

MINUTES

WAYS AND MEANS COMMITTEE

NEVADA STATE LEGISLATURE - 59th SESSION

February 17, 1977

The meeting was called to order by Chairman Mello at 8:00 a.m.

PRESENT; Chairman Mello, Mr. Bremner, Mrs. Brookman, Mr. Glover, Mr. Hickey, Mr. Kosinski, Mr. Serpa and Mr. Vergiels.

EXCUSED: Bode Howard, due to illness.

OTHERS PRESENT: John Dolan, Assembly Fiscal Analyst; Bill Bible, Budget Division; Mike Alastuey, Budget Division, Assemblyman Sue Wagner; Assemblyman Dean Rhoads; Mike Melner, Director of Commerce; Pam Willmore, Deputy Director of Commerce; Dan Quinan, Fire Marshal; Rex Lundberg, Commissioner Consumer Affairs; Mary Van Kirk, Deputy Commissioner Consumer Affairs; Dr. Rick Rottman, Insurance Commissioner; Don Heath, Insurance Agent; Angus McLeod, Administrator Real Estate Division; Preston Tidvall, Superintendent of Banks; Les Goddard, Commissioner of Savings & Loans; and Oscar Gubelman, Administrator of Housing Division.

COMMERCE DEPARTMENT DIRECTOR. Mike Melner, Director of the Department of Commerce, stated that the Commerce Department is a traditional regulatory agency composed of eight operating divisions. A number of those divisions perform a very traditional kind of regulatory function, i.e., banking, savings and loan, real estate and insurance. Some of the others are less traditional commerce activities, i.e., consumer affairs, Fire Marshal and housing finance. The Director's office oversees the operating divisions of the department. The statutes say the Director should have administrative supervision over divisions of the department. Additionally, the department's role would be defined as sort of tying together the inter-relationship of the regulated industries. You will find that in most commercial transactions, more than one regulated industry will be involved. A small loan company, supervised by the banking division, will probably be selling insurance. A title company will be involved in insurance business and in real estate business and perhaps in banking and escrow functions. Additionally, the Director's office manages the legal problems of the division attempting to develop priorities in what cases they make and what cases they don't make. The Director exercises administrative supervision which is a statutory requirement. The Administrative Secretary to the Director maintains the records of the Director's office and tries to know where the Director is at any given moment. Mr. Melner then explained to the Committee the existing positions. Mr. Melner explained that Ms. Willmore's job is complicated in that a number of functions have been given to the Director's office that are not provided for anywhere else.

Ms. Willmore has been in charge of the thrift licensing function since its inception two years ago. The thrift companies were given to the Director's office. There is one licensed thrift company in Nevada that is fairly large and has seven branches. Since it has been in existence only two years, the Director's office has had to develop complete sets of regulations, a regulatory pattern, patterns of examinations and develop policies for the regulation of the thrift. The Director's office has had no experience in thrift regulation in Nevada. It is somewhat different than a bank or savings and loan and somewhat different than a corporation, but it is an uninsured depository. Additionally, Ms. Willmore is the acting administrator of credit unions. Credit Union legislation was given to the department in the form of a separate division two years ago. That division was unfunded and they have operated the division in the Director's office. They currently have, though the

budget itself says three credit unions, they almost have 7 licensed credit unions under the state statute. A number of these credit unions are cross-overs from federal regulation coming to state regulation because of certain differences in authorizations of investments and in kinds of memberships. Additionally, a central credit union has been formed under the state statute, operating somewhat as a central bank performing a central function in between the states and participating federal credit unions and additionally allowing a membership of groups that are not large enough to form credit unions themselves. Additionally, Ms. Willmore is now in charge of the Mobile Home Licensing function which, though assigned to the Fire Marshal, has been transferred by letter to the supervision of Ms. Willmore. Under NRS 232-005, the Mobile Home budget and the Mobile Home Licensing program is now operating in the Director's office. They hope to legitimize that transfer by legislation this session. Mr. Melner felt that it was incompatible for the Fire Marshal to perform his duties and to perform the mobile home duties together. The Fire Marshal was unable to perform his fire duties because of both a practical and personal conflict with mobile home duties.

Mr. Melner has asked for a transfer of a Principal Clerk Typist from the real estate budget (from Page 589).

Mr. Melner stated that he has estimated Thrift Company Operations authorization at \$2,500. He hopes to generate that in revenues. There is one problem with both the thrift company bill and the credit union bill. That is that they are not authorized to spend the fee that they generate for regulation on regulation. The money went right to the general fund. The department has introduced S.B. 125 which passed the Senate last week and is in the Assembly now.

Chairman Mello pointed out that Mr. Melner mentioned that the passage which created the credit union operation last Session went without funding. It went without funding because Mr. Melner said he could do without funding.

Mr. Melner said they were doing it without the funds and the funds they generated were very minor. The problem with credit unions is that the regulation requires examination and they are sort of in an unusual position of having to have credit unions pay examination fees almost directly. The same thing is true with the thrift company. Mr. Melner would like to be in a position of charging a fee and having the Director hiring the examiner.

Mr. Melner spoke to S.B. 125. He stated that S.B. 125, as amended, authorizes the department and the credit union division which is operating in the department to spend the fees it generates from the thrift and from the credit unions for the regulation, supervision and examination of those thrifts and credit unions. Some of the work that is being done on the bill accounting for the first re-print is the reluctance of Ways and Means and Senate Finance to establish new funds as a manner of dealing with things. They had asked for both the credit union fund and a thrift company fund. This just provides that the fund will be deposited in the treasury to the credit of the appropriate account. Accounts would be created in the Director's office and they would be able to spend those funds for the regulation of the industry involved.

Chairman Mello asked Mr. Melner is the thrift companies in Nevada can take the people like they were taken in Arizona? Mr. Melner said he thinks Nevada has a much tougher statute. They only have one thrift. One of the safety features in Nevada is the million dollar bond. They have gone a little beyond the statute in drawing the language of the bond so that it clearly runs to people in a depository relationship with the thrift.

Ms. Willmore stated she didn't see any reason right now to make the law tougher. Several areas that could be abused are areas that have been covered in the Nevada law. For one thing, the company is prohibited from lending more than 5% of their assets to any one corporation. A

typical way of running a thrift company in is to lend a lot of money to dummy corporations and then then the money is never collected and the thrift company goes bankrupt. This is precluded in Nevada law. There is also the restriction on getting other company banks and holding companies into the thrift company business. One of the California problems was a Beverly Hills bank that had purchased a thrift company. The Beverly Hills bank had a lot of bad paper from one of the auto dealers. They didn't want the paper. They forced the thrift company into taking the paper and, of course, when the time came to collect the money. the thrift company didn't have it. Nevada is not allowing any holding company kinds of arrangements.

The Sterm family is the only one in the State of Nevada. Mr. Melner stated that the statute seems to be pretty good for several reasons. The million dollar bond at first struck Mr. Melner as a touch anti-competitive, but they have drafted that bond to run protections to depositors. Mr. Melner also felt at first that the business was anti-competitive in not allowing thrifts to be held. Again, the thrifts that have gotten into trouble in California and Arizona have been held by someone else and used as a dumping ground for bad paper and bad loans. Mr. Melner stated that in regard to the operation of the thrift in Nevada, they have fairly conservative management. He feels thrifts get in trouble when they try to pay too much. It is a high risk business. You are making higher risk loans and paying more money to get it. A fairly conservative position has been maintained by this thrift.

Mrs. Wagner asked what kind of bond requirements Arizona had. Mr. Melner replied none.

Mr. Kosinski asked Mr. Melner if he believed that many of the people who deposit money in thrift companies are under the impression that their deposits are insured. Mr. Melner stated that they have had a continuing problem in that employees of the thrift company held out the aura of insurance. There is one fund in the statute called "Thrift Insurance Guarantee." That was a reserve that was set up for the thrifts to deposit in and the term "insurance" is in the fund. That fund is a very minor fund. Mr. Melner feels that they have kind of cured the problem of employees of the thrift company holding out the aura of insurance. They rely on the bond and Ms. Willmore approves all their documents.

Mr. Melner stated that a lot of people just presume that all financial institutions are insured. Mr. Kosinski asked if Mr. Melner would recommend a mandatory requirement that the company notify the depositors that as a matter of fact there is no federal insurance. Mr. Melner replied that he thinks it is a problem that has been handled well. He stated that you are going to have to assume that depositors have a degree of sophistication and feel that a million dollar depository bond guarantees your account. He doesn't want the thrift to say they are not insured. That is destructive of the institution. You have to presume that it is a legitimate institution. Ms. Willmore felt that a big red display on all their advertising regarding federal insurance would certainly let everybody off the hook in terms of notification, but she also is concerned that it might place an undue burden on the thrift company. Ms. Willmore has talked with the Thrift Company at length about the Thrift Insurance Guarantee fund and asked them to delete the word "insurance". For the most part, they have agreed and very little of their advertising does have the word insurance in it.

Chairman Mello stated that a decal could be placed on each door stating that they are not federally insured.

Mr. Glover asked how much money is on deposit with the Thrift Company. Ms. Willmore replied somewhere around \$7,000,000.

MOBILE HOME & TRAVEL TRAILER FUND. Ms. Willmore presented the Committee with a report concerning the activities of the Mobile Home Agency. (Please see attachment.)

FIRE MARSHAL. Mr. Quinan stated that when he was appointed Fire Marshal in 1972, the staff of the agency consisted of five people: the Fire Marshal, 2 Deputies, one Principal Clerk Typist, one 1/2 time Health Clerk and one 1/2 time typist. In 1977, Mr. Quinan has essentially the same budget, only the titles have been changed. The Principal Clerk Typist is now an Administrative Secretary, the one deputy is now a Life Safety Code Specialist, the two 1/2 time positions have been put together to make one Senior Account Clerk. The budget recommended for this biennium is just going along with the cost of inflation.

Mr. Quinan was elated when the Director asked him if he was emenable to get rid of the Mobile Homes Program and stated that was the finest thing that has happened to him in his career.

Mr. Glover asked if the Fire Marshal assists school districts in setting formulas that they are supposed to have for fire drills. Mr. Quinan said a lot of times they do. There is a statute that requires that schools hold 12 drills a year and that they also post an evacuation plan. The idea is to have the local authorities supervise those drills unannounced. The Fire Marshal does help the Fire Chief evaluate some of the drills. They get the reports on the drills. No children have ever been killed in the State of Nevada as the result of a school fire.

Mr. Quinan stated that the schools go through a painstaking review before they are even built. The Public Works Board enforces the Uniform Building Code, Mechanical Code and National Electrical Code. The Fire Marshal enforces the Life and Safety Code, so before the building is built and turned over to the school district, every safety feature that can possibly be put into the school is put in.

Mr. Kosinski asked about the transfer of the jurisdiction of the Mobile Home regulations out of his division and asked if there were people transferred out. Mr. Quinan replied yes, there were five people transferred out.

Mr. Serpa asked if at one time the training of the small counties' Volunteer Fire Department was under the Fire Marshal's Department? Mr. Quinan replied no, that has been a separate program for a good many years. It is under the University of Nevada extension program. It has its own separate budget that is in the University System. The Fire Marshal has contacted every Fire Chief in the state to attempt to find out what the Fire Marshal can do to help. A course in fire investigation was developed out of the Fire Marshal's office. They are developing a course for fire prevention activities.

Chairman Mello asked if all counties had Fire Marshals. Mr. Quinan replied, no. The two large counties have Fire Marshals, Lyon County has a Fire Marshal, Mineral County recently did away with their Fire Marshal and Carson City has a Fire Marshal. Chairman Mello asked why the state needed Mr. Quinan. "Why can't the Fire Marshals in the two large counties and Carson City do this work?" Mr. Quinan replied mainly because they cannot adopt the regulations that Mr. Quinan can. Their entities will not allow this to happen. They also many times cannot enforce the regulations that they do adopt. As a Fire Chief, they are also a Deputy Fire Marshal. This is by statute. They have the right to enforce all regulations that the office of the Fire Marshal adopts. The problem is not knowing how to enforce the regulations and not being able to do so for political reasons. Sometimes there is an absolute absence of enforcement, even though the ordinances and regulations are in force.

An example of this is the Mizpah Hotel in Tonopah. This hotel is one of the most dangerous hotel buildings Mr. Quinan has ever seen. A fire in that hotel would result in 10 to 30 lives lost. The Fire Chief called Mr. Quinan and said he understood that there was going to be a purchase on that hotel. Mr. Quinan told the fire chief now was his chance; the change in hotel ownership was the perfect opportunity to get corrections made. The Fire Chief tried and he didn't make it. Mr.

Quinan entered the scene to negotiate with the prospective buyer, the seller, the District Attorney, County Commissioners and the Fire Chief to work out some means by which that building could be improved. The end result was that \$150,000 was earmarked for improvements in that building.

Mr. Melner pointed out there is a degree of expertise that doesn't exist in rural Nevada. There are a very large number of volunteer fire departments in the remote rural areas. He stated that Mr. Quinan's relationship to them is important. Additionally, Mr. Quinan spends a lot of time on arson investigation in rural areas. The rural areas may have a very competent fire department, but they don't have arson expertise which is provided at the state level. Chairman Mello asked why they didn't contract with Clark and Washoe County Fire Marshals to let them make routine checks and provide training? Mr. Melner stated he didn't know how much that would cost. If the money savings are worthwhile, fine, but he thinks a state authority, perhaps, is more efficient and effective. Mr. Quinan stated that there are many people who want to do business in the State of Nevada. They want to build buildings here. They want products in those buildings that are approved by somebody. If they don't have a single state agency to come to, they are going to have to go to Las Vegas and Reno and all these different entities to get different approvals and different opinions. Somebody has got to make the decisions.

Mr. Melner stated that apparently the federal government thinks there should be a state coordinator, a state Fire Marshal. Perhaps that can go elsewhere into the line of government, but they run into that one, a central state agency for the coordination of fire programs in relationship to federal monies.

CONSUMER AFFAIRS DIVISION. Chairman Mello stated that A.B. 201 has to do with mobile homeowners and landlords. If A.B. 201 passes, will more people be needed for enforcement? Mr. Lundberg stated that is difficult to say. He stated that they would be able to handle the complaints if they came in at the same rate.

Mr. Lundberg stated that this budget is basically the same as approved last Session. There are the same number of personnel. The caseload has been growing, but right now they are able to handle the caseload.

Mr. Serpa asked if they had duplication with the federal Consumer Affairs Department. Mr. Lundberg replied no.

Mr. Bremner asked for an explanation of line item Legal and Court Expense. Mr. Lundberg stated that total expense is the reimbursement his office makes to the Attorney General's office for his staff Deputy that is assigned to Mr. Lundberg's office in Las Vegas. Mr. Bremner asked if there was any overlapping between that function and a function that might be performed in the Clark County District Attorney's office. Mr. Lundberg replied no, that there is cooperation between the Attorney General's office, Consumer Affairs office and the District Attorney's office in handling cases because Consumer Affairs cannot bring criminal action in violations of the law. The District Attorney assists the Attorney General's office in that sense. Being an in-house counsel, he can also help Consumer Affairs in day-to-day legal matters.

Mr. Lundberg stated that the special investigation fund is money that Consumer Affairs may need to be used to establish a case. For instance, if there is a suspected product or service going on in the community, they have to go out and shop and perhaps buy a product or a service to make a case.

Mr. Melner stated that Consumer Affairs is currently doing some shopping in Washoe County. There have been complaints about stores advertising items on sale and not having the item on sale or not charging the sale price. They go in and just sort of randomly shop and see what they are charged. They can require the merchant to reimburse or take the product back. What Consumer Affairs is trying to do is alter the

behavior at a higher level in the marketplace. If you go in and shop and go in and have a repair and you catch them at it, you make a little bit of press out of the matter and usually you won't have that merchant doing that kind of business again.

