

MINUTES

WAYS AND MEANS COMMITTEE

NEVADA STATE LEGISLATURE - 60th SESSION

February 5, 1979

Chairman Mello called the meeting to order at 8:30 a.m.

PRESENT: Chairman Mello, Vice-Chairman Bremner, Mr. Barengo, Mrs. Cavnar, Mr. Glover, Mr. Hickey, Mr. Mann, Mr. Rhoads, Mr. Vergiels, Mrs. Wagner, and Mr. Webb.

ALSO PRESENT: Bill Bible, Fiscal Analyst; Judy Matteucci, Deputy Fiscal Analyst; Mike Alastuey, Deputy Budget Director; Jim Wadhams, Department of Commerce; Dave Cook, Consumer Affairs; Jim Jones, Real Estate Division; Al McNitt, Division of Housing; and Roger Trounday, Gaming Control Board. (See attached Guest List.)

CONSUMER AFFAIRS

Chairman Mello introduced Jim Wadhams, Director, Department of Commerce, who in turn introduced Dave Cook, Commissioner, Consumer Affairs.

Mr. Cook gave a brief presentation on the functions of the Consumer Affairs Division -- that is, to educate and inform the consumer; to protect the consumer from adverse sales practices; to foster competition; and to promote effective representation of consumers in all levels of government. Mr. Cook added that another very important area is protecting the businessman from unscrupulous and fraudulent competition.

Mr. Cook pointed out that formal complaints are those which require further paperwork and investigation, while informal complaints number around 10,000 per year.

Referring to the budget, Mr. Cook stated that no new positions are requested and the budget increases total 6.5% the first year of the biennium, and 2.3% the second year.

Chairman Mello asked for an explanation of Mr. Cook's salary increase versus the Governor's recommendation. Mr. Cook replied that he was just appointed to the position and did not prepare the budget. Mr. Wadhams interjected that the unclassified salary requests were determined by the previous Director, and were an attempt to equalize the salary scale. Chairman Mello then asked about the 7.4% increase for the deputy in Carson City. Mr. Alastuey commented that this increase would bring the salary within the 95% range of the Director. Chairman Mello then asked if the Director was given an 8% increase, would the Deputy then have to be increased. Mr. Alastuey replied that this was not necessarily so. Chairman Mello commented that this would then be below the 95% factor. Mr. Alastuey stated that the 95% factor was brought up to indicate the statutory limits with respect to classified and unclassified supervisors. Chairman Mello asked if all deputies were within the 95% factor, and Mr. Alastuey responded that they were not.

Mr. Bremner asked for an explanation of the in-state travel. Mr. Cook responded that it includes travel mileage for all investigators and some travel into the cow counties if a complaint is received. Mr. Bremner asked how many cow ~~counties~~ complaints the Division has received. Mr. Cook explained that there have been about 325 that actually had to be investigated in the last two years.

Mr. Hickey asked how many automobiles were assigned to this agency. Mr. Cook replied that there were none budgeted.

Mrs. Wagner asked what the communications expenses included and Mr. Cook stated that they are for telephone and postage.

Mr. Mann asked if this agency had attempted to make use of the State motor pool. Mr. Cook replied that he had a comparison made of using State vehicles versus paying the employee's mileage, and it was found that the mileage payments were much less than what it costs to have a State vehicle.

Chairman Mello commented that it was appreciated that no new employees were being requested, and asked why some positions, in light of the caseload, should not be cut from the budget. Mr. Cook replied that the budget figure representing a drop in caseload is misleading because the number of calls and complaints the agency receives is increasing. He reiterated that the budget figure represents only those complaints which require additional investigation, but does not include those phone calls which require only advice -- as in landlord/tenant matters -- and that the number of these calls is increasing.

Mr. Vergiels asked for clarification of the advice given for these calls, and if any intervention -- as with the owner of an apartment -- is done on behalf of the complainant. Mr. Cook stated that there is nothing in the statute that says this agency can intervene, but can only advise the person of his rights. Mr. Vergiels cited the example of an employee of this agency communicating with the owner of an apartment to advise him of the complaint so that it can be corrected and asked if this was still being done. Mr. Cook said that he could not answer that question, but would find out and report back to the Committee. Mr. Cook further stated that a booklet was being prepared which would explain landlord/tenant rights in lay language, but under current legislation, all this agency can do is advise of the law's provisions. Mr. Vergiels asked that he see proof that something is being done to support the monies being expended.

