairman Murphy asked what the justification was for the increase in fees. Mr. Coon told him that the fees had not been changed since 1969. Mr. McDonald said that he could show an increase in cost of operating for the office if the committee desired that information.

Assemblyman Mann commented that there should be an average charge on page 1 instead of having three different fees.

The committee decided to hold the bill until there is justification for the rate increases.

ASSEMBLY BILL 350

Assemblyman Schofield told the committee that this is cleaning up language to allow something that is already done. The assessors just want to be able to treat special assessments and their collections like taxes. There is currently no provision for enforcement for special assessments.

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Assemblyman Craddock asked what type of assessment would we have that would not be required by ordinance or law. Tom Moore, Clark County, offered that the uniform building code does not provide for abatement of nuisances but does not provide for collection of the fee. This bill is designed to correct an inadequacy in the statutes.

Assemblyman Jeffrey asked if this just applied to counties, he was told yes.

North Las Vegas supports this bill. Tom Moore relayed Steve Stucker's position to the committee.

COMMITTEE ACTION

Mr. May moved to have a committee introduction on BDR7-883, Craddock seconded the motion, passed unanimously.

Mr. Mann moved to have a committee introduction of BDR20-938, seconded by May, passed unanimously.

ASSEMBLY BILL 84- Mr. Mann moved, seconded by Mr. Moody to DO PASS AND PLACE ON CONSENT CALENDAR, motion passed unanimously.

ASSEMBLY BILL 154- Chairman Murphy appointed a subcommittee of Mr. Jacobsen, Mr. Moody and Mr. May to look into possible amendments.

ASSEMBLY BILL 156- Mr. Mann moved to INDEFINITELY POSTPONE, seconded by Mr. Craddock, passed unanimously.

ASSEMBLY BILL 245- Mr. Robinson moved to AMEND AND DO PASS, seconded by Mr. Craddock, passed unanimously.

ASSEMBLY BILL 373- Mr. Mann moved for a DO PASS, seconded by Mr. Moody, passed unanimously.

SENATE BILL 179 - Mr. Mann moved to ^{Amend +} DO PASS, seconded by Mr. Moody, passed unanimously.

ASSEMBLY BILL 119- Mr. Jeffrey moved to AMEND AND DO PASS, seconded by Mr. Robinson, passed unanimously.

SENATE BILL 41- Mr. Robinson moved to DO PASS, seconded by Mr. Jacobsen, passed unanimously.

ASSEMBLY BILL 23- Mr. Robinson moved to INDEFINITELY POSTPONE, seconded by Mr. Mann, passed unanimously.

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SENATE BILL 205 - Mr. Robinson moved to DO PASS, seconded by Mr. Jeffrey, passed unanimously.

ASSEMBLY BILL 31 - Mr. Mann moved to INDEFINITELY POSTPONE, seconded by Mr. Jacobsen, passed 8 to 1 with Mr. Robinson voting no.

ASSEMBLY BILL 135- Mr. Jacobsen moved to INDEFINITELY POSTPONE, seconded by Mr. May, passed unanimously.

ASSEMBLY BILL 169- Mr. Moody moved to DO PASS AND REFER TO WAYS AND MEANS, seconded by Mr. May, passed unanimously.

ASSEMBLY BILL 128- Mr. Robinson moved to AMEND AND DO PASS, seconded by Mrs. Westall, passed 8 to 1, with Mr. Jacobsen voting no.

ASSEMBLY BILL 165- Mr. Craddock moved to DO PASS, seconded by Mr. Jeffrey, passed unanimously.

There being no further business to come before the committee, the meeting was adjourned at 11:04.

Respectfully submitted,



Kim Morgan, Committee Secretary

AB 84

AB 84 is based on a recommendation from our audit report of the Consolidated Bond Interest and Redemption Fund as of June 30, 1975. The Board of Examiners has authorized the issuance of Refunding Bonds prior to, during, and after our audit of the Consolidated Bond Interest and Redemption Fund.

Refunding Bonds are new bond issues with new terms, (usually a lower interest rate and shorter maturity date), which are floated through investment channels, and the money so provided by the Refunding Bonds is then placed in an Investment Escrow Account. The income generated from the Escrow Account is then used to retire the prior outstanding bond issues.

What you then have is two separate bond issues that are guaranteed by the State of Nevada's full faith and credit. Our concern during the audit was whether one, or both, of these bond issues should be included in the computation of the State's 1% debt limitation on bonding.

Under this refunding method there is no real savings to the State until the Refunding Bond Issue is retired, as illustrated on the attached schedules. The amount of the proposed savings has not been reduced by the investment company's fee.