Mr. Serpa asked is Consumer Affairs finding problems with established stores or businesses? Mrs. Van Kirk stated that a large local store operated in Nevada and other states, has been shopped three times. The first time Mrs. Van Kirk shopped. Out of 19 items that she bought, she was overcharged on 16 of those items. That can be pretty impressive, even though we are talking about an \$8.00 purchase. These were little items. If you multiply that by the number of people who went in over a three day sale period, there's a lot of things happening. Mrs. Van Kirk said that the second time she shopped she had a very alert clerk and she paid sale price for every item. The third person who shopped was charged sale price for half of her items and regular price for the other half. This happens to be a store that does not sale mark its items.

Mr. Melner said they were additionally shopping another store. Mrs. Van Kirk went into the store where an item was advertised to see if the item was available and it was not available so she asked the manager about 6 items for a 3 day sale. The price was good enough that those six items would be gone immediately into the morning. One of the things the statute says is to have the reasonably expectable public demand available. You are led into the store because of the sale item and when a sale item isn't there, you stay and spend anyway. That's the whole business of what loss lenders are for. What Consumer Affairs wants to do is alter market behavior.

Mr. Melner stated that in the last six months they have tried to alter the function of the division because they have been a complaint agency handling cases on a nickel and dime basis. That really doesn't get you to the merchant and catch his attention. They are particularly doing this in the north right now. They are going out and shopping and finding these things and altering behavior at a higher level. They can get an assurance of discontinuance from a merchant which means he signs a legal agreement that he won't do it anymore and if he breaches, they can prosecute.

Mr. Rhoads pointed out that one of President Carter's main programs this year would be creating a Consumer Affairs Division on the national level which would lay another layer on bureaucracy. He asked how Consumer Affairs could foster more competition. Mr. Melner stated that one of the things NRS 598 provides is that it talks in terms of competition with the presumption being that the unethical businessman does as much damage to the honorable man as he does to the consumer. It is unfair competition if he doesn't provide the service. If he draws the consumer into the store and doesn't provide what he is promising, he has hurt the ethical man who does deliver what he is promising. He thinks the fostering of competition is in keeping the bad guy out of the marketplace. If you are the honest businessman and you have to compete with someone who is less than honest, you have the problem because his ads are deceitful, his products are deceitful and he is not delivering.

Mr. Kosinski wanted to get back to one of the earlier questions as to whether there was any overlapping with Consumer Affairs and the District Attorney's office. Mr. Kosinski pointed out that Mr. Lundberg did work with the various District Attorneys, at least in the larger counties, on certain investigations. What would the ramifications be of actually deleting Mr. Lundberg's office and transferring the necessary jurisdiction to the District Attorney's office. Mr. Lundberg replied that for one thing the regular workload of the District Attorney's office is much more complex and widespread than Mr. Lundberg's office, which is devoted to the consumer laws.

Mrs. Van Kirk stated she has had doings with Washoe County and they have reached even a more difficult position than Consumer Affairs has, insofar as they can't handle what they call any of the outside complaints. Mrs.

Van Kirk stated that there is no duplication in what Consumer Affairs is doing and what the District Attorney's office is doing because they don't have the time.

INSURANCE EXAMINERS.

DIVISION OF INSURANCE. Dr. Rottman gave the attached statement on the Insurance Division.

There are no new positions recommended. Dr. Rottman stated that at the present time there are four positions vacant: (1) one clerical spot that was just vacated because the individual had a promotion and went to another agency. The other three positions they are recruiting for generally but it has become a necessity that they hold these open until the end of the year to fund their data processing costs. The other three positions vacant are the Chief Deputy Commissioner (vacant since last Spring), the Associate Actuary (vacant three months) and the Accountant (vacant for about 8 months).

Mr. Glover asked what the rate of turnover has been in the Insurance Division office. Dr. Rottman stated he didn't feel it was excessive.

Mr. Glover asked Dr. Rottman what kind of assistance he was getting from personnel in recruiting these positions. Dr. Rottman stated that during the past 24 months, his office has gotten some pretty good assistance.

NATIONAL ASSOCIATION OF INSURANCE EXAMINERS. Dr. Rottman stated that this is a revolving fund. The fees for this are generated by an assessment of up to \$10.00 for insurance company licenses. The money is expressly noted by statute to be spent for NAIC expenses. There are two annual meetings per year that last for a week each and they have numerous taskforce and sub-committee meetings for the purpose generally of drawing up model rules and regulations that they can use in the various states. The meetings for these are held all around the country. In two instances, meetings were held in Puerto Rico and Mexico City. The actual costs for those meetings was not any more than had they been in New York City. They created a great deal of consternation among the association and they avowed not to go outside the continental limits of the United States again. Dr. Rottman stated that Nevada has hosted the national meeting in Las Vegas in 1973 and will host it again in 1978. This is a pretty good economic boon to the state.

Chairman Mello requested a new budget to reconcile the problems in the Actual year.

PREPAID FUNERAL AND CEMETARY FUND. This is a revolving fund which was created during the 1971 Legislature to receive the licensing fees for the prepaid funeral and endowment care of cemetaries. It was decided at that time that these fees would be very modest and they have continued to be modest over the period of time. There has never been enough money to hire a full time individual out of the fund so the monies that are collected in the fund are used for operating and in effect the monies it takes to regulate this particular area comes out of the Insurance Division budget.

Mr. Don Heath (C.L.U.) spoke to the Nevada State Insurance Division budget. His speech is attached.

REAL ESTATE ADMINISTRATION. Mr. McLeod stated that the Division of Real Estate is one of eight divisions which make up the Department of Commerce. The Administrator and the Deputy Administrator are unclassified and appointed by the Director of the Department of Commerce. There are two offices-a headquarters office in Carson City and a branch office in Las Vegas. The division is responsible for administrating and enforcing two acts, the Brokers and Salesmen Licensing Act and the Land Sales Act. The Brokers and Salesmen Licensing Act requires that persons who act as agents in the sales and conveyance of real property qualify for and hold a license. Operating under the division, pursuant to this act, is a five member commission known as the Real Estate Advisory Commission. This commission is comprised only of state brokers and they are appointed by the Governor. Its basic function is to approve

or disapprove applicants for license, establish standards of conduct for real estate licensees and act as a hearing disciplinary body on complaints brought against licensees by the Real Estate Division.

The Land Sales Act requires registration of certain sub-divisions sold in Nevada. The division collects a number of fees.

Pages 591 and 592 in the budget display a number of workload statistics, which justify the existing staff.

The Governor's proposed budget for the real estate division is strictly a maintenance of existing effort budget. No new programs are included. Except for a portion of the examination fee retained to pay the cost of examinations, the budget is totally funded by general fund appropriations. The first year of the biennium the Governor is recommending an appropriation which is about \$36,000 less than the appropriation granted by the Legislature for the current year. Much of this reduction comes from the deletion of two existing positions. One of these positions, District Officer Manager, has been vacant since last June. The other deleted position, a Principal Clerk Typist, is being transferred to the Director's Office (to Page 574). The division has no other vacancies.

Out-of-state travel was reduced over the work program year by approximately \$1,800. The amount recommended by the Governor will fund the Division's participation at one national and one regional meeting. In addition, there are funds to provide attendance at one national Land Sales Regulatory Conference and one trip to Educational Testing Service in New Jersey, which is the organization which prepares and administers the real estate examination in Nevada.

In-state travel is only moderately increased. In the amount recommended, it should be pointed out that approximately \$6,000 is spent by the real estate advisory commission and by the Attorney General's office for conducting their responsibilities. The total operating funds recommended by the Governor are only 5% more than they actually spent in 1975 and 1976. Mr. McLeod stated that this is a tight, responsible and adequate budget.

Chairman Mello asked how much money is generated into the general fund by the land sales activity. Mr. McLeod replied \$67,000. Mr. McLeod stated that they were becoming somewhat more active in land sales activity, not in the big subdivisions, but in the smaller subdivisions.

REAL ESTATE RECOVERY. Mr. McLeod stated that in addition to their annual license fees, each licensee also pays \$15.00 into this particular fund. This fund is maintained at a \$50,000 balance. The purpose of the fund is if the licensee injures someone in a real estate transaction and the licensee turns out to be judgment proof or doesn't have any assets to liquidate the judgment, they can come to this fund and get the judgment satisfied. The law also says that the fund is limited to \$50,000 and any amount over that is transferred to the educational research fund to be spent on such things as seminars and training

BANKING DIVISION. Mr. Preston Tidvall reviewed the attached statement with the Committee.

Mr. Bible pointed out to the Committee that this budget reflects a reorganization and for 1975-76 and the current work program year, this account reflects the consolidated appropriations of the Banking and Savings and Loan Division while the two request years will simply be the Banking Division. The Savings and Loan Commission has a separate budget so we cannot compare the actual expenditures to the recommendations.

There are no unfilled positions in the Banking Division.

Out-of-state Travel. The division requested \$1,500 and the Governor recommends \$750.00 for both years. This is quite a limited amount for the division because of the fact that Mr. Tidvall has charge of the

banks and also the small loan industries in the state.

Mr. Tidvall is requesting one new position this year, that of Assistant Superintendent of Banking. It is in the budget at \$21,500 and has been favorably approved by the Governor. This person will assist Mr. Tidvall in the Banking Division. He will take over some of Mr. Tidvall's duties in the areas of the small loan companies and the collection agencies so Mr. Tidvall will have more time to take care of banking affairs.

Mr. Serpa asked does the Banking Division work with the federal examiners? Mr. Tidvall replied yes, there are examiners of the Federal Deposit Insurance Corporation. They are regular bank examiners and by law they go in with Banking Division on one of their two required examinations each year. The other examination in this 18 month period is performed by Banking Division.

Mr. Kosinski asked if federal regulations require these two examinations? Mr. Tidvall replied no, the NRS.

Mr. Kosinski asked Mr. Tidvall if he thought that a joint examination between Banking Division and the federal examining officers is an adequate examination. Mr. Tidvall replied yes.

Mr. Kosinski asked Mr. Tidvall if he would be opposed to a change in NRS that would limit examination to once a year by these joint examinations between the federal government and Banking Division. Mr. Tidvall replied he would not be in favor of this. He thinks it would be a giant step backwards.

SAVINGS & LOAN DIVISION. Mr. Goddard stated that this Division is composed of three people: himself as Commissioner, an Examiner located in Las Vegas and two half-time Stenographers. This is the way it existed six years ago. Today, there are six Savings and Loans with 43 branches and over a billion dollars of assets, which is double what it was in 1971. Four years ago they added mortgage companies to the list of duties for the Commissioner of Savings & Loan. Today there are 61 licensed mortgage companies. They make one examination a year of each association jointly with federal personnel. This is necessary because with one examiner, Mr. Goddard could not possibly examine six associations. He coordinates very carefully with the federal people so that they in effect make a thorough examination between them of the entire organization that they are investigating. Then they exchange all information between themselves.

Mr. Goddard stated that he has asked for more personnel. He has been given, finally, one more examiner. He has indicated in the information given to the Committee (which is attached) that what he really would like would be a Deputy Commissioner who can be in charge of the mortgage companies and then help in the mortgage aspects of the Savings & Loan investigations and examinations. The half-time Stenographer has been increased to full time which will be of considerable help. That is the extent of what the Governor's budget has recommended.

Mr. Kosinski asked Mr. Goddard if he was as upset as Mr. Tidvall about the cut in out-of-state travel. Mr. Goddard replied yes, it is impossible for him to go anywhere.

HOUSING DIVISION. Mr. Oscar Gubelman stated that the purpose of the Housing Division is to assist in the financing of housing of homes for low and moderate income families. This is done through several different methods. One is through selling tax exempt securities in the public market and using the funds to assist families in single family mortgages. This is done through what is called a Loan to Lenders Program and through a Single Family Mortgage Purchase Program. They did a Loan to Lenders Program last April where their lending institutions were able to make 8% loans to families. To this date, loans committed under that plan are 197. \$6,000,000 has been loaned or committed to be loaned under that program. There is still \$1.5 million to \$2 million left which has been committed to builders and will be loaned over the next two to three months.

Housing Division is planning to sell 15 to 20 million dollars in 30 year bonds on the 5th or 6th of April in a new program (Mortgage Purchase Program) where they will be purchasing mortgages from mortgage bankers, commercial banks and Savings & Loans that originate these loans. It is hoped that those loans would be made to moderate income families at about 7%.

Mr. Vergiels asked about the three projects in Las Vegas, the number of units and the amount of money involved. (These figures are in the attached Memorandum from Mr. Gubelman, dated February 17, 1977.)

Mr. Gubelman's position as Administrator is recommended for a 10.5% increase and Mr. Bible stated that Mr. Melner had the Governor's permission to request more. Mr. Melner feels that the Administrator's salary should be brought into line with other Administrators in the department and perhaps even beyond. He is handling vast amounts of money with a great degree of responsibility.

Mr. Gubelman stated that the Housing Division is now self-sufficient. Next year they will not need any state funds whatsoever.

Chairman Mello asked for an explanation of the new positions that were requested. Mr. Gubelman stated that the program that they hope to commence in April (Mortgage Purchase Program) needs a minimum of two people in addition to the staff they have now. It requires a lot of documentation received from the home lenders and requires a lot of constant follow-up.

The meeting adjourned at 11:45 a.m.



MIKE O'CALLAGHAN
GOVERNOR

STATE OF NEVADA

MOBILE HOME AGENCY

KINKEAD BUILDING (CAPITOL COMPLEX)
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MICHAEL [REDACTED] ER. DIRECTOR
DEP. [REDACTED] COMMERCE

PAM WILLMORE
DEPUTY DIRECTOR

MOBILE HOME AND MANUFACTURED
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February 16, 1977

TO: ASSEMBLYMAN MELLO AND MEMBERS
OF THE WAYS AND MEANS COMMITTEE

FROM: PAM WILLMORE *PW/dc*
DEPUTY DIRECTOR
DEPARTMENT OF COMMERCE

RE: MOBILE HOME AGENCY

Attached is a report concerning the activities of the Mobile Home Agency. If we can be of further assistance, please do not hesitate to contact our office.

PW:dc

The county assessors of Nevada report that there are approximately 40,000 mobile homes in the State of Nevada, and their assessed valuation is \$73,064,479.00. Approximately 85% of them are located in Clark and Washoe Counties. We estimate that approximately 100,000-120,000 Nevadans live in mobile homes.

The Mobile Home Agency handles a number of different kinds of problems concerning mobile homes, including consumer complaints against dealers and manufacturers, dealer complaints against manufacturers, various construction safety standards for mobile homes and travel trailers manufactured after January 1, 1968 but before June 15, 1976, the dealer and salesmen licensing program and the installation program.

The following information represents a breakdown, by categories, of the activities of the Agency:

CONSUMER COMPLAINTS

Complaints by consumers
against dealers and
manufacturers, non-HUD
units:

1974	133
1975	166
1976	140

Corrections required by the
Agency of the manufacturer
and dealer on behalf of the
consumer:

1974	112
1975	138
1976	85

Complaints by dealers
against manufacturers:

1974	42
1975	18
1976	36

Corrections required by the
Agency of manufacturers on
behalf of dealers:

1974	27
1975	8
1976	23

Complaints by consumers
against dealers and
manufacturers-HUD units:

1976	5
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The HUD rules and regulations preempting the various construction manufacturing programs of the states was effective as of June 15, 1976. The HUD program provides for a considerable amount of participation by the states, but it also provides that HUD will take it upon itself to implement its program if a state declines to participate. Accordingly, the Agency applied for and was granted conditional approval as a State Administrative Agency in August, 1976. The Agency is responsible for processing all consumer complaints concerning mobile homes manufactured under HUD standards. We are paid \$9.00 for each new HUD certified unit sold in the State.