Mr. Rhoads asked about the possibility of charging a fee for processing complaints. Mr. Wadhams stated that when he appeared before the Senate Finance Committee, that idea was discussed, and he was instructed to bring that Committee a proposed NRS amendment to implement a charge system.

Mr. Wadhams went on to say that when a complaint comes in where definite fraud is involved, the agency investigates and attempts to negotiate with the perpetrator of the fraud to return monies to the people and to return to the agency the costs of the investigation. In 1977-78, \$202,000 was returned to consumers' \$579 was returned to the State in recovered costs for investigating. It appears that in 1978-79, almost \$500,000 will be returned to the consumers, with one case returning \$250,000 to consumers. A little over \$7,700 will be returned to the State in 1978-79.

Chairman Mello commented that newspaper reports indicated that the Budget Division had, at first, recommended that this agency be abolished. Mr. Alastuey stated that this initial recommendation was based on the apparent decline in caseload. However, the function as it now stands, is an important public service and should be continued.

Mr. Bremner asked how much assistance is given by the Clark County and Carson City District Attorney's Office. Mr. Cook replied that the Finance Committee had asked for a written report on this, which has been delivered. Mr. Bremner asked if Mr. Cook would deliver the

report to this Committee, and Mr. Cook said that he would. Mr. Cook stated that the agency receives assistance from the Washoe County D.A. but none from Clark County. Mr. Bremner asked if Clark County has a deputy assigned to the function. Mr. Cook replied that they do not.

Mr. Vergiels asked for the difference between the terms, "consumer fraud" and "deceptive trade," and asked for an explanation of the \$2,000 figure for deceptive trade. Mr. Cook explained that both terms mean the same thing. He went on to say that after it has been determined that a case involves deceptive trade, or fraud, a hearing is held with the respondent, and, at that time, he is given a chance to sign an Assurance of Discontinuance. This assurance means that monies will be returned to any who has been frauded, and the agency recovering the costs of the investigation. These funds are deposited to the General Fund budget.

Mrs. Wagner asked how this Division educates and informs the consumer to insure rational consumer choice in the marketplace, and what specific things are done to accomplish this objective. Mr. Cook said that includes public speaking engagements, talks to schools, public education programs on television, speeches to public service organizations and community colleges. Mrs. Wagner also asked what the case was that returned \$250,000. Mr. Cook replied that it was the Carriage House matter.

Mr. Hickey asked for an explanation of contractual services item. Mr. Cook stated that it includes contracts on office machinery, and contracts for qualified experts as needed.

Chairman Mello asked Mr. Cook to advise the Committee which items could be cut if cuts have to be made, and Mr. Cook said that he would.

Mr. Wadhams then apologized for the poorly-prepared budget in terms of the narrative and suggested that the Committee request that Mr. Cook prepare another narrative to more precisely explain the Division's functions. He also suggested that Mr. Cook be asked to prepare information on the number of inquiries that are handled.

Chairman Mello asked Mr. Cook for a more thorough narrative, and Mr. Cook said that he would have that information. Chairman Mello stated that, based on the budget narrative, he could understand why it had been suggested that the budget be eliminated.

REAL ESTATE DIVISION

Chairman Mello introduced Jim Jones, Administrator, Real Estate Division.

Mr. Jones stated that later this month, the Division will administer real estate salesman and real estate broker tests. To date, 1,146 people have indicated their desire to take the tests, and it is estimated that 500 will pass. Mr. Jones indicated that Nevada leads the nation in per capita real estate license holders.

Chairman Mello asked for an explanation of the Real Estate Investigative Fund. Mr. Jones explained that these are expenses incurred by the Division for carrying out investigation and inspections which are charged to the applicant.