Because of this method of paying off the bonds, we asked the Legislative Counsel if the State has a contingent liability in regards to the refunded bonds. A copy of our request and his opinion is attached. In summary he stated:

"The state has a contingent liability in regard to the indebtedness refunded by the new issue.

While the fact remains that federal securities have been purchased and placed in escrow to service the debt outstanding under the original issue, nevertheless the state has a continuing obligation to use its full faith and credit to discharge this indebtedness in the event of a default or other event preventing payment of the obligation."

It is for this reason, that a contingent liability to the State is being created, that we feel the Legislature, through the Interim Finance Committee, should be involved in a transaction which affects the State's financial position.

GENERAL OBLIGATION IMPROVEMENT REFUNDING BONDS
 SERIES 5-1-72, \$5,250,000
 SCHEDULE OF PROPOSED SAVINGS

<u>FISCAL YEAR ENDED JUNE 30,</u>	<u>Present* Yearly Payment</u>	<u>Proposed Yearly Payment</u>	<u>Yearly Payment Difference More (Less)</u>
1972	\$ 370,000	\$ 385,000	\$ 15,000
1973	887,460	897,850	10,390
1974	882,305	886,800	4,495
1975	848,725	849,000	275
1976	816,225	820,900	4,675
1977	783,725	787,350	3,625
1978	751,090	753,500	2,410
1979	718,185	738,750	20,565
1980	745,010	746,750	1,740
1981	<u>317,440</u>	<u>—</u>	<u>(317,440)</u>
Total Payments	<u>\$7,120,165</u>	<u>\$6,865,900</u>	
Proposed Savings			<u>(\$ 254,265)</u>

* Series 6-1-70, \$3,760,000
 Series 9-1-70, \$2,740,000

GENERAL OBLIGATION IMPROVEMENT REFUNDING BONDS
 SERIES 6-1-74, \$4,770,000
 SCHEDULE OF PROPOSED SAVINGS

<u>FISCAL YEAR ENDED JUNE 30,</u>	<u>Present* Yearly Payment</u>	<u>Proposed Yearly Payment</u>	<u>Yearly Payment Difference More (Less)</u>
1975	\$ 284,439	\$ 311,026	\$ 26,587
1976	377,600	380,823	3,223
1977	410,600	407,985	(2,615)
1978	402,250	404,047	1,797
1979	393,850	394,973	1,123
1980	443,750	444,247	497
1981	431,950	431,873	(77)
1982	595,300	594,547	(753)
1983	593,550	591,723	(1,827)
1984	571,550	573,210	1,660
1985	549,550	549,560	10
1986	527,550	525,695	(1,855)
1987	504,850	506,475	1,625
1988	481,450	481,897	447
1989	458,050	456,994	(1,056)
1990	434,550	169,744	(264,806)
1991	<u>466,375</u>	<u>---</u>	<u>(466,375)</u>
Total Payments	<u>\$7,927,214</u>	<u>\$7,224,819</u>	
Proposed Savings			<u>(\$ 702,395)</u>

* Series 9-1-71, \$3,195,000
 Series 9-1-71, \$2,000,000

TO: FRANK DAYKIN
 FROM: HARRY O'NAN
 DATE: MAY 5, 1976
 SUBJECT: REQUEST FOR LEGAL OPINION ON REFUNDING BONDS

FACTS

1. The State issued the following refunding bonds in accordance with the provisions of NRS 349.334:

Refunded:

G/O Bonds 6/1/70	\$3,760,000
G/O Bonds 9/1/70	<u>2,740,000</u>
	\$6,500,000
Redeemed	<u>1,250,000</u>
Amount Refunded 5/72	<u>\$5,250,000</u>

Refunded:

G/O Bonds 9/1/71	\$3,195,000
Parks Acquisition 9/1/71 (Ch. 613, Statutes of Nevada, 1969)	<u>2,000,000</u>
	\$5,195,000
Redeemed or to be redeemed	<u>425,000</u>
Amount Refunded 6/74	<u>\$4,770,000</u>

2. On May 3, 1972, the Attorney General informed Mr. Barrett, Department of Administration, that the amount of the refunded bonds are to be excluded from the computation of the State's 1% debt limitation on bondings. (Copy attached. Also attached is AGO 646, dated 3/5/70.)
3. The refunding bonds issued in June 1974, refunded \$1,830,000 of Parks acquisition bonds which were not subject to 1% debt limitation. (See Article 9, Section 3 of the Nevada Constitution, and LCB report entitled "The State's Debt Limitation" dated January 1966.)