MANUFACTURING PROGRAM

Mobile Home and Travel
Trailer Certificates of
Compliance issued:

1974	1,121
1975	339
1976	496

Corrections required of
manufacturers before issuing
Certificates of Compliance:

1974	138
1975	188
1976	121

Mobile Home and Travel
Trailer plan approvals:

1974	0
1975	319
1976	67

Plan corrections required
of manufacturers before
approval:

1974	0
1975	14
1976	7

In-plant inspections
of mobile home and
travel trailer manu-
facturing plants:

1974	0
1975	39
1976	41

In-plant deficiencies
found and reported to
manufacturers:

1974	0
1975	110
1976	133

Mobile Home and Travel
Trailer manufacturer's
licenses issued:

1974	104
1975	97
1976	99

Dealer Lot Inspections for
the purpose of discovering
mobile home deficiencies:

1974	88
1975	73
1976	51

Mobile Home deficiencies
discovered through dealer
lot inspections:

1974	38
1975	27
1976	31

Although HUD is now responsible for setting construction standards and for monitoring the manufacture of mobile homes, the Mobile Home Agency is still responsible for certifying and monitoring the construction standards of travel trailers and for certifying mobile homes manufactured after January 1, 1968 but before June 15, 1976 that are either altered, or rented, leased or sold for the first time in Nevada.

DEALER AND SALESMAN LICENSING

Dealer Licenses issued:

1975	4
1976	78
First month of 1977	58

(Program transferred from
DMV to Mobile Home Agency
as of July 1, 1975)

Salesman Licenses issued:

1975	36
1976	175
First month of 1977	105

(Program transferred from
DMV to Mobile Home Agency
as of July 1, 1975)

INSTALLATION PROGRAM

Mobile Home Park Inspections:

1975	93
1976	64

Deficiencies reported to
mobile home park owners:

1975	68
1976	44

In July, 1975 the Agency promulgated a regulation adopting all of the provisions of NFPA Standard 501A. The statutory authority for this regulation is found in NRS 489.280(1)(b). NFPA Standard 501A sets construction safety standards for mobile home parks as

well as installation standards for mobile homes. The regulation adopting 501A in total was rescinded in August, 1976, because the Agency found it did not have enough personnel to effectively administer the program.

Mobile Home On-site Installation Inspections:		Deficiencies found and corrections required:	
1976	3,014	1976	1,507

In August, 1976 the Agency adopted the present mobile home on-site installation regulations. These regulations were also promulgated under the statutory authority of NRS 489.281 (1) (b), and are consistent with the installation standards found in NFPA Standard 501A. (See 489.281 (2))

Mobile home on-site installation inspections are performed by city and county building departments, independent third party contractors, and, to a limited extent, by the Agency's mobile home inspectors. We have contacted all of the city and county building departments in the State in an effort to get them to administer the installation program. We have entered into cooperative agreements with every city and county building department that was willing to enter into an agreement with us. In some instances we have entered into an agreement with independent third-party contractors to perform inspections when the city or county building department declined to participate. The installation regulation is not being enforced in all of the cities and counties at the present time.

Lynn Krupp of the Washoe County Building Department estimates that when they first took over the program approximately 350% of the installations they inspected were defective.... in short, they inspected each unit at least 3 times before they could certify it as safe according to the regulations promulgated by the Agency. At the present time Mr. Krupp estimates that at least 20% of the mobile homes inspected by Washoe County for the first time cannot be certified.

Walter Leake, an independent third-party contractor who performs inspections in Clark County, estimates that approximately 50% of the units he inspects must be reinspected at least once.

MISCELLANEOUS

Limited inspections performed
on behalf of gas suppliers:

1974	not available
1975	not available
1976	30

Mobile Home and Travel Trailer
Advisory Commission Meetings:

1974	4
1975	4
1976	4

Trailer Coach Association
Meetings:

1974	10
1975	8
1976	12

Meetings with city and
county building depart-
ments:

1974	13
1975	22
1976	36

Seminar concerning mobile
home installation regulations-
Carson City, Elko, Las Vegas:
1976 3

Hearing on proposed regulations-
Carson City:
1974 2
1975 1
1976 1

February 17, 1977

TO: Assembly Ways & Means Committee
FROM: Donald W. Heath, CLU
RE: Executive Budget Nevada State Insurance Division 1977-78

Gentlemen:

I would like to introduce myself to you further. I have been a licensed life and health insurance agent in Nevada for 10 years. During that time, I have been involved as an agent for 6 years and in staff and 2nd line management for 4 years. I hold the CLU designation from the American College of Life Underwriters, and I am proud to report that since returning to the full time practice of personal production, I am currently a provisional applicant for The Million Dollar Round Table.


I have had the honor of chairing the Insurance Commissioner's Life and Health Insurance Educational Advisory Committee since 1973 and have been a member of the Nevada Life and Health Guaranty Association for approximately 2 years. Both of these committees have worked without pay and I feel for the betterment of the consumer of the State of Nevada. The first committee I mentioned has dealt with the requirements for permanent licensing and has recommended various regulations and procedures to our commissioner. The second committee has worked with financially troubled Life and Health insurance companies doing business in Nevada. As a member of this committee, we have been able to protect the best interests of the people of the State of Nevada regarding claims processing and payments. My reason for being here this morning, is to speak not as a representative of my company, nor as a representative of these committees. I appear before you as a citizen and a licensed Life and Health insurance agent, and in that vein, I am happy to recommend and commend to you the

Executive Budget of the Insurance Division of the State of Nevada.

If I have any qualms, it is that the budget presents less than I feel is really needed, most particularly in the area of enforcement, investigation, examination and salaries. It is because of these and similar concerns that I feel compelled to ask you to consider favorably the Executive Budget as recommended and presented to you.

In summary, thank you for your time and consideration in hearing from one of the people from the front lines. Personally, I am extremely proud of the caliber of our Insurance Division personnel and the job they have done and hopefully will be able to continue with proper funding.

Respectfully submitted,


DONALD W. HEATH, CLU

11/10/55
C. W. Long

INTRODUCTION

The primary objective of the Insurance Division is to regulate the business of insurance such that Nevada citizens will have available for purchase the best insurance products at a fair and equitable price. This will enhance the public confidence in insurance, which will permit the public to derive the maximum utility from the insurance products that they consume.

In order to achieve this object, heavy emphasis must be placed on monitoring insurance companies' financial condition, regulating company and agent business practices, regulating the competence and reliability of agents, and regulating the pricing of insurance products.

Five additional objectives of the Insurance Division should be noted. First, all insurance licenses, fees, taxes and fines must be collected that are due the State of Nevada. Second, hospitals and nursing homes are required to develop uniform accounting standards and make complete and useful financial disclosure. Additionally, capital expenditures of hospitals will be regulated. Implicit in this objective is the development of ways to control health care costs.

Third, all of the necessary types of insurance (such as medical malpractice) will be made available to individual and business consumers. This may entail the establishment of essential insurance plans such as the Nevada Medical Liability Insurance Association. Fourth, an excellent risk management

program must be maintained such that the property and liability risks facing the State of Nevada can be adequately controlled and insured to minimize the cost of the pure risks facing the state. Fifth, all burial plans and endowment care cemeteries must be regulated in the consumer interest.

It should be noted that the Insurance Division probably is the only state entity that regulates and taxes interstate industry. The budgetary significance of this is that more out-of-state communications and travel expenses are incurred than for an agency regulating an intrastate industry. Additionally, more competent personnel must be retained because national rather than state experts in the fields of insurance examinations, law, actuarial science and insurance are brought in by insurance companies to achieve their point of view or objective. If our people are not equally competent the people of Nevada suffer.

SELECTED FUNCTIONS

Consumer Complaints and Inquiries

An essential regulatory responsibility of the Insurance Division has, and will continue to be, the handling of consumer complaints. Requests primarily involve insurance company delays in payment or disputes over the monetary amount of proposed insurance company settlement. In the last few years, increasingly numerous questions and requests have arisen concerning the reliability of a company or agents and the clarification of

various insurance terms of policies.

Today's consumer, via the media, has become acutely aware of the importance of understanding his own insurance policies and his right to obtain the best coverage possible at the most reasonable price.

Most Nevadans are aware of the concept but fail to understand the functions of the no-fault insurance law. The complaint section as well as the Casualty Actuary continues to spend considerable time explaining the protection of Nevada's no-fault law to the public.

During the past two years, the area of countersignatures has received concentrated emphasis: consequently, substantive efforts of the complaint section involve clarification of the countersignature law.

The successful assistance given to so many Nevadans by the complaint section has stimulated the citizen's awareness of the availability of the service.

The requests for assistance via telephone and mail multiply each year. In 1971, the Insurance Division handled only 919 complaints with only \$380,000 being recovered. In 1975, 2,497 complaints were received, and approximately \$2,400,000 was recovered. During calendar 1976, the number of complaints is expected to approach 3,000 with an anticipated recovery of \$3,000,000.

2. Surveillance of companies' financial solvency

In order to ensure fair and equitable treatment of Nevada policyholders, to promote an adequate and healthy market for all lines

of insurance, and to ascertain whether insurers will be financially capable to performing on their contracts, concentrated staff time and priority is allocated to insurance company surveillance and examination.

Due to the heavy inflation rate and the fluctuation of the stock market, it was necessary this year for both the Nevada Insurance Guaranty Association and the Nevada Life and Health Guaranty Association to make assessments against the insurance companies doing business in the State of Nevada in order to fully protect the interests of Nevada citizens. Through continued and extensive surveillance, the Nevada Insurance Division was able to anticipate insolvencies long before their occurrence. The companies had been told, in most instances, to terminate writing any business in Nevada, thus reducing the potential for injury to Nevada citizens. In most cases, the company's license had been returned to the State before the company was officially declared insolvent through the court.

It has taken the exclusive time of at least five staff personnel to stay on top of the current financial situation. In order to keep themselves current, they constantly read various trade journals and newspapers, as well as thoroughly evaluate the examination report for each of the 900 licensed companies and, when necessary, perform special spot examinations. Companies must be comprehensively examined at least every three years by statute and evaluating these reports is a time-consuming project. In addition, special reports are received from examiners in the various zones and each of these must also be analyzed. The Division also receives the N.A.I.C. Early Warning Report which

is continuously monitored by staff personnel. Watch cards are maintained on companies who might have trouble and, for these companies, quarterly financial statements are requested. These too must be thoroughly studied, all on a timely basis. In 1975, the Division participated in 17 zone examinations and approximately 27 special company exams. In 1976 to date, the Division has participated in 20 zone examinations and approximately 9 special company examinations.

In order to more fully protect the citizens of Nevada, many of the companies doing business in the State have been required to deposit securities with the State Treasurer for the benefit of the Nevada policyholders. In the case of an insolvency, this provides the Nevada policyholder with another form of protection if the company is not fully able to meet its obligations. In 1975, 4 previously admitted companies were obliged to deposit securities, and three other companies were also compelled to post securities prior to admission. To date in 1976, 7 companies have been required to deposit securities.

Agency audits and insurance investigations

To protect the interest of the consumer, it is important to conduct special and routine audits of various insurance agencies throughout the State. The most essential part of any of these audits is the examination of the agent's trust account. The money held in these accounts belongs to the consumer who must be properly protected. Various other items are checking the payment of returned premiums, verifying that only authorized agents countersign policies and that coverage is placed through licensed

companies, and also ascertaining cases of twisting, rebating, and selling through non-licensed agents or companies.

During calendar year 1973, these activities resulted in 14 insurance company hearings and 13 agency hearings. In calendar year 1974, however, there were 41 insurance company hearings and 42 agency hearings. In calendar year 1975 increasing emphasis was placed on the area and there were 51 insurance company hearings and 81 agency hearings. The hearings in calendar year 1975 resulted in the total payment of \$20,600 in fines. To date in calendar year 1976 there have been 27 insurance company hearings and 18 agency hearings, and these hearings have resulted in the sum of \$6,500 being paid for fines. The reduction in the number of hearings is directly related to the new expansion of legal rights, including discovery with regard to administrative hearings, the division's involvement in major litigation as a named defendant, and appeals to district courts over every decision of the division. At the present time, there are 127 investigations in progress.

The division has achieved a better regulatory position due to these routine audits because of the resulting knowledge of the insurance market and regulatory exposure to the agents. These audit hearings have resulted in the levy of numerous fines and a number of revocations and suspensions for both agents and companies.

4. Tax collection

The Insurance Division's main responsibility in the area of tax collection is to assure that each company pays a minimum of 2%

premium tax on the business written by the company during each calendar year or pays the premium tax as calculated on the basis of the retaliatory tax. The fines recovered from agency audits and investigations, as well as the agent, broker, and solicitor license fees, are also included within tax collection efforts.

When the 900 companies (approximate figure) are annually relicensed in March, each company's Annual Statement and Tax Statement must be reviewed. The audit must include each tax area, and the company must be notified of any additional revenue due. Each company is entitled to a hearing if there is any type of dispute, and a requested hearing must be scheduled.

The table below illustrates the increase in each of six areas for the taxes, licenses and fees that were collected by the Insurance Division during the past four fiscal periods:

	<u>1972-73</u>	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
Premium Tax	3,757,366	4,173,422	5,008,397	<u>5,574,290</u>
Retaliatory Tax	246,751	320,453	460,387	<u>438,514*</u>
License Fees	293,738	316,989	321,995	<u>339,615</u>
Fines	14,092	11,875	17,494	<u>20,600</u>
Examination Fees	19,379	16,709	32,855	<u>18,499</u>
Miscellaneous	<u>35,888</u>	<u>34,552</u>	<u>31,354</u>	<u>33,890</u>
	4,367,214	4,874,000.	5,872,482	6,425,408

It should be noted that the retaliatory tax collected for the period 1975-1976 was reduced from the period 1974-1975 because of substantial changes in New York City's premium tax law and the consequential effect on Nevada's retaliatory tax.

Due to the vigilance of the Insurance Division staff in assuring that the companies pay all the taxes that are due, the amount remaining to be collected for premium taxes is between \$3,000-\$4,000. This figure is significantly lower than the \$15,000 which remained to be paid last year and required correspondence for approximately six months.

5. Licensing of companies

Each year approximately 900 insurance companies are relicensed. Most of the companies are relicensed after a brief audit of their Annual Statement and Tax Statement. However, approximately 50 companies always need a further review, and these are placed on a special watch list. Although all companies are monitored throughout the year, the relicensing procedure reveals problem companies which are frequently asked to submit quarterly financial statements for thorough review. It is also essential that companies which are seeking admission to do business in Nevada be given a thorough review and complete evaluation to determine that they will contribute to a healthy insurance market. As much, if not more time, is spent reviewing these companies' papers than is spent reviewing already admitted companies.

6. Agent Exam & Licensing

Approximately 80 agent examinations are administered

monthly in both the Las Vegas and Carson City offices. Licenses are then prepared for each examinee who passed. Each examinee who failed is set up for the test again. The license which the agents receive is only a non-permanent license. A permanent license must be obtained by each agent within a two year period.

The second-part examination for a permanent life and health license is now being given. The second-part examination for a casualty, property and surety license has just been prepared after many hours of great effort and is scheduled for use in the near future. The first permanent life and health examination was given in August, 1975, and the examination has been given every three months since that time. At present, 40 agents have received their permanent license by taking the examination. There were 19 agents who took the test in June, and 40 are in the process of completing the educational requirements as an alternative to taking the second examination. Considerable staff time has been devoted to this project which now consumes the full time of one staff member and the assistance of four others.

Rate and form analysis

Considerable emphasis has been placed on insurance rate and form review and analysis. This has resulted in reducing the cost of insurance to Nevada consumers by approximately \$7 million since January, 1973. The following table illustrates some of the rate savings of 1975 and subsequent that have been tabulated by lines:

Private Passenger Automobile	1,300,000
Commercial Automobile	200,000
Homeowners	300,000
General Liability	200,000
Commercial Fire Rate Savings	1,250,000
Accident and Health Rate Reduction	400,00

In addition to the time spent in rate analysis, each individual life, health and accident policy must be studied. The same is true of all property and liability policies.

At the present time, studies are being conducted on sex discrimination in the life and health area. The rates for men and women in various age categories are being compared, and another study on mandatory conversion for the aged is being done. The purpose of the aged study is to assure that people over age 65 can obtain insurance at a reasonable cost. The various advertising methods for health policies are being studied to determine if any are misleading.

During the last session of the Legislature, several bills were passed to alleviate the medical malpractice problem. It has taken much of the Casualty Actuary's time to study this area and analyze loss prevention techniques which would held to reduce rates. Several staff members have been devoting considerable time to keeping up with this issue and with the techniques used in other states to help deal with the continuing crisis.