Mrs. Wagner asked how an estimate of 500 people passing the tests could be arrived at prior to the administration of the examination, and if it was regulated in any way to determine the results. Mr. Jones responded that the Division hires a firm to administer the tests, grade them, and forward the results to the Division. Mrs. Wagner asked if the Division administers the licensing for the real estate schools, and Mr. Jones said that it does.

Mrs. Wagner asked for an explanation of the item identified as "Subdivision Exemptions Issued." Mr. Jones explained that the developer, after he has received his entitlement through all the

agencies, presents a program to the Division involving the sale of lots. Most of the time, the Division finds that developers do come under exemption and can sell lots. They disclose to the Division their sales program, advertising, what utilities are available, and whether the roads are gravel or blacktop. This disclosure is made prior to putting the lots on the market for sale. Mrs. Wagner then asked about the 8,000 copies of the newsletter mailed to all licensees, real estate agencies, general mailing lists, and regulatory bodies on a quarterly basis. Mr. Jones said that he would research this to determine compliance with statute on the number of mailings. His information is that four a year are prepared.

Mr. Vergiels asked why the passing score on the test was raised. Mr. Jones said that he did not have this information, but would find out and report back to the Committee. Mr. Vergiels further asked if the prediction as to how many would pass or fail has to do with the raised score or if old figures were used on the projection. Mr. Jones stated that old figures were used.

Chairman Mello asked for an explanation of the tremendous difference between the agency request and the Governor's recommendation for the Administrator's salary. Mr. Wadhams stated that the previous Commerce Director sought to raise all salaries of the division chiefs. He stated that the three lowest in the past have been Real Estate, Consumer Affairs, and Housing. Requested increases would bring them in approximate parity with the Loan Commissioner, Banking Superintendent, and Insurance Commissioner. The Budget Office, for whatever reason, did not feel that change was appropriate and their resulting recommendation maintains the relativity from the various division chiefs.

Mr. Jones mentioned that one area of concern is travel. He stated that, by statute, the real estate advisory committee is to meet six times a year: once each in January and July, and four other times a year to hear cases, consider new schooling, approve licensees. This consumes a great deal of the in-state travel budget.

Mr. Glover asked how many members make-up the advisory board, and Mr. Jones replied that there are five members.

Mr. Bremner asked how many people travel on the out-of-state budget. Mr. Jones responded that there are three: the Administrator, one deputy, and the chief investigator.

Mr. Hickey questioned the number of complaints and what the percentage is to justify any increase in travel. Mr. Jones explained that he did not have the figures, but would supply them at a later date.

Mr. Mann asked about the one-shot appropriation for \$75,000. Mr. Alastuey explained that this is for a computerized licensing system.

Chairman Mello asked if any positions could be eliminated because of the automated system. Mr. Jones said that positions could not be cut but that no new positions would be needed.

Mr. Webb commented that under the work program, most of the expenditures are for real estate exams. The legislature approved \$19,000 last session for that function. Mr. Webb questioned the large increase proposed in the budget. Mr. Bible explained that the budget normally has collected the examination fees then expensed the examination expenses. Last year, the expense was \$51,702, with collections of \$184,655. The remainder reverts to the General Fund. In last year's budget, instead of estimating the full collection, the amount that would be expensed was estimated, then augmented and reverted. It is simply a bookkeeping problem.

REAL ESTATE EDUCATION AND RESEARCH

This budget is funded by licensees for real estate education and research activities.

Chairman Mello questioned the large balance being carried in the account. Mr. Alastuey stated that the estimates of fees that are

able to be deposited is simply the excess of over \$50,000 in the Real Estate Recovery account, and that it is not known how much actual money will be available to this account.

Mr. Jones explained that the recovery fund is set up to replace surety bonds that agents, salesmen, and brokers used to have. There is a cut-off point as to the amount of money that can be held in the recovery fund, with the overage going into education and research. The fund is totally funded by fees paid into the recovery fund. The money is currently being used for seminars for licensees and applicants to up-date them on changes in the law, and prepare them to deal more accurately with trust responsibilities.

Mr. Mann posed a question concerning the audit report which, it was found, Mr. Jones had not yet seen. It was suggested that Mr. Jones review the audit report and address his answer to the problem areas discussed in the audit report.