QUESTIONS:

1. Is the Attorney General correct in his letter of May 3, 1972, that the refunded bonds are to be excluded from the computation of the State's 1% debt limitation?
2. If the answer to question 1 is yes, does the State have a contingent liability in regards to the refunded bonds?
3. If the answer to question 1 is no, are both the refunded bonds and the refunding bonds included in the computation of the State's 1% debt limitation?
4. What is the effect of the 6/1/74 refunding issue in regards to the State's 1% debt limitation when one of the issues refunded is a Park issue which is exempt from the 1% debt limitation?

ATTACHMENTS

1. Attorney General's Opinion No. 646, dated March 1970.
2. Attorney General's letter dated May 3, 1972.
3. Refunding issue of May 1972.
4. Refunding issue of June 1974.

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING
CAPITOL COMPLEX
CARSON CITY, NEVADA 89710



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August 11, 1976

Mr. John R. Crossley
Chief Deputy Legislative Auditor
Legislative Building
Carson City, Nevada 89710

Dear Mr. Crossley:

Re: State of Nevada Refunding Bonds

In correspondence from Mr. Harry O'Nan dated May 5, 1976, this office was requested to render an opinion concerning the status of two series of general obligation refunding bonds issued by the state. Four questions were posed which are answered in restated form as follows.

Questions Restated

1. Shall the amount of indebtedness represented by the issue of General Obligation Refunding Bonds, Series May 1, 1972, and Series June 1, 1974, be included in calculating the 1 percent limitation on indebtedness as provided by the Nevada constitution and, if so, to what extent shall it be included?
2. Does the state have a contingent liability in regard to the indebtedness refunded by such bonds?

Discussion

For the purpose of discussion the two series of refunding bonds will be treated as one issue and referred to as the "new series." The various issues refunded, including the park bonds which will be distinguished later, will be referred to as the "original issue."

Question 1

The amount of indebtedness represented by the new series of

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bonds is to be included in the calculation of indebtedness under Nev. Art. 9, § 3 except for the amount issued to refund the General Obligation Park Bonds, Series September, 1971. The remaining amount of outstanding indebtedness under the original series is not to be included.

The legislature has provided for the refunding of general obligation bonds in NRS 349.330, et seq. and there is sufficient authority to hold that such refunding is only a change in form of indebtedness and not the creation of new indebtedness. Therefore the amount of the new issue which would otherwise be included in the calculation of the 1 percent limitation on indebtedness under Nev. Art. 9, § 3 is measured against such limitation; and those amounts exempt, redeemed or refunded under the original issue are excluded.

Included in the original issue was some \$2 million of general obligation bonds which are the subject of a specific exemption under Nev. Art. 9, § 3 and from calculation of debt limit known as the "natural resources" exception and discussed in The State Debt Limitation, (LCB-D, 1966, Appendix B, pp. 1-4). Using the concept of tracing and the original premise that a new debt is not created the amount refunded in the new issue which is specifically allocated to the park bonds is not to be included in the debt limit calculation.

Records indicate that the proceeds of the sale of the new issue are to be used to redeem a part of the outstanding indebtedness and to purchase federal securities, with the balance to be held in escrow as provided by NRS 349.338. In the opinion of the accountants acting for the state in this transaction the amount is sufficient to service the outstanding debt represented by the original issue and, hence, under the "special purpose doctrine" discussed in The State Debt Limitation (*supra*, Appendix D, pp. 1-3), the remaining amount of outstanding indebtedness under the original issue is no longer subject to the debt limit calculation.

Question 2

The state has a contingent liability in regard to the

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indebtedness refunded by the new issue.


While the fact remains that federal securities have been purchased and placed in escrow to service the debt outstanding under the original issue, nevertheless the state has a continuing obligation to use its full faith and credit to discharge this indebtedness in the event of a default or other event preventing payment of the obligation.

Notwithstanding this contingent liability this indebtedness is excluded from calculation of debt limit for the reasons expressed in the above question.

Very truly yours,

FRANK W. DAYKIN
Legislative Counsel

By


Larry D. Hardin
Deputy Legislative Counsel

LDH:jll

PROPOSED AMENDMENT TO A.B. 245

"To insure his faithful discharge of responsibilities as guardian of the estates of those veterans and dependents for whom he acts, the Commissioner shall execute and deliver to the Secretary of State his official bond in the penal sum of \$500,000.00 with a corporate surety licensed to do business in this state. Thereafter, notwithstanding any other ^{NRS 159 & 160} provision of law, a separate bond for each estate is not required."

It is the desire of the Nevada Commissioner for Veterans Affairs and his counsel, the Attorney General, that the above quoted language be substituted for the provisions of A.B. 245.