6. Pre-need and endowment care cemetery surveillance

The entire area of sales, market conduct and surveillance of all trust money is regulated by the Insurance Division. Although the laws are weak in this area, every effort is made to protect the consumers who purchase pre-need and funeral care services.

4. Hospital accounting (Health and Care Facilities)

The last session of the Legislature delegated a new responsibility to the Insurance Division being the establishment of uniform accounting and reporting techniques for health and care institutions. The project has begun and the initial manual establishing standards to be used by health care institutions is in the process of being printed. The information that is collected from hospitals throughout the state will have to be compiled. Statistical studies and comparisons will be made, and data collected will require verification by auditing the hospitals. The regulatory activities will result in controls that can be used to lower the rate of increase in institutional health care costs.

SPECIAL PROJECTS

As more of the existing staff members' time becomes available, serious consideration will be given to the following areas:

Major Risk Survey

This important project which was previously undertaken by the Insurance Division had to necessarily be discontinued because staff time had to be placed on the priority of company solvency and investigations in all areas of insurance regulation. This survey can be extremely valuable in assisting the Insurance Division to avoid

the dilemmas of the unavailability of essential insurance. The unavailability of essential insurance is clearly demonstrated by the recent medical malpractice crises. Information obtained from the questionnaire distinguishes areas of major insurance and whether the market is adequately covered by insurance companies. Furthermore, the information would definitely increase the amount of taxes which have remained uncollected due to unavailability of staff time.

The questionnaire provides valuable information by denoting companies that do business in the State of Nevada without benefit of a license. The information also identifies unlicensed agents or agents who countersign policies for a specific insurance company without authority. Additionally, data from the questionnaire will reveal the activities of surplus lines carriers (carriers not licensed in Nevada but allowed to write specific risks), thus enabling the division to check on the surplus lines associate and determine whether premium taxes and stamping fees are properly paid.

Shopper's guide

It has become apparent that a consumer's shopping guide to various types of insurance will have to be prepared. Several states now have them in use and they have served a valuable purpose. Nevada has never had the funding, nor staff time, to undertake a similar project, but the need for a shopping guide is imperative.

Audits of various retailers

Many retailers in the State of Nevada are unknowingly or knowingly selling insurance with neither the benefit of an agent's license nor the benefit of an insurance company. Many retailers are assuming the risk of being an insurance company without complying with the Nevada insurance laws, e.g. the demonstration of minimum capital and surplus requirements. Consequentially, the actions of these retailers leave the Nevada public unprotected by the Nevada insurance laws and permit the retailers to have a competitive edge with the insurance market that is required to comply with the laws and pay premium taxes. Regulation in this area is important but would require much of the staff's time to discover the various retailers providing this type of service to thoroughly investigate the facts to determine the occurrence of a knowing violation of the law and to bring the matter to hearing. In prior years, the Nevada Insurance Division has not had the time to undertake such a project.

The above list of increased responsibility and performance of the Insurance Division is by no means exhaustive. It is provided merely to give the reader some idea of the projects completed and areas yet to be undertaken. The division will be pleased to justify any additional matters and answer any questions concerning activities that have not been set forth in sufficient detail or that may not be covered herein.

LINE BY LINE JUSTIFICATION

The following is a line-by-line justification of the Insurance Division budget request.

One of the most difficult problems is to predict with some accuracy the rate of inflation that will occur during each of the following two years. In an effort to secure the best input, two University of Nevada professors were consulted, one is an authority in economic forecasting. Both agreed that the minimum rate of inflation would be seven percent (7%) each year while they considered it possible to experience a rate of inflation of nine percent (9%) to ten percent (10%). Both concur, and I agree, that a rate of eight percent (8%) is reasonable for each year.

In an effort to be conservative, an inflation rate less than eight percent (8%) is used for the first year unless circumstances dictate otherwise, while eight percent (8%) is the most common figure used for the second year of the biennium.

We will be most willing to further clarify any items which you wish explained.

Category 02 - OUT-OF-STATE TRAVEL

The tremendous pressure for the limited funds that the Legislature has available is recognized. The amount of \$1,500 is requested for fiscal year 1978. An increase of \$850 over 1977's work program is requested to allow the essential travel required for the interstate study of health care costs directed by the 1975 Legislature.

The division has provided for no inflationary increases for either fiscal 1978 or 1979 in this category because of a continual effort to minimize the cost of this category.

Category 03 - IN-STATE TRAVEL

The division is requesting \$19,520 for fiscal 1978 which is an increase of \$3,520 over the 1977 work program. The increased funds requested are the consequence of inflation and the increased travel determined to be essential in the enforcement activities of the division's health and care section.

A twelve percent (12%) inflationary factor was a conservative determination made after careful consideration of the cost increases during the last two years in air fare, per diem and automobile mileage allowance. Automobile mileage allowance substantially increased by seventy percent (70%). Per diem increased by twelve percent (12%). The cost of air fare recently increased by fifteen percent (15%).

The division's health and care section must commence in fiscal 1977, a concerted enforcement program of the recently adopted uniform accounting and reporting procedures for Nevada's health and care providers. Any enforcement program will require spot or detailed audits of health care providers located throughout the state. The conservative additional cost of the essential enforcement of the program enacted by the 1975 Legislature is \$1,600.

The fiscal 1979 request is eight percent (8%) greater than 1978 to allow for inflation.

The increases reflected in this category solely permit the division to maintain the approximate amount of travel which is currently permitted and to increase travel minimally for the purpose of enforcing an existing program.

Category 04 - OPERATING

7010 - OFFICE SUPPLIES

The division is requesting \$3,797 which is a \$422 increase over the work program for fiscal 1977. A rate of inflation of seven percent (7%) was conservatively calculated for fiscal 1978 in this cost area. In addition, a five and one-half percent (5.5%) increase was calculated to cover the additional office supplies necessarily related to the addition of two new employees. The division is actually requesting more than two employees but for the determination of percentages, the conservative estimate of two employees was calculated. The percentage determined for new employees was computed by dividing the present number of thirty six employees into the number (two) of additional employees. The total percentage of increase used for fiscal 1978 is twelve and one-half percent (12.5%).

The amount requested for fiscal 1979 is an eight percent (8%) increase to allow for inflation.

7020 - OPERATING SUPPLIES

The division is requesting \$2,419 which is a \$269 increase over the work program for fiscal 1977. The conservative rate of inflation computed for fiscal 1978 in this cost area was six percent (6%). Again, the five and one-half percent (5.5%) increase

in operating supplies was used to allow for the addition of two employees. A total percentage increase requested over the 1977 work program is eleven and one-half percent (11.5%).

The amount requested for fiscal 1979 is an eight percent (8%) increase to allow for inflation.

7030 - COMMUNICATIONS EXPENSE (POSTAGE)

The division is requesting \$18,385 which is an increase of \$3,799 over the revised work program for fiscal 1977. An increase in this cost area is essential to provide for the drastic price increases continually implemented by the U.S. Postal Service.

In the preparation of the budget for fiscal 1975 and 1976, the division did not anticipate the drastic increases in postage cost. The postage cost increased from .10¢ to .13¢, a thirty percent (30%) increase in cost. Now, the U.S. Postal Service has made known that another postal rate increase of .04¢ is forthcoming and it seems probable that soon after March 1, 1977, will be the effective date for this new thirty percent (30%) postage increase. The division, in planning for fiscal 1978, must consider inflationary postage increases and has conservatively determined to use the inflationary rate increase of six percent (6%) which assumes an additional one cent (.01¢) increase and the five and one-half (5.5%) percentage increase attributable to new employees for a total percentage increase of eleven and one-half percent (11.5%).

The amount requested for fiscal 1979 is a five and one-half percent (5.5%) increase to allow for inflation. The percentage used for inflation in this instance was determined by calculating

the percentage of a one cent (.01¢) increase in postage from .18¢ in fiscal 1978 to .19¢ in fiscal 1979.

The mail system is vital to the performance of the essential responsibilities of the division and the division must provide for the anticipated cost increase in postage. It cannot reduce the utilization of the mail system without substantially ignoring a significant statutory responsibility.

7031 - COMMUNICATION EXPENSE (TELEPHONE)

The division is requesting \$26,661 which is an increase of \$4,239 over the revised work program for fiscal 1977. A substantial increase in this cost area is essential to provide the present level of telephone services despite major telephone rate increases which are extremely probable in the immediate future. The telephones are vital to providing responsive and rapid service to Nevada consumers. It should be noted that collect calls are made to insurance companies whenever possible.

Two legal cases, which will have a major cost effect on telephone services, are currently pending. The first case of the GSA TELEPACK TARIFF is presently being decided by the U.S. Supreme Court. The Court's probable decision will be enforcement of the F.C.C.'s administrative determination that the government telephone user should pay the same cost for the telepack services as the private sector. If the U.S. Supreme Court decides the legal matter as anticipated, major cost increases will occur for government telepack users, including the division. The other legal matter is the CARTER PHONE DECISION OF THE F.C.C. that held equipment charges made by the telephone companies shall be based on the

actual cost of such equipment to permit competition. Again, the matter has been appealed to the U.S. Supreme Court where it seems probable that the Court will decide the matter contrary to the interest of the telephone companies and substantial rate increases for the use of essential telephone equipment will necessarily occur.

To provide for the real possibility of a substantial cost increase for telephone equipment in fiscal 1978, the division has increased by fifty percent (50%) the amount actually paid in fiscal 1977 for telephone equipment. In addition, a twelve percent (12%) increase in this cost area has been calculated for fiscal 1978 to provide the five and one-half percent (5.5%) increase in cost related to the addition of two new employees and six and one-half percent (6.5%) for inflationary price increases that may occur because of the increase in costs to the government telepack user.

The amount requested for fiscal 1979 is increased by fifteen percent (15%) to conservatively provide for the continued effects of the necessary rate increases caused by the legal decisions and normal inflationary trends.

7040 - PRINTING AND DUPLICATING

The division is not requesting any increase over the amount set forth in the work program for fiscal 1977. It is anticipated that the entire amount programmed for fiscal 1977 will be consumed by the necessary publication of consumer bulletins.

An eight percent (8%) increase is requested for fiscal 1979 to cover the costs of inflation.

7050 - INSURANCE EXPENSE

The division is requesting \$729 for fiscal 1978 which is an increase of \$66 over the actual amount spent for fiscal 1976. This increase is related to the ten percent (10%) increase in the state's total insurance costs despite the fact that liability insurance could not be obtained at this time. If it is anticipated that liability insurance will be purchased in the future, a larger amount must be budgeted.

An eight percent (8%) increase is requested for fiscal 1979 to cover the cost of inflation.

7070 - CONTRACT SERVICES AND OTHER CONTRACT SERVICES

The division is requesting \$9,381 for fiscal 1978 which is an increase of \$2,940 over the amount actually spent in fiscal 1976 in this cost area. A portion of this increase is the result of correctly placing the cost of the maintenance contracts for the dictaphone equipment and the typewriters in this cost area instead of in the category 7090, Equipment Repair. Actual cost for the maintenance contracts on the dictaphone equipment and typewriters should be approximately \$1,868 for fiscal 1978. The additional amount provided for fiscal 1978 in this cost area is the result of allowing an eight percent (8%) increase to cover the cost of inflation. The major single cost item in this category is the rental on the Xerox machine which is an absolute necessity.

An eight percent (8%) increase is requested for fiscal 1979 to cover the cost of inflation.

7080 - LEGAL AND COURT EXPENSE

Due to the fact that today's society is totally aware of due process and the ease of litigation, the division must request that a Deputy Attorney General be provided on a full-time basis. This request has the wholehearted support of the Attorney General. Currently, the division shares the services of a Deputy Attorney General with all the divisions of the Department of Commerce, except for the Real Estate Division that has an assigned full-time Deputy Attorney General.

The recent dramatic increases in litigation affecting the division have dictated that the current Deputy Attorney General devote nearly his entire time to the division's legal needs to the direct detriment of the remaining divisions of the department. Over the last two years, the division has been involved in fourteen major legal battles with the continued prospect of litigation in the future. The costs related to obtaining a Deputy Attorney General assigned to the division are \$28,900 for fiscal 1978 and \$30,633 for fiscal 1979.

The division must request for both fiscal 1978 and 1979 the sum of \$6,000 for the necessary related legal contingencies of witness fees, discovery cost, deposition cost, outside counsel when absolutely necessary, out-of-state counsel when necessary, and other related legal costs. In addition to the present litigation involving the division, it is anticipated that a major legal controversy could well occur in any one or all of the following: Nevada Medical Liability Insurance Association, the Nevada Motor Vehicle

Insurance Act, the Insurance Guaranty Act or the Life, Health Insurance Guarantee Act.

A conservative five percent (5%) increase for fiscal 1979 is requested to cover the cost of inflation.

7090 - EQUIPMENT REPAIR

No increases are requested for either fiscal 1978 or 1979 over the amount work programmed in fiscal 1977. The division can properly function without increases in this cost area because much of the equipment is covered by service contracts.

The funds requested in this cost area are essential to provide the necessary day to day repairs for office furniture and equipment, e.g. calculators not covered by service contracts. Funds must be available to assure the continued maintenance and repair of office furniture and equipment for which major expenditures were made in the past.

7100 - RENT

The division is requesting \$40,896 for building rental for fiscal 1978, a \$4,208 increase over the \$36,478 that has already been paid in fiscal 1977. The increase represents the cost of allocating space for the Deputy Attorney General and two full-time employees, the additional personnel that are requested by the division.

The age and construction (immovable walls and offices that are unalterably fixed in space and location) of the Nye Building prohibit maximum usage of space. The space allocation for new personnel was determined by adding the required additional

space, which is infeasible in the Nye Building, to the space allocations of the established guidelines for the budget.

The amount requested for fiscal 1979 is a conservative increase of six percent (6%) to allow for inflation.

7300 - DUES AND REGISTRATIONS

The division is not requesting any increase over the amount work programmed for fiscal 1977.

The amount requested for fiscal 1979 is an increase of eight percent (8%) to allow for inflation.

Category 05 - OFFICE FURNITURE AND EQUIPMENT

The amount of \$21,812 is requested for this category for fiscal 1978. Although the sum requested may seem high, the equipment requested herein shall inevitably be considered economically and fiscally sound. The sum of \$14,400 is requested for the installation of two power files in the offices of the Insurance Division. Power files allow substantial space savings by providing the capacity of over twelve file cabinets in the space of approximately six file cabinets. (The space savings are essential requirements for the division since the Nye Building does not permit efficient growth, especially for the current areas of licensing and secretarial services.) Furthermore, the power files reduce the reference time to file, provide efficiency in filing and retrieval and increase the morale of personnel. It is suggested that to fully evaluate the dire need for power files that one must visit the Carson City office of the division. It will then become readily apparent that two power files will provide space and efficiency.

The sum of \$1,500 is requested for the purchase of miscellaneous equipment needs that actually occur during the course of a year but cannot be fully anticipated at this time. For example, the need to purchase a new chair would result from an irreparable breaking of a secretarial chair.

The additional sum of \$3,152 is requested to provide the essential office furniture and equipment for the new employee positions (one secretary, one executive and a Deputy Attorney General) requested by the division. The student position will not require the purchase of additional office equipment. The calculations of office equipment cost were directly achieved by using the suggested budget formula.

Since the needs for additional equipment should be satisfied in fiscal 1978, the division merely requests that the sum of \$1,500 be provided for miscellaneous equipment needs that may occur in fiscal 1979.

MISCELLANEOUS - LONGEVITY PAY

The calculations of the division's longevity pay is as follows:

	Dec. 1977	June 1978	Dec. 1978	June 1979
1. Willard O. Slayton	\$225.00	\$250.00	\$275.00	\$ 300.00
2. Gerald Ayers	200.00	225.00	250.00	275.00
3. Erma Edwards	200.00	225.00	250.00	275.00
4. Martin Rowland	<u>75.00</u>	<u>100.00</u>	<u>125.00</u>	<u>150.00</u>
	\$700.00	\$800.00	\$900.00	\$1,000.00
Total for Fiscal Years	\$1,500.00		\$1,900.00	

Martin Rowland will attain his eight years with the state on September 2, 1977.