Mrs. Wagner wondered how many people attend the seminars. Mr. Cozart replied that during 1979, approximately 54 full days of real estate will be provided, with approximately 1,600 people having attended these courses in 1978.

Mr. Hickey expressed displeasure with Mr. Jones having indicated, after only thirty-four days on the job, that the agency does not have adequate resources. He questioned how Mr. Jones could make such a judgement.

Mrs. Wagner asked how many claims had been paid out of the recovery account. Mr. Jones stated that in fiscal year 1973-74, one claim for \$3,523.50; another for \$1,550.65; 1974-75, \$3,268.10; no claims in 1977-78; and no claims in 1978-79.

HOUSING DIVISION

Chairman Mello introduced Al McNitt, Administrator, Division of Housing.

Mr. McNitt stated that this Division is a housing finance agency not a housing authority. He further stated that this Division was established in 1975 to promote and finance housing for low and moderate income families. He commented that the first program implemented by this Division in 1976 was a Loans to Lenders Program, by selling tax exempt bonds in a public financing, lending the proceeds to banks and savings and loan associations, which in turn made mortgages available to eligible families. Under the mortgage purchase program, families of moderate income are able to purchase homes which they ordinarily would be unable to afford at commercial or market interest rates. Currently, under this program, lending institutions make a loan for single-family dwellings at 7 1/4% interest. The Housing Division then purchases the mortgage from the lender. There have been two bond issues under this program: one in 1977 for \$28 million, and one for \$113 million in 1978. The 1977 financed 749 single-family homes and, to date, the 1978 has financed 501, and is projected to finance 2,400 homes. The multi-family program for the elderly provides construction of housing. Part of this program is subsidized by the Department of Housing and Urban Development, and rental charges to tenants are limited to 25% of their gross income. The program, to date, has financed 760 units and there has been ground-breaking for 440 units this fiscal year. During the first three years, this Division has financed 5,781 units of housing for low and moderate income families. During this fiscal year, the Division will finance in excess of 2,000 units of housing. Bond monies can be deposited outside the State Treasury in private bank accounts. All funding for this budget is provided by administrative revenues generated from the various programs in the Division. The Division is fully self-supporting and does not require State appropriations. All start-up funds provided by the legislature will be returned to the State Treasury during this current fiscal year.

Chairman Mello asked for an explanation of the Administrator's 21% salary increase. Mr. McNitt said that it is relative to the position's responsibilities, and necessary in order to have an Administrator with a diversified background and experience.

Mr. Barengo inquired if bonding companies have paid any of the Division's expenses. Mr. McNitt explained that they have picked up some meal expenses, and he was requesting a host fund in order to reciprocate.

Mrs. Wagner commented that moderate income families seem to benefit more than low income families. Mr. McNitt stated that the Division addresses moderate income families primarily for single-family units, and the low to moderate income families for multi-family units. He further stated that the low income program more typically involves some Federal subsidy, such as the Section 8 program.

Mr. McNitt stated that the Division currently has legislation (SB 127) which includes a request to increase the statutory bonding limit from \$200 million to \$500 million.

Mr. Webb commented that in the 1978-79 work program, there were originally two positions, authorization was given to hire four, and there are now nine on the staff. His concern was directed to the growth of the department. Mr. McNitt answered that there are currently eight full-time positions, one temporary position, and one Deputy Attorney General assigned full-time.

Mr. Mann asked if Mr. McNitt has promised anyone, either on-board now or coming on-board, the salary amount requested in the budget. Mr. McNitt said that he had not.

Chairman Mello pointed out that Mr. McNitt had stated that the Division did not have a host fund at this time, and asked if Mr. McNitt would like to address SB 127. Mr. McNitt replied that a host fund was not included in the budget but would be created by SB 127. It would not be a separate checking account, but a sub-account within the Division.

Mr. Bremner asked Mr. McNitt to prepare a proposal with emphasis on saving positions and money, to combine the various housing budgets. Mr. McNitt replied that he would.

GAMING CONTROL BOARD

Chairman Mello introduced Roger Trounday, Chairman, Gaming Control Board.