Category 10 - TRAINING

The division is requesting \$2,000 which is an increase of \$1,120 over the amount work programmed for 1977. This area of training and continued education is extremely vital to the continued success of the division. It enables our people to acquire the background and skills that are so desperately needed when regulating an interstate industry. It pays off handsomely in benefits to the people of Nevada.

As the program of health care cost analyses and enforcement progresses, the need to train some of the present staff in health care concepts and concerns becomes increasingly vital for the attainment of the legislative objectives in this area.

The amount requested for fiscal 1979 is an increase of eight percent (8%) to allow for inflation.

Category 11 - ELECTRONIC DATA PROCESSING

The division was able to have an electronic data processing system developed and implemented in fiscal 1976 and 1977, despite not having the usual funds allocated for such a project. The endeavor became possible because the Oregon Insurance Department gratuitously gave the division its system that was almost completely adaptable to the needs of Nevada. In effect, the savings related to the absence of a system development cost enabled the division to commence the system that provides essential on-line teleprocessing for the Carson City and Las Vegas offices. Presently

the division is verifying the records and then having the material keyed for data entry. When all the material has been entered into the system, it will provide the services that it was designed to perform.

The system will require continued modification to make it completely responsive to the needs and laws of Nevada and to provide additional necessary services.

The division requests for fiscal 1978 the sum of \$42,000 for this category. The funds requested will provide the essential maintenance of the system, including the cost of the equipment rental, telephone hook-up cost and the necessary support of the control data processing analyst.

After the implementation and verification stages have been accomplished, the system should permit definite savings by maintaining the same number of employees involved in the licensing function even though the demands for licenses will increase with corresponding population increases in Nevada.

The amount of \$38,000 is requested for fiscal 1979 which is a nine and one-half percent (9.5%) reduction in cost from fiscal 1978. This cost savings is directly attributed to the anticipated reduction in the time an analyst must spend on the system since the major problems of the system should have been solved in fiscal 1977 and 1978.

ADDITIONAL ASSISTANCE
NECESSARY TO CONTINUE TO
PERFORM VITAL REGULATORY FUNCTIONS

The Insurance Division must request the assistance of three additional employees to solely permit the continued maintenance of presently undertaken regulatory functions. The additional positions necessary to maintain the status quo are hearing officer, secretary and student.

A vital regulatory function for the Insurance Division is the enforcement of the Nevada insurance laws. The inability or failure to promptly enforce the laws is paramount to not fulfilling the regulatory responsibility. A vivid comparison of enforcement function can be made between the Insurance Division and the Gaming Commission or any District Attorney's office. Enforcement undoubtedly requires both a prosecutor and a finder of fact, usually referred to as a judge or hearing officer. The hearing function, that was merely an informal exchange without a need for lawyers in the past, has been expanded, especially during the last two years, by Nevada case law and the U.S. Supreme Court to include almost every detail and procedural requirement of a formal trial.

Procedural requirements for administrative hearings now require all discovery requirements, the right to make preliminary motions and the application of almost all the rules of evidence. With the additional legal procedure now required, an administrative hearing can be divided into four distinctive stages. The first stage is to fully investigate to determine if a possible

violation of the Insurance Code has occurred and then to properly draft a Notice of Hearing pursuant to NRS 233B, the U.S. Constitution and case law so that the complaint is clear, concise and sufficiently sets forth the specific violation of law. The second stage is to fully permit the discovery proceedings and any pre-motions to be accomplished. Discovery includes the allowance of interrogatories, depositions upon written questions, depositions upon oral examination, requests for admissions and production of documents. Pre-hearing motions include everything from motions on the pleading, pre-hearing procedures or request to remove hearing officer. The third stage is the immediate pre-hearing stage when subpoenas for attendance of witnesses are issued and served, and when opening statements, trial briefs and closing statements are prepared for hearing. The final stage is the hearing stage when the evidence of the matter is presented to a finder of fact in an organized manner that strictly adheres to the formal rules of evidence. At this stage, the burden is placed upon the hearing officer to decide upon all objections made, and to conclude the matter with formal findings of fact.

The matter of a hearing is not simple in any respect and must be handled properly because failure to perform a legal procedure would subject everyone involved, including the State, the administrator and the hearing officer, to a personal lawsuit. The Insurance Division presently has only one employee designated by title and function, counsel and hearing officer, to perform all the necessary responsibilities related to an administrative hearing. The one position was adequate for the responsibility

a few years ago. Today, as demonstrated by the reduction in administrative hearings presently conducted by the division, it is very inadequate. A hearing that once only took a few hours and was held twenty days after notice is now held from six months to a year after notice and requires from two days to possibly ten days for the actual hearing. In the calendar year 1975, the Insurance Division held 132 hearings and settled another 101 potential matters without the need for formal hearings, but in the calendar year 1976 to date, there have been only 50 hearings held with no matters settled prior to issuance of the Notice of Hearing. The trend directly reflects the greater legal hurdles caused by the greater number of people who retain counsel to represent them at hearings. The legal involvement often does not cease upon the completion of the hearing and the issuance of findings of fact; often, it continues to the District Court on appeal.

The request for a hearing officer is essential to reinstate and maintain the degree of regulation that existed before the increase in procedures effectively tied the system up by legal road blocks in the latter part of 1975. It is anticipated that the counsel and hearing officer will handle the legal enforcement in stages 1, 2 and present the case on behalf of the State in stage 3. The hearing officer will decide all motions preparing orders and findings of fact, preside at the hearing and make decisions on all objections, write the detailed findings of fact upon the conclusion of the hearing and finally prepare the appeal brief and record for the District Court when necessary.

A reduction in revenue occurs when fines which should be imposed are not because the administrative hearing process is tied up in procedural detail. The revenue received from fines in the calendar year 1975 was \$20,600, but to date for 1976, only \$6,500 has been received from fines. The new position will permit the division to continue its regulatory responsibilities and the fines will necessarily be maintained to at least substantially contribute to the cost of the position.

The request for the additional clerical assistance of a principal clerk typist and student is not itemized in detail like the request for executive personnel. A principal clerk typist is essential for the ever-increasing workload upon the present secretarial staff.

The student position is very low in cost. It will allow a person who will file the "tons" of filing in the office and give other assistance where necessary. The student position enables the Division to assist a student's education in learning the functions of an office and the realities of work.

Space Allocation Guidelines

Agency INSURANCE DIVISION Budget 1977-79

Location NYE BUILDING, THIRD FLOOR, CARSON CITY, NEVADA

Work Station Space:

<u>No.</u> <u>Positions</u>	<u>Type</u>	<u>Recommended</u> <u>Square Feet</u>	<u>Total</u> <u>Square Feet</u>
	Department or Division Head	—	
	Deputy (Department)	—	
	Bureau Chief	225	
	Section Chief	150	
1	Professional - Supervisor	150	150
	Professional - Non-Supervisor	100	
	Sub-Professional	75	
	1st Line - Supervisor	100	
2	Clerical	75	150

Total Work Station Space: 300

Support Space

<u>Type</u>	<u>Basis</u>	<u>Total</u> <u>Square Feet</u>
Conference	Average Attendance x 20 square feet	
Classroom	Average Attendance x 40 square feet	
Reception	Average Visitors x 10 square feet	
Supply	Actual Space Needed	
Mailroom	Actual Equipment Plus Circulation	
Library	Actual Space Needed	
Storage	Actual Space Needed	
Legal File (each)	Number x 8 square feet	24
Letter File (each)	Number x 7 square feet	21
Office Equipment	Equipment Plus Circulation	
Employee Lounge	Average Attendance x 40 square feet	

Total Support Space: 45

Total Space Per Guidelines 346

Total Space Currently Assigned (1976) 5,185

Total Space Requested (1977-79 Biennium) 5,530

Remarks: TO COVER NEW POSITIONS REQUESTED

BANKING DIVISION

Statistics Regarding the Banking Division

The Banking Division has supervision over the four (4) State Licensed Banks and their thirty-nine (39) branches. For examining purposes, branches are examined in the same manner as the main banking office of each bank. The Banking Division has, therefore, forty-three (43) banking offices to be examined twice within an eighteen month period in accordance with the law. One of these required examinations is conducted independently by the bank examination staff of the Nevada Banking Division alone. The other required examination is conducted jointly with either the Federal Deposit Insurance Corporation examiners or the Federal Reserve Bank examiners from San Francisco, California.

The Banking Division also supervises and regulates sixty-four (64) branch offices of fourteen (14) finance companies operating in the State of Nevada. Each one of these sixty-four (64) branch offices must be examined once each year by examiners of the Banking Division.

The Banking Division also supervises and regulates eighteen (18) collection agencies operating in the State of Nevada. Each collection agency is examined once each year by examiners of the Banking Division. This is the big problem area for the Banking Division because of the continual complaints received and processed by the Banking Division involving collection agency affairs. Each complaint must be handled on an individual basis which requires so much of my time and that of my examiners.

In addition to the above, the Banking Division also has jurisdiction over Debt Counsellors operating in Nevada. We have one licensed operator and one branch office at the present time. Each are examined once each year by the Banking Division.

Bank Statistics for Ten Year Period -- June 30, 1966 to June 30, 1976

Loan Volume <u>Increased</u>	\$320,531,109.00
Deposits <u>Increased</u>	514,050,000.00
Total Assets <u>Increased</u>	585,271,000.00

At the present time the Banking Division has the following employees:

- 1 - Superintendent of Banks
- 1 - Chief Bank Examiner
- 1 - Senior Bank Examiner
- 4 - Bank Examiners
- 1 - Administrative Secretary I
- 1 - Principal Clerk Typist

9 Positions

~~In 1965, when I was appointed Superintendent of Banks, we had ten (10) positions authorized. The Banking Division is operating today with one less person than we had in 1965. I believe a decision must be made now as to whether the State of Nevada wants a good viable Banking Division or not. We must have adequate personnel to efficiently carry out the duties delegated to us by the Legislature.~~

I believe the above information clearly points out the need for the requested Assistant Superintendent of Banks to assist me in properly supervising the industries under the control of the Banking Division.

BANKING DIVISION

CURRENT POSITIONS

CHIEF BANK EXAMINER (1)

The chief bank examiner manages the Las Vegas Office of the Banking Division. He schedules job assignments for the senior bank examiner and the bank examiners and oversees the examinations of the various agencies under our control. He is the examiner-in-charge of all bank examinations and supervises all personnel conducting these examinations. He oversees the handling of complaints and follows through to a satisfactory conclusion. He reviews applications of people applying to work on debtors' accounts and the registration of employees of collection agencies.

The chief bank examiner assists the Superintendent of Banks with administrative matters involving statutes and policy with regard to industries under our supervision. He maintains current knowledge of new developments, problems and examining techniques pertaining to our industries.

SENIOR BANK EXAMINER (1)

The duties of the senior bank examiner consist of examining banks, bank branches, small loan companies, collection agencies and debt adjusters licensed to do business in the State of Nevada, as outlined in the duties of bank examiners. In addition to these examinations, the senior bank examiner answers inquiries and investigates complaints regarding any of these agencies. He assists the chief bank examiner in conducting surveys for new branch locations.

The senior bank examiner assumes the duties and responsibilities of the chief bank examiner in his absence.

BANK EXAMINERS (4)

Conduct independent examinations of each of the four state chartered commercial banks and their branches at intervals not to exceed 18 months, plus one examination of each of the four state chartered commercial banks conducted jointly with a Federal examining agency at intervals not to exceed 12 months. Currently, there are four state chartered commercial banks with a combined total of 39 branches. Bank examiners must check for compliance with the Nevada Banking Statutes in all phases of the bank's functions.

Conduct examinations of each branch office of every small loan company, collection agency and debt adjuster at intervals not to exceed 12 months. Currently there are 64 small loan companies, 17 collection agencies and 2 debt adjusters licensed to do business in the State of Nevada. Each examination is submitted in written form with any violations of statute and any other exceptions clearly set forth in the report.

The bank examiners also work with the Senior bank examiner in compiling data for the following reports: (1) annual consolidation of financial reports and schedules submitted by the small loan industry; (2) semi-annual reports submitted by collection agencies; (3) annual report submitted by the credit counsellors; and (4) biennial report, which is a consolidated report of the financial condition of the state chartered and national banks and the small loan companies operating in the State of Nevada.

ADMINISTRATIVE SECRETARY (1)

Secretary to the Superintendent of Banks handles the mail and all correspondence relating to banking; supervises subordinate office personnel.

She has the responsibility of maintaining and updating all personnel and payroll records for the Division and is responsible for all the accounting functions, including the preparation and approval of vouchers for payment, necessary to the efficient management of the Banking Division. She assists the Superintendent in the preparation of the biennial budget and associated reports. She prepares all travel and training claims, vouchers and necessary records. She keeps abreast of changes in the personnel rules and all pertinent budgetary matters.

The administrative secretary is also responsible for requesting the reports of condition and income from the four state chartered banks, preparing the consolidation of these reports and distributing them to the appropriate Federal agencies. Her duties also involve proofing and typing, in final form, all bank and bank branch examination reports and distributing same to proper authorities; calculating associated banking fees and preparing licenses for the state chartered banks and their branches.

PRINCIPAL CLERK STENO (1/2)

The principal clerk steno is located in the Las Vegas office. Her work is divided between the Banking Division and the Savings & Loan Division. Her primary duties for the Banking Division consist of acting as receptionist, answering the telephone, typing memos and other general office duties necessary to the efficient functioning of the Las Vegas office.

PRINCIPAL CLERK TYPIST (1)

The principal clerk typist is stationed in the Carson City office of the Banking Division. Her general duties consist of answering the telephone, receptionist, filing, typing, preparing purchase orders and other general office duties. She is responsible for maintaining the leave records of all Banking Division employees.

In addition to the above, the principal clerk typist screens all applications for employment with the collection agencies, small loan companies and debt adjusters under our jurisdiction. When such applications are approved by the Superintendent of Banks, the principal clerk typist prepares and issues the necessary licenses. She maintains a record of all collection agency, small loan company and debt adjuster employees and managers. She also types the collection agency and small loan company examination reports and handles correspondence relating to these industries.



State of Nevada

Commissioner of Savings Associations

Capitol Complex

Nye Building

Carson City, Nevada 89710

(702) 885-4259

Mike O'Callaghan
Governor

Lester O. Goddard
Commissioner

February 14, 1977

TO: Committee Member, Ways and Means Committee
FROM: Les Goddard, Commissioner of Savings Associations
SUBJ: Budget hearing, Thursday, February 17

It is my hope that you might be able to find some time to glance over or study the materials enclosed, to save some time at the budget hearing. At least it will be reference material afterward.

My Division is presently composed of one examiner and a half-time clerk-steno in Las Vegas, and myself and a half-time clerk-steno in Carson City, for a total of 3 positions on a full-time basis.

As of the start of the new biennial on July 1, my supervision will involve six savings and loan associations with 43 branches and over \$1 billion of assets (NRS 673). I also license and supervise 61 mortgage companies (NRS 645B), which will probably total at least 70 by July 1 (when I came to Carson City on 7/1/75, there were 16).

It is simply impossible to supervise all these companies, conduct the required examinations, and take care of complaints, with this limited staff. There appears to be no end to the explosive growth of both the S&L associations and the mortgage companies. My one examiner is occupied virtually full-time in just examination work. The rest of the burden, plus my supervision of his work, falls on me.

In my budget request for the upcoming biennium, I asked that my half-time clerk steno be made full-time, that I be given another half-time steno position in the event it becomes required by the expanding work-load, and that I be given a Deputy Commissioner to take charge of mortgage companies and assist in the mortgage loan aspect of our savings and loan association annual examinations. This would give me 5 positions instead of the present 3. The Budget Division responded by granting me a full-time clerk-steno instead of a half-time, in Carson City, making it 3 1/2. Upon my protest, another examiner at \$17,274 a year was granted (in place of the Deputy Commissioner request).

a division of the Department of Commerce
Michael L. Melner, Director

Financially, the upcoming biennium would look like this under present fee statutes:

Revenues (my estimates):

S&L associations	\$700,000	
Mortgage companies	<u>19,000</u>	\$719,000
Expenditures (Governor's recommendation)		<u>228,000</u>
Excess of revenues over expenditures		<u>\$491,000</u>

What am I leading to? I would like the Ways and Means Committee (and the Finance Committee) to consider changing the proffered "examiner" at \$17,274 a year to a "Deputy Commissioner" at say \$20,000, so that I will have a good shot at finding someone with the needed experience and expertise willing to step in as my assistant (and to sign for me in my absences). I simply do not have time to train examiners, and the title of Deputy Commissioner would give my assistant far more "clout" in dealing with the mortgage companies under NRS 645B, and in signing for me. In operating with as lean a staff as suggested, I need quality personnel who can work with a minimum of supervision from me, and have the respect of the industries.

Thanks for wading through all this to the end.

Enclosures: Copy of biennial report to the Governor as of 6-30-76
Graph regarding S&L Division revenues and expenditures
2 pages of up-to-date licensed mortgage company statistics



State of Nevada

Commissioner of Savings Associations

Capital Complex

Nye Building

Carson City, Nevada 89710

(702) 885-4259

Mike O'Callaghan
Governor

Walter G. Gaddard
Commissioner

August 20, 1976

The Honorable Mike O'Callaghan
Governor of the State of Nevada
State Capitol
Carson City, Nevada 89710

Dear Sir:

Submitted herewith is the Biennial Report of the Commissioner of Savings Associations of the Department of Commerce, as required by NRS 673.042, covering the biennium ending June 30, 1976.

Growth and progress of our State savings and loan associations over the past 2-1/2 years is impressive. The June 30, 1974 biennial report showed assets of our six state-chartered savings and loan associations totalling \$601 million as of 12/31/73. Total assets as of 6/30/76 had increased by 43% (\$260 million) to a total of \$861 million. Savings deposits and mortgage lending show comparable growths. Undivided profits (including general reserves) more than tripled from \$7.2 million to \$22.8 million. Stockholder net worth (excluding subordinated capital notes), rose from 3.1% of savings deposits to 4.7%. Branch offices over the same period increased in number from 25 to 36.

Liquid assets average a strong 15% of savings deposits, compared to a national savings and loan average of 10% and a minimum requirement of 7%. Since 1970 subordinated capital notes payable to the Federal Savings and Loan Insurance Corporation have been reduced from \$44 million to a workable \$15 million.

All associations are now operating profitably, having recovered substantially from the disastrous mid-sixties. Only two associations still need the aid of FSLIC subordinated notes to meet regulatory minimum net worth requirements. Problem assets have been reduced to a workable figure. Out-of-state savings are down to 19% of total savings, compared to 58% at the end of 1970.

Each association is examined in depth once every 12 to 15 months jointly with personnel from the Federal Home Loan Bank Board, to check for compliance with statutes, rules and regulations, and for compliance with sound operating practices. Our State examiner prepares a Report of Examination, which is forwarded to the association along with a Supervisory letter from the Commissioner, with recommendations for corrective action. All six associations were substantially in compliance with our State laws as of the most recent joint examinations.

a division of the Department of Commerce
Michael L. Melner, Director

The Honorable Mike O'Callaghan

Page 2

August 20, 1976

The 1973 Legislature added Chapter 645B to Nevada Revised Statutes, providing for the licensing and supervision of mortgage companies by the Commissioner of Savings Associations. The large mortgage companies, dealing primarily with FNMA mortgage commitments on residences, are exempted.

When this Commissioner took office in February 1975, there were 16 licensed mortgage companies. As of 6/30/76, the number had increased to 45. From inception of Chapter 645B as of 7/1/73 to 6/30/76, the licensed companies have reported 2,500 mortgage loans totalling over \$48 million, for an average loan of about \$19,300. The vast majority are loans which would not be made by savings and loan associations or commercial banks or large mortgage companies, because of the more speculative nature of the security or secondary position of the lender. Thus, they fill a need for certain borrowers cut off from normal loan sources. Most mortgage company licensees act as money brokers between the lender and the borrower, taking a fee from the borrower for their service. Licensees furnish us with monthly loan reports and an annual financial statement.

All complaints are investigated which are submitted to this office regarding savings and loan associations and mortgage companies. We also make test checks in the field of licensed mortgage company transactions, now covering each company at least once a year.

As the result of an investigation of one mortgage company, the license was cancelled in 1975, and approximately \$30,000 of "good faith" deposits is being returned to various individuals through the surety bond coverage. Investigations have been made of others operating without a mortgage company license, to stop fraudulent practices.

At the end of 1971, there were five state savings and loan associations, with total assets of \$530 million. By June 30, 1976, total assets of the six state associations had increased by 63% to \$861 million. Savings deposits increased by 81%. Branches had increased from 17 to 36, with more approved. In addition, this Division as of 7/1/73 supervises licensed mortgage companies, totalling 45 as of 6/30/76.

During the same 4-1/2 years, personnel of this Division has remained at 3-1/2: the Commissioner and a half-time Clerk-steno in Carson City; and a Senior Examiner and a Clerk-steno in the Las Vegas office. It will be necessary to ask for additional personnel to help handle this substantially increased and continually increasing workload, in the budget to be proposed for years starting July 1, 1977.

Statistical summaries are contained in the five pages following.

Respectfully submitted,



Lester O. Goddard
Commissioner of Savings Associations

Consolidated Comparative Statements of Condition
All State-Chartered Savings and Loan Associations

<u>Assets</u>	<u>12/31/73</u>	<u>6/30/76</u>	<u>30-mo. change</u>	
			<u>Amount</u>	<u>Percent</u>
Mortgage Loans	\$479,377,598	\$667,774,581	\$ + 188,396,983	+ 39%
Gov't-backed mort. certs.	--	22,636,882	+ 22,636,882	-
Other loans	8,168,851	8,796,094	+ 627,243	+ 8%
Cash and investments	73,930,544	103,932,578	+ 30,002,034	+ 41%
Real estate owned	11,634,126	16,236,515	+ 4,602,389	+ 40%
Office premises and equip.	6,816,174	14,290,498	+ 7,474,324	+110%
FHLB stock & FSLIC reserves	13,797,777	15,431,329	+ 1,633,552	+ 12%
Other assets	<u>7,046,353</u>	<u>11,818,357</u>	+ <u>4,772,004</u>	+ <u>68%</u>
Total assets	<u>\$600,771,423</u>	<u>\$860,916,834</u>	\$ + <u>260,145,411</u>	+ <u>43%</u>
 <u>Liabilities</u>				
Savings deposits	\$515,727,017	\$713,542,038	\$ + 197,815,021	+ 38%
FHLB & other borrowed money	13,480,400	38,870,434	+ 25,390,034	+188%
Loans in process	3,350,878	24,870,429	+ 21,519,551	+642%
Specific loss reserves	4,717,828	4,165,637	- 552,191	- 12%
Other liabilities	<u>12,697,696</u>	<u>23,280,505</u>	+ <u>10,582,809</u>	+ <u>83%</u>
	\$549,973,819	\$804,729,043	\$ + <u>254,755,224</u>	+ <u>46%</u>
Deferred income	6,672,790	5,985,981	- 686,809	- 10%
Subordinated capital notes*	<u>28,036,896</u>	<u>16,439,902</u>	- <u>11,596,994</u>	- <u>41%</u>
Total liab. & deferrals	<u>\$584,683,505</u>	<u>\$827,154,926</u>	\$ + <u>242,471,421</u>	+ <u>41%</u>
 <u>Stockholder Capital</u>				
Capital stock & paid-in surplus	\$ 8,859,597	\$ 10,984,701	\$ + 2,125,104	+ 24%
Undivided profits and general reserves	<u>7,228,321</u>	<u>22,777,207</u>	+ <u>15,548,886</u>	+215%
Total stockholder capital	<u>\$ 16,087,918</u>	<u>\$ 33,761,908</u>	\$ + <u>17,673,990</u>	+110%
Total liab. & capital	<u>\$600,771,423</u>	<u>\$860,916,834</u>	\$ + <u>260,145,411</u>	+ <u>43%</u>

*Subordinated capital notes are considered part of "capital" for state and federal regulatory purposes.

Statement of Condition of Six State-Chartered Savings and Loan Associations

as of June 30, 1976

	<u>American Sav. & Loan</u>	<u>Family Sav. & Loan</u>	<u>First West Sav. Assn</u>	<u>Frontier Sav. Assn.</u>	<u>Home Sav. Assn.</u>	<u>Nevada Sav. & Loan</u>	<u>Total</u>
<u>Assets</u>							
Mortgage Loans	\$ 79,565,656	\$ 8,437,587	\$233,440,820	\$69,929,706	\$ 78,930,306	\$197,470,506	\$667,774,581
Gov't-backed mort. certs.	5,748,471	3,923,336	--	2,839,678	10,125,397	--	22,636,882
Other loans	462,312	445,655	--	193,680	4,868,881	2,825,566	8,796,054
Cash and investments	11,062,298	2,354,409	42,317,176	9,379,537	18,451,864	20,367,294	103,932,558
Real estate owned	2,036,869	--	7,017,012	1,206,071	2,246,446	3,730,117	16,236,515
Office premises and equip.	1,580,324	783,192	2,560,830	1,683,275	3,137,784	4,545,093	14,290,498
FH stock & FSLIC reserves	1,411,999	58,900	6,154,690	2,221,108	1,185,067	4,399,565	15,431,322
Other assets	1,778,541	108,493	605,084	863,290	4,627,619	3,835,330	11,818,357
Total assets	<u>\$103,646,470</u>	<u>\$16,111,572</u>	<u>\$292,095,612</u>	<u>\$88,316,345</u>	<u>\$123,573,364</u>	<u>\$237,173,471</u>	<u>\$860,916,834</u>
<u>Liabilities</u>							
Savings deposits	\$ 92,669,729	\$12,471,236	\$242,882,475	\$79,121,286	\$109,493,176	\$176,904,136	\$713,542,036
LB & other borrowed money	330,000	--	10,485,668	690,000	--	27,364,766	38,870,434
Loans in process	1,454,125	1,382,147	4,216,731	566,985	5,635,129	11,615,312	24,870,429
Specific loss reserves	330,000	--	1,946,908	816,461	--	1,072,268	4,165,637
Other liabilities	1,693,130	519,546	12,693,008	1,811,438	1,999,581	4,563,802	23,280,505
	<u>\$ 96,476,984</u>	<u>\$14,372,929</u>	<u>\$272,224,790</u>	<u>\$83,006,170</u>	<u>\$117,127,886</u>	<u>\$221,520,284</u>	<u>\$804,729,043</u>
Deferred income	780,849	105,451	653,286	564,988	381,733	3,499,674	5,985,981
Subordinated capital notes*	--	--	13,189,902	3,250,000	--	--	16,439,902
Total liab. & deferrals	<u>\$ 97,257,833</u>	<u>\$14,478,380</u>	<u>\$286,067,978</u>	<u>\$86,821,158</u>	<u>\$117,509,619</u>	<u>\$225,019,958</u>	<u>\$827,154,926</u>
<u>Stockholder Capital</u>							
Capital stock & paid-in surplus	\$ 211,088	\$ 1,300,000	\$ 1,117,521	\$ 928,500	\$ 2,263,448	\$ 5,164,144	\$ 10,984,701
Undivided profits and general reserves	6,177,549	333,192	4,910,113	566,687	3,800,297	6,989,369	22,777,207
Total stockholder capital	<u>\$ 6,388,637</u>	<u>\$ 1,633,192</u>	<u>\$ 6,027,634</u>	<u>\$ 1,495,187</u>	<u>\$ 6,063,745</u>	<u>\$ 12,153,513</u>	<u>\$ 33,761,908</u>
Total liab. & capital	<u>\$103,646,470</u>	<u>\$16,111,572</u>	<u>\$292,095,612</u>	<u>\$88,316,345</u>	<u>\$123,573,364</u>	<u>\$237,173,471</u>	<u>\$860,916,834</u>

*Subordinated capital notes are considered part of "capital" for state and federal regulatory purposes.

Consolidated Statement of Operations

AIT State-Chartered Savings and Loan Associations

Calendar year 1975

Interest on loans	\$42,493,223		76.9%
Interest on investments	8,024,184		14.5
Other operating income	<u>4,772,623</u>		<u>8.6</u>
Total operating income		\$55,290,030	<u>100.0%</u>
Less, operating expense		-8,691,884	(15.7)%
		<u>\$46,598,146</u>	
Less, Interest on savings deposits	\$36,481,247		
Interest on borrowed money	<u>4,419,919</u>	-40,901,166	<u>(74.0)%</u>
Net operating income		\$ 5,696,980	<u>10.3%</u>
Add, non-oper. inc. (net of expense)		+ 2,363,175	
		<u>\$ 8,060,155</u>	
Less, Federal income taxes		- 1,059,019	
Net income (to Undivided Profits)		<u>\$ 7,001,136</u>	

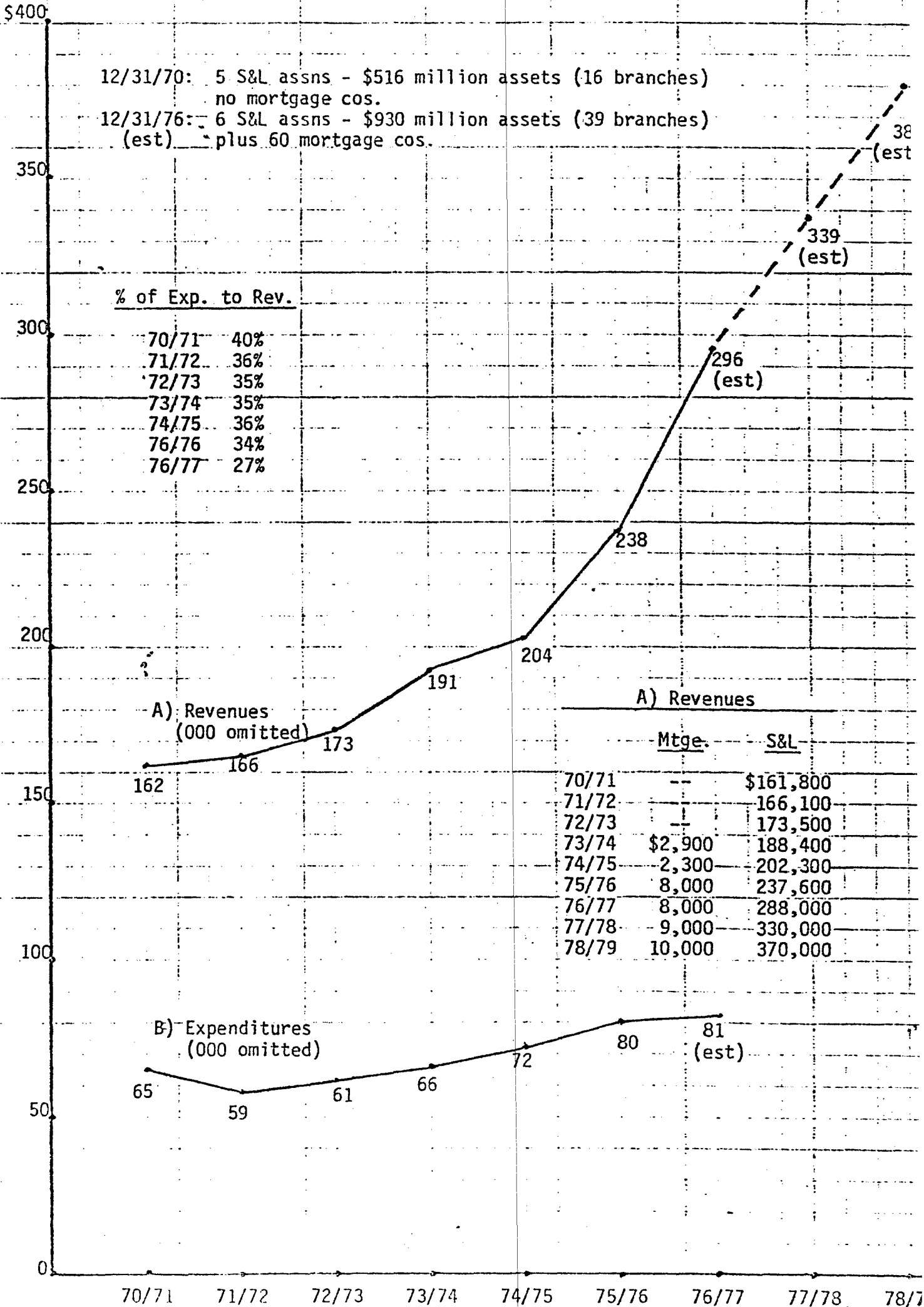
Department of Commerce
Savings and Loan Division

Biennial Report of Receipts and Expenditures

	<u>7/1/74-6/30/75</u>	<u>7/1/75-6/30/76</u>	<u>2-year total</u>
A) <u>Receipts</u>			
Fees & assessments for license, supervision & examination of:			
(a) Savings & loan associations	\$202,338.10	\$237,595.67	\$439,933.77
(b) Mortgage companies	<u>2,270.00</u>	<u>7,970.00</u>	<u>10,240.00</u>
Total receipts	<u>\$204,608.10</u>	<u>\$245,565.67</u>	<u>\$450,173.77</u>
B) <u>Expenditures</u>			
Salaries	\$ 54,937.50	\$ 63,416.20	\$118,353.70
In-State travel	6,791.24	5,508.92	12,300.16
Out-of-State travel	833.47	513.13	1,346.60
Operating	8,761.50	9,861.77	18,623.27
Equipment	147.06	198.23	345.29
Training	<u>331.09</u>	<u>705.01</u>	<u>1,036.10</u>
Total expenditures	<u>\$ 71,801.86</u>	<u>\$ 80,203.26</u>	<u>\$152,005.12</u>

SAVINGS AND LOAN DIVISION

Comparison of Revenues with Expenditures





State of Nevada

Commissioner of Savings Associations

Capital Complex

Nye Building

Carson City, Nevada 89710

(702) 885-4259

Mike O'Callaghan
Governor

Lester O. Goddard
Commissioner

Summary of Licensed Mortgage Company Activity

Effective date of NRS 645B: 7/1/73

A) Licensed:	7/1/73	0
	12/31/73	5
	6/30/74	9
	12/31/74	16*
	6/30/75	16*
	12/31/75	30**
	6/30/76	45**
	12/31/76	55**

* Includes one out-of-state company

** Includes one out-of-state company and one branch office

(Note: as of 2-9-77, licensed companies total 61)

B) Loans reported by licensed companies*

	<u>Number Reporting Loans</u>	<u>Number of Loans</u>	<u>Amount</u>	<u>Average per loan*</u>
1973 (6 mos)	6	102	\$ 4,694,279	\$46,022
1974 (12 mos)	15	689	14,636,875	21,244
1975 (12 mos)	21	970	18,805,130	19,387
1976 (12 mos)	39	<u>1,626</u>	<u>24,397,402</u>	<u>15,004</u>
Total		3,387	\$62,533,686	\$18,462

*Note: The vast majority of the loans average about \$10,000, but a few large commercial loans increase the average substantially.

a division of the Department of Commerce
Michael L. Melner, Director

Licensed Mortgage Companies

1976 summary

Number of companies licensed 1-1-76	30*
Number of companies licensed 12-31-76	55*
Number of companies reporting loans	39*
Number of loans	1,626
Amount of loans	\$24,397,402
Average per loan	\$15,004

*Includes one branch office

Groupings by volume of loans:

	<u>No. of Cos.</u>	<u>No. of Loans</u>	<u>Amount</u>	<u>Ave. per Loan</u>
\$4 million to \$5 million	1	340	\$4,294,397	\$12,630
\$3 million to \$4 million	2	32	6,486,000	202,687
\$2 million to \$3 million	1	208	2,374,100	11,413
\$1 million to \$2 million	4	434	5,591,377	12,883
\$500,000 to \$1 million	3	318	2,430,322	7,642
\$250,000 to \$500,000	4	108	1,508,981	13,972
\$1 to \$250,000	23	186	1,712,225	9,205
No loans	16			

Licensed mortgage companies by area, 12-31-76: (Includes 1 branch office)

Clark County	-	31
Washoe County	-	21
Lake Tahoe area	-	2
Out-of-State	-	<u>1</u>
		55



STATE OF NEVADA
DEPARTMENT OF COMMERCE
HOUSING DIVISION
201 SOUTH FALL STREET
CARSON CITY, NEVADA 89710
(702) 865-4258

OSCAR L. GUBELMAN
Administrator

MIKE O'CALLAGHAN
Governor

MICHAEL L. MELNER
Director

February 17, 1977

MEMORANDUM

TO: Assemblyman Melvin Howard
Ways and Means Committee

FROM: Oscar L. Gubelman, Administrator *elt*
Nevada State Housing Division

SUBJECT: Descriptions of Developments Financed by Nevada State Housing
Division's Construction Loan Notes

Here is the information you requested.

APPENDIX A

Description of Development to be financed with Construction Loan Notes, Issue 1 ①

Development: Sunrise Gardens.

Type of Development: 12 buildings containing 248 rental units of congregate housing for the elderly; units are in groups of four, each tenant having a bedroom and sharing kitchen and living room facilities; one recreational building.

Location: Corner of El Conlon & Valley View, Las Vegas, Nevada.

Estimated Total Development Cost: \$2,677,708.

Amount of Mortgage Loan Commitment: \$2,412,900.

Mortgage Rate of Interest on Loan: 7½%.

Division's 95% Share of Loan: \$2,292,255.

Sponsors: Paul F. Eckert and J. Ogden Mills, Jr.

Mortgagor: A California Limited Partnership, to be formed with the Sponsors as General Partners.

Lender: Weyerhaeuser Mortgage Company.

Permanent Mortgage Term: 40 years.

Contractor: Colebruk Construction & Engineering Co. Inc.

Estimated Loan Closing Date: August, 1976.

Estimated Completion of Construction: May, 1977.

Estimated Final Closing Date: September, 1977.

Permanent Lender: Government National Mortgage Association.

① Terms of Loan are subject to adjustment prior to the Loan Closing.

Description of Development to be financed with Construction Loan Notes, Issue 2①

Development: Ridgewood Apartments.

Type of Development: Seven two-story buildings containing a total of 112 rental units, including twenty-four one-bedroom and eighty-eight two bedroom units; one recreational building.

Location: Southeast corner of Arville and Desert Inn Road, Las Vegas, Nevada.

Estimated Total Cost of Development: \$2,764,922.

Amount of Mortgage Loan Commitment: \$2,488,400.

Rate of Interest on Mortgage Loan: 9%

Division's 95% Share of Loan: \$2,363,980.

Sponsor: Federal Projects, Inc.②

Mortgagor: Ridgewood Investment Company, a California Limited Partnership, Federal Properties Investment Company, General Partner.②

Lender: Century City Mortgage Company.②

General Contractor: Federal Projects Construction, Inc.②

Design Architect: Federal Projects, Inc.②

Management Agent: Federal Properties Management, Inc.②

Estimated Loan Closing Date: September, 1976.

Estimated Completion of Construction: October, 1977.

Estimated Final Closing Date: January, 1978.

Permanent Mortgage Term: 40 years.

Permanent Lender: Government National Mortgage Association.

① Terms of Loan are subject to adjustment prior to the Loan Closing.

② Federal Properties Investment Company is a California general partnership, the partners of which are Don R. Holland, George D. Holland, V. Hal Treadaway and Dallas Christian. These same four individuals presently hold all of the outstanding stock of Federal Projects, Inc., a California corporation. Century City Mortgage Company, Federal Projects Construction, Inc. and Federal Properties Management, Inc. are all California corporations and wholly owned subsidiaries of Federal Projects, Inc.

Description of Development to be financed with Construction Loan Notes, Issue 3^①

Development: Central Park Apartments.

Type of Development: Two-story building containing one hundred forty-eight rental units, including fifty-six one-bedroom, eighty two-bedroom, and twelve three-bedroom units; one recreational building.

Location: O'Bannon Drive & Edmund Street, Las Vegas, Nevada.

Estimated Total Cost of Development: \$3,685,657.

Amount of Mortgage Loan Commitment: \$3,171,000.

Rate of Interest on Mortgage Loan: 7½%.

Division's 95% Share of Loan: \$3,012,450.

Sponsors: Frank H. Countner and William A. Froehling.

Mortgagor: Central Park Apartments Limited Partnership, a Nevada Limited Partnership, Frank Countner and William A. Froehling, General Partners.

Lender: Weyerhaeuser Mortgage Company, a California corporation.

General Contractor: Emerson Development Company, a Nevada Corporation.^②

Estimated Loan Closing Date: December, 1976.

Estimated Completion of Construction: April, 1978.

Estimated Final Closing Date: June, 1978.

Permanent Mortgage Term: 40 years.

Permanent Lender: Government National Mortgage Association.

^① Terms of Loan are subject to adjustment prior to the Loan Closing.

^② Emerson Development Company is owned by Sponsors.

LANDS PROPOSED FOR ACQUISITION BY NEVADA STATE PARK SYSTEM (Cont'd)

PRIORITY 2

LAHONTAN STATE RECREATION AREA

CHURCHILL BEACH AREA

(Appraisal Report - Hewitt)

Owner	Location	Proposed Use	Remarks	Size	Total Value	Accum. Total
Pacific Southwest Financial Corp.	1 on Map B	Access roads, utility corridors, day use picnic, boating, swim facilities, group use and overnight camping, emergency boat ramp.	<u>Critical</u> - access and development will be severely impaired, several key facilities will be eliminated, potential development or conflicting uses will severely restrict both management and law enforcement. Potential residential use could cause great visual impact and will conflict with park uses.	500 acres	\$ 272,000	\$ 435,200

SILVER SPRINGS AREA

(Appraisal Report - Johnson)

Owner	Location	Proposed Use	Remarks	Size	Total Value	Accum. Total
67 parcels	2 on Map B	Access roads, utility corridors, campgrounds, day use facilities, wild-life habitat area, trails and interpretive facilities.	<u>Critical</u> - as above.	593.34± acres	\$ 507,100	\$ 942,300

LANDS PROPOSED FOR ACQUISITION BY NEVADA STATE PARK SYSTEM (Cont'd)

PRIORITY 3

RED ROCK RECREATION LAND

(Appraisal Report - Kent)

Owner	Location	Proposed Use	Remarks	Size	Total Value	Accum. Total
Oliver	1 on Map C	The best area suitable for family campground development.	Critical - Master plan identifies this site as major area suitable for development of camping facilities. It has two major water sources and land capable for such development.	320 acres	\$1,519,000	\$2,461,300
TOTAL						\$2,461,300

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LANDS PROPOSED FOR ACQUISITION BY NEVADA STATE PARK SYSTEM (Cont'd)

PRIORITY 4

CATHEDRAL GORGE STATE PARK

(Appraisal Report - Krolak)

Owner	Location	Proposed Use	Remarks	Size	Total Value	Accum. Total
Setzer	1 on Map D	Regional and orientation information center.	Existing land and structures may be adapted to information center. Existing conflicting use.	3 acres	\$ 23,800	
Horlocher	2 on Map D	Buffer between major highway and park entrance and regional headquarters.		21.5 acres	17,200	
					\$ 41,000	

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LANDS PROPOSED FOR ACQUISITION BY NEVADA STATE PARK SYSTEM (Cont'd)

PRIORITY 5

KERSHAW RYAN STATE PARK

(Appraisal Report - Krolak)

Owner	Location	Proposed Use	Remarks	Size	Total Value	Accum. Total
Summa Corp.	1 on Map E	Access to existing state park, visitor orientation center and interpretive display, trails, overlook.	Master plan designates subject lands for multiple use and recommends acquisition for natural and recreation values.	74 acres	\$ 66,940	

PRIORITY 6

BEAVER DAM STATE PARK

(Appraisal Report - Krolak)

Owner	Location	Proposed Use	Remarks	Size	Total Value	Accum. Total
Gravell	1 on Map F	Campground, hiking, nature study, interpretive facility, scenic area, geologic/natural process interpretation.	Property has special values including unique environment, vegetation, rock formations and a fairly flat topography.	160 acres	\$ 60,000	

723

LANDS PROPOSED FOR ACQUISITION BY NEVADA STATE PARK SYSTEM (Cont'd)

PRIORITY 7

FORT CHURCHILL HISTORIC STATE MONUMENT

(Appraisal Report - Alves)

Owner	Location	Proposed Use	Remarks	Size	Total Value	Accum. Total
Depaoli, et.al.	1 on Map G	Day use picnic, access and parking, nature trail, campground.	Vital to access between park and river. Important day use and natural area.	30 acres	\$ 27,000	

PRIORITY 8

FORT SCHELLBOURNE

(Appraisal Report - Alves)

Owner	Location	Proposed Use	Remarks	Size	Total Value	Accum. Total
Russell	1 on Map H	Historic interpretive center, camping, day use and hiking access to Sheep Creek Range.	Preserve historic fort and Pony Express Station.	520 acres	\$ 110,000	

LANDS CURRENTLY OWNED BY NEVADA STATE PARK SYSTEM
PROPOSED TO BE EXCHANGED OR SOLD

SPRING VALLEY STATE PARK

(Appraisal Report - Adams)

Owner	Location	Proposed Use	Remarks	Size	Total Value	Accum. Total
NSPS	1 on Map I	Exchange or sale	Primary value is as pasture	18± acres	\$ 10,800	
NSPS	2 on Map I	Exchange or sale	Primary value is as pasture	125± acres	75,000	
NSPS	3 on Map I	Exchange or sale	Primary value is as grazing	120± acres	36,000	
					\$ 121,800	\$ 121,800

PROPOSED LAND ACQUISITION PROGRAM

1977-1979 BUDGET REQUEST

First priority after the existing bond monies have been expended will be to purchase key inholdings as outlined in the State Park master plans, and continue to round out existing State Park boundaries in the following areas:

Lahontan	Fort Churchill
Rye Patch	Kershaw Ryan
Beaver Dam	Spring Valley
Cathedral Gorge	Ward Ovens
Red Rock	Washoe Lake
	a. Little Washoe Historic Site
	b. Big Washoe (expansion)

<u>Item</u>	<u>Total Budget</u>
Total Bond Funds Available to State Park System	\$3,000,000
Total Bond Funds Needed for Associated Costs	300,000
Total Bond Funds Available for Acquisition	2,700,000

Recommended new areas for inclusion in the State Park System after the above existing State Park acquisition needs have been satisfied, would be as follows:

1. Carson River Properties - Carson City/Lyon County
 - a. Winters Ranch
 - b. Ghiglia Ranch
 - c. Highway Site - Dayton
 - *d. Brunswick Canyon
2. Horse Creek Meadows - Carson City
3. Wild Horse Reservoir - Elko
4. Carlin Canyon - Elko
- *5. Fort Schellbourne - White Pine County

Potential Federal Funds Available for Acquisition	2,700,000
Total Potential for Land Acquisition	5,400,000
Total Potential Land Acquisition Program for State Parks	5,700,000

It is not possible to project land values without the benefit of an appraisal report. The Nevada State Park System would proceed with an in-depth evaluation of the lands and cost. Recommendations for negotiations would then be submitted to the Interim Finance Committee in accordance with the procedures established by the Legislature.

Approximately 10% of bond funds would be needed for costs associated with acquisition as follows: field analysis, property survey title reports, appraisal reports, legal review, negotiation court proceeding, and title transactions.

*Have been appraised and will be reevaluated.

1725

NATURAL RESOURCE ACQUISITION BONDS

In the general election held in November 1976, the voters of the State approved a proposal to issue general obligation bonds of the State of Nevada in the amount of \$10,000,000, for the purposes of protecting, preserving and obtaining the benefits of natural resources.

Of the total bond issue:

1. An amount of \$9,000,000 shall be for park purposes, identified as follows:
 - a. An amount of \$3,000,000 for real or personal property acquisition for the State Park System.
 - b. An amount of \$5,000,000 for real or personal property acquisition for cities and counties under the Statewide Outdoor Recreation Plan, on a matching fund basis with cities and counties in the State.
 - c. An amount of \$500,000 for acquisition and development of bicycle paths for cities and counties under the Bicycle Pathways Act, on a matching fund basis with cities and counties in the State.

- d. An amount of \$250,000 for historic preservation purposes under the Statewide Historic Preservation Plan.

- e. An amount of \$250,000 for historic preservation purposes for cities and counties under the Statewide Historic Preservation Plan, on a matching fund basis with cities and counties in the State.

2. An amount of \$1,000,000 shall be for the Nevada Department of Fish and Game for the acquisition of fish and game habitat, including habitat for protected wildlife.

These bonds may be issued at one time, or from time to time, and it is proposed that \$5,000,000 in general obligation bonds be issued in 1977.

Date of Hearing _____

Who Testified _____

Date Budget Closed _____

9874

PROPOSED LAND ACQUISITION PROGRAM

1977-1979 BUDGET REQUEST

CARSON RIVER PROPERTIES

State Parks has been offered a number of parcels along the Carson River that would provide accesses for the public and would provide badly needed recreation facilities. A description of these properties follows:

Winters Ranch

This ranch is located at the east end of Brunswick Canyon where the Carson River Valley widens out into the Dayton area. It is recreational property and adjacent to the town of Dayton.

Ghiglia Ranch

This is a working ranch that extends from the U.S. Highway 95 bridge crossing the Carson River at Fort Churchill, down river to near the TCID property at Lake Lahontan. It contains 3,100 acres with 35 miles of irrigation ditches, 60 miles of fencing, eight wells and sufficient water rights from the Carson River to irrigate 1,995 acres (these water rights go back to 1861). It has easy access from the Reno-Carson City area and its potential is tremendous. This ranch provides a major link between the Fort Churchill State Historic Monument and the Lahontan Recreation Area. BLM land abuts the property to the south.

Highway Department Site - Dayton

The Nevada State Highway Department has offered State Parks a 140-acre parcel northeast of Dayton. Fifty-eight acres are river bottom lands covered with mature cottonwoods. Seventy-eight acres are steeply sloped and covered with low sagebrush-type growth. The property provides an excellent site for camping and picnicking and is easily accessible by U.S. 50.

Brunswick Canyon

This property has been appraised at \$250,000 for its recreation value. The owners, however, have indicated that the mineral rights are valued at \$750,000. The property should be reevaluated.

HORSE CREEK MEADOWS

This site is located southwest of Carson City approximately 3-1/2 miles west of the junction of U.S. 50 and 395. It contains approximately 640 acres and is almost totally surrounded by U.S. Forest Service land. This property has good potential for camping and picnicking, group use, snow sports, hiking and nature study.

WILD HORSE RESERVOIR

This reservoir is located approximately 60 miles north of Elko and is nearly surrounded by BLM, BIA, and U.S. Forest Service lands. The reservoir is heavily used by local residents, as well as people from other areas, for its fishing and boating opportunities. Even if State Parks were to purchase what little private property there is available, not much would be realized in solving the problem of providing Nevadans with badly needed recreational facilities.

CARLIN CANYON

Located along the Humboldt River, this 200± acres of privately-owned land is steep and has no access. Relocation of I-80, five miles east of Carlin, has left this parcel along the old highway bed. The most desirable land is probably subject to flooding. Also, the railroad and I-80 generate noise and the scars from both are readily apparent.

PROPOSED LAND ACQUISITION PROGRAM (Cont'd)

FORT SCHELLBOURNE

This working ranch is on the west side of the Schell Creek Range, about 40 miles north of Ely. Most of the buildings are of old stone and/or log construction. The Pony Express had a station here and portions of the old Wells Fargo Office, the walled area of the original fort compound, the fort's blacksmith chop, and portions of other old buildings are still standing. This ranch has historic value that would be worthy of preservation and interpretation. It also has potential for camping and picnicking.

NATURAL RESOURCE ACQUISITION BONDS

SUMMARY

Of the \$10 million dollar recently passed 1976 Bond Issue, the Governor's Budget recommends \$5 million be sold and distributed for purposes outlined in the legislation.

After reviewing their ability to match State Bond Funds with the Department of Fish and Game and the cities and counties throughout the state, the chart below indicates a proposed distribution.

1977-1979

State Parks	\$1,500,000
Political Subdivisions - Land Acquisition	1,500,000
Political Subdivisions - Bicycle Paths	500,000
Fish and Game	1,000,000
Historic Preservation	500,000
Total	\$5,000,000

POLICY QUESTIONS

1. Which agencies will manage the administration of the funds?
2. a. Will federal funds be required to match?
b. Is the bond match a 50-50 match?
3. What can funds be used for? acquisition? development? planning?
4. Of the funds available to local political subdivisions, how will they be distributed?

PROPOSED DISTRIBUTION OF BOND FUND TO LOCAL POLITICAL SUBDIVISIONS

PROGRAM STATEMENT

In keeping with the Governor's budget recommendation for the distribution of Bond Funds, four (4) alternatives were considered.

1. Leave the funds whole. Have political subdivisions compete statewide on a "worthiness of project" basis. Eureka would be competing with Las Vegas, etc.
2. Allocate funds to Regions by percent of their population of the state.
3. Apportion funds by county by percent of population. The county and the cities within would divide the funds among themselves.
4. Leave funds whole. Distribute the money on a "first come, first serve" basis until it is gone.

Based on 10 years experience of distributing grant monies, it was determined that the second alternative was the most equitable and manageable proposal. We would propose to follow the Land and Water Conservation Fund distribution procedures in administering this program.

REASONS FOR REJECTING ALTERNATIVES 1, 3 AND 4 ARE:

1. This alternative would require small communities to compete with large urban areas for funds. Equitable distribution of funds would be difficult because of the variance in preparation time needed by small communities to compete with Las Vegas and Reno on a "worthiness of project" basis.
3. Some county's populations are so small, their individual share of the funds would be minimal. For example, if \$1 million was available, Esmeralda County's share would be \$1,000, not enough for a project.
4. The political subdivisions with large staffs and a variety of fund sources could put together an application, shift funds, and find "spare" cash for matching faster than small entities.

PARK IMPROVEMENTS

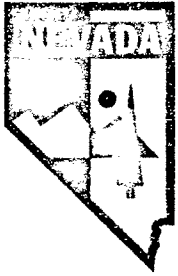
	1975-76 Actual			1976-77 Work Program			1975-77 Biennium Total	1977-79 Agency Request			Legislative Action		
	State Approp.	Federal Funds	Total	State Approp.	Federal Funds	Total		State Approp.	Federal Funds	Biennium Total	State Approp.	Federal Funds	Biennium Total
<u>Park Construction Costs</u>													
Berlin-Ichthyosaur (Nye)	\$	\$	\$	\$ 77,000	\$ 59,000	\$ 136,000	\$ 136,000	\$ 40,937	\$ 36,435	\$ 77,372	\$	\$	
Cathedral Gorge (Lincoln)	2,483	3,023	5,506	5,017	4,477	9,494	15,000	103,454		103,454			
District V Headquarters (Lincoln)								44,077		44,077			
Echo Canyon (Lincoln)								150,397		150,397			
Fort Churchill (Lyon)	4,654	5,346	10,000	105,346	54,654	160,000	170,000	44,606	44,605	89,211			
Kershaw-Ryan (Lincoln)	10,310		10,310	(2,810)	7,500	4,690	15,000						
Lahontan (Lyon, Churchill)	15,664		15,664	414,336	430,000	844,336	860,000	60,132	60,132	120,264			
Lake Tahoe (Washoe, Douglas)	12,967		12,967	87,033	100,000	187,033	200,000						
Mormon Station (Douglas)				110,000	60,000	170,000	170,000						
Red Rock (Clark)	24,037		24,037	(4,037)	20,000	15,963	40,000	220,673	15,742	236,415			
Rye Patch (Pershing)				65,000	65,000	130,000	130,000						
Spring Valley (Lincoln)	25,000		25,000	(12,500)	12,500		25,000	60,147	60,147	120,294			
Valley of Fire (Clark)	15,595		15,595	9,405		9,405	25,000	180,771	81,771	262,542			
Washoe Lake (Washoe)				168,000	168,000	336,000	336,000	259,468	208,245	467,713			
<u>Consultant-Contract Costs</u>	4,417		4,417	215,583	200,000	415,583	420,000	110,825	64,525	175,350			
<u>Historic Markers</u>	6,402		6,402	13,598		13,598	20,000						
<u>Handicapped Facilities</u>								30,570		30,570			
<u>Boundary Surveys</u>								193,943		193,943			
Sub-Total Construction	\$121,529	\$8,369	\$129,898	\$1,250,971	\$1,181,131	\$2,432,102	\$2,562,000	\$1,500,000	\$571,602	\$2,071,602	\$	\$	

	<u>1975-76 Actual</u>			<u>1976-77 Work Program</u>			<u>1975-77 Biennium Total</u>	<u>1977-79 Agency Request</u>			<u>Legislative Action</u>		
	<u>Fuel Tax</u>	<u>Federal</u>	<u>Total</u>	<u>Fuel Tax</u>	<u>Federal</u>	<u>Total</u>		<u>Fuel Tax</u>	<u>Federal</u>	<u>Biennium Total</u>	<u>Fuel Tax</u>	<u>Federal</u>	<u>Biennium Total</u>
<u>Marina Development</u>													
Cave Lake (White Pine)	\$ 1,079	\$	\$ 1,079	\$ 98,921	\$ 100,000	\$ 198,921	\$ 200,000	\$	\$	\$	\$	\$	
Echo Canyon (Lincoln)	100,012		100,012	(30,740)	70,000	39,260	139,272						
Lahontan (Lyon, Churchill)	37,736		37,736	266,264	304,000	570,264	608,000	454,000	449,000	903,000			
Lake Tahoe (Washoe, Douglas)				226,000	226,000	452,000	452,000						
Rye Patch (Pershing)				50,000	50,000	100,000	100,000						
Spring Valley (Lincoln)	23,835		23,835	8,534	31,641	40,175	64,010						
Washoe Lake (Washoe)													
Davis Dam (Clark)				42,000		42,000	42,000						
Other Areas (Political Subdivision Requests)				70,341		70,341	70,341						
<u>Sub-Total Marina Development</u>	<u>\$162,662</u>	<u>\$ -0-</u>	<u>\$162,662</u>	<u>\$ 731,320</u>	<u>\$ 781,641</u>	<u>\$1,512,961</u>	<u>\$1,675,623</u>	<u>\$ 454,000</u>	<u>\$449,000</u>	<u>\$ 903,000</u>			

	<u>1975-77</u>	<u>1977-79</u>
Total Park Improvements		
State Appropriation	\$1,372,500	\$1,500,000
State Fuel Tax (Including Balance Brought Forward)	893,982	454,000
Federal Matching	<u>1,971,141</u>	<u>1,082,451</u>
Total Funds Available for State Park Improvements	<u>\$4,237,623</u>	<u>\$3,036,451</u>

Through this program, funds are expended for improvement and development of State Park outdoor recreational facilities, for improvements of boating and recreational facilities associated with boating, for the State Park Historic Preservation Program, consulting/contract services necessary for park improvement projects, and for two new programs recommended for the next biennium - addition of handicapped facilities in parks, where they do not now exist, and a complete boundary survey of all State Park property.

Date of Hearing _____
 Who Testified _____
 Date Budget Closed _____



**NEVADA
STATE
PARK
SYSTEM**

MEMO

TO Ron Sparks, Chief Deputy Director
John Dolan, Deputy Fiscal Analyst

FROM John Meder *JM*

DATE January 31, 1977

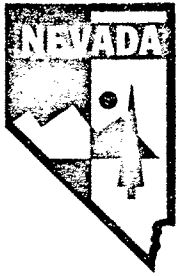
SUBJECT ADDITIONAL INFORMATION--STATE PARKS' LAND ACQUISITION PROGRAM

Attached is the information requested at the Joint Finance Committees Hearing today, January 31, 1977, for distribution to the members.

1. Usage figures for Spring Mountain Ranch
2. Property tax information
3. Oliver Ranch water supply

Please advise us if additional information is desired.

Attachments



MEMO

TO Senate Finance Committee/Ways and Means Committee

FROM John Meder, Park Administrator

SUBJECT SPRING MOUNTAIN RANCH ACTIVITIES
July 1, 1975 thru January 1, 1977

DATE February 1, 1977

NEVADA STATE PARK SYSTEM

During the calendar year of 1976 the Spring Mountain Ranch had 45,668 visitors. These visitors came to the Ranch to picnic, take the self-guiding trail and attend special programs. A breakdown of the special programs is as follows:

	<u>Activities</u>	<u>Total # People</u>
Las Vegas Day Camp	19	766
Nature Hikes	11	299
Ranch Birthday Party	1	400
International Fish & Game Barbeque	1	200
Professional Workshop/Multiple Park Use	1	15
BLM Sponsored Tours	1	50
Special Programs	1	52
SPECIAL NATURE PROGRAMS		
Stargazing	4	499
Photography	1	25
Audobon	2	33
Reptile Lecture	1	48
Nature Crafts	1	35
Limnology	1	7
SPECIAL CULTURAL ARTS PROGRAMS		
Storytelling	2	66
Shakespeare	8	3900
Musical Programs	1	70
Art Shows	8	3340
SPECIAL FOLK ART PROGRAMS		
Stone cutting	2	29
Bluegrass	2	1154
Guided Historic Tours		
Foot	12	580
Bus	4	167
In-Service	26	211
E.E. Field Trip	13	499
Therapeutic Field Trip		
Deaf	1	14
Mental Health	3	30
Standard Historic Tours	<u>388</u>	<u>5637</u>
TOTALS	<u>734</u> 515	<u>15,126</u>

PROPERTY TAX AMOUNTS ON PROJECTS PROPOSED FOR ACQUISITION

The following is a list of the projects which the Park System proposes to acquire, indicating the amount of taxes which will be removed from the county tax rolls upon acquisition by the state:

LINCOLN COUNTY

1975-1977

Spring Valley State Park

Taxes paid on property to be acquired	\$ 599.72
Taxes added to roll by trade or sale of excess properties	333.05
Net Tax Loss	<u>\$ 266.67</u>

1977-1979

Kershaw-Ryan State Park	\$ 77.77
Beaver Dam State Park	137.20
Cathedral Gorge State Park	167.39

LYON COUNTY

1975-1977

Lahontan State Recreation Area	2,452.60
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1977-1979

Fort Churchill Historic State Monument	97.00
Carson River Project	4,122.89

CARSON CITY

1977-1979

Carson River Project	3,465.21
Horse Creek Meadows	354.73

CHURCHILL COUNTY

1975-1977

Lahontan State Recreation Area	350.00
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CLARK COUNTY

1975-1977

Red Rock Recreation Area \$ 248.21

WHITE PINE COUNTY

1977-1979

Fort Schellbourne Historic State Monument 430.32

ELKO COUNTY

1977-1979

Wild Horse Reservoir Project 29.75
Carlin Canyon 306.81

The above programs constitute a total area of 7,385.84 acres; 3,907 acres are presently devoted to agriculture and 3,478.84 acres are nonagricultural land.

RED ROCK CANYON RECREATION LANDS
Oliver Ranch
320 Acres

As stated at yesterdays hearing and indicated in the handout of January 31, 1977, the "master plan identifies this site as major area suitable for development of camping facilities. It has two major water sources and land capable for such development."

The two sources of water are springs and water well. Water production of these two existing sources is 45 gallons per minute (GPM). Using these figures, the daily production is 64,224 gallons per day. This amount alone could supply water for over 500 campsites.

A new well has been developed last year. Water production in GPM cannot be verified at this time.

PLEASE PRINT

DATE: 1/31/76

WAYS AND MEANS COMMITTEE

GUEST LIST

NAME

REPRESENTING

John Richardson

State Parks

John Meder

Parks

Norman Hall

Dept. Conservation Nat. Resources

Steve Robinson

Dept. C & NR

Ed Stokke

✓ ✓

Gene Empey

J. Hardy

State Parks

Bob Welkos

AP