Mr. Trounday briefly addressed the \$100 one-shot appropriation request, and stated that it is requested for reimbursement of a gaming control board auditor's automobile insurance deductible.

Mr. Trounday stated that the budget contains a request for 87 new positions. There are currently 58 positions in the audit division, and 22 additional positions are being requested: 14 for the first year of the biennium, and 8 the second year. Mr. Trounday explained that this Division is attempting to get on a cycle with Group-I licensees by having an audit at least once every other year. Some of the audits have been lost because the Division has exceeded the statute of limitations, which is five years. Additionally, the internal control operations of the major licensees are being upgraded. Mr. Trounday stated that there are currently 30 positions in investigation, and it is requested that 15 new positions be added: 10 the first year, and 5 the second year. The investigation division is responsible for investigating applicants for licensing, and includes the owners of establishments, general managers, casino managers, comptrollers, slot machine managers, and shift bosses. Mr. Trounday stated that the largest increase is in enforcement. There are currently 29 agents: 25 are requested -- 20 the first year, and 5 the second year. Enforcement agents are out in the field within the State of Nevada, going through the various casinos to see that they are properly run and to see if there are any cheating scams going on involving either the customers or the employees. Enforcement agents also respond to all complaints received by this Division.

Mr. Trounday added that two Agent I positions are being requested for assignment to the tax and licensing division to go out and do slot machine counts each quarter. Further, a Hearing Officer position is requested for work permits. Mr. Trounday commented that the work permit program is not computerized and as many as 600 applications per day were processed last summer. A Systems Analyst position is being requested to analyze the operations and accounting data and make sure the computer programs are the ones originally approved. A Training Officer is requested for specific gaming training. A Management Analyst is requested for internal management such as micro-filming and work-flow studies.

Chairman Mello pointed out that in 1975, 21 new positions were granted; in 1977, 36 new positions were approved. Mr. Trounday commented that in order to properly regulate the gaming industry, this kind of assistance is needed.

Chairman Mello questioned the salary increases: a 26% increase for Mr. Trounday, and 31% increase for each member of the Gaming Control Board. Mr. Trounday explained that it is a difficult job, a great deal of knowledge and day-to-day pressure, and the salary request is commensurate with responsibilities. He said that agency turnover is about 21% per year. Chairman Mello inquired if the salary increases would help to keep the turnover at a lower rate. Mr. Trounday responded that this is anticipated.

Mr. Hickey asked if, coupled with the salary increases, would the Division support restrictions on employees going into the gaming industry. Mr. Trounday replied that if it could be done constitutionally, there would be no particular problem. Mr. Hickey requested Mr. Trounday to prepare a letter addressing the question of Gaming Control Board employees being trained by the State then leaving for jobs in the gaming industry and on the legal ramifications of placing restrictions on this. Mr. Trounday said that he would have to ask the Attorney General concerning this.

Mr. Bremner mentioned that about a dozen Agent II auditor positions had been requested and granted over the next two years of the biennium, and pointed out that in a report from the Personnel Division, two Agent II auditor positions have been unfilled for six of the last six months. Mr. Trounday agreed that this is correct, and stated that recruiting people and keeping them is a major problem. He further stated that the people in these positions, in large measure, leave after a year, and recruitment is difficult because the Division has to wait for the next graduating class from the university, and vacancies build up. Mr. Trounday went on to say that the vacancies in the audit division are not necessarily due to turnover in the higher levels. One or two years in the audit division provides most of training necessary to enter the gaming industry.

Chairman Mello pointed out that the Division's turnover is 19%, while the State's average is 18%. Out of the total number of fifty-three that left the Division over the last one and one-half years, nine stated that insufficient salary was the reason, and seventeen went to other employment.

Mrs. Wagner asked how many casinos were not being audited because of lack of positions. Mr. Trounday said he did not have that information, but would get it.

Mr. Glover asked Mr. Trounday to indicate which positions he feels should be restricted from directly transferring to the gaming industry in the letter requested by Mr. Hickey. Mr. Trounday said that he would deal with all professional positions.

Mr. Mann asked how badly recruitment would be affected if new people were aware of future employment restrictions in the State's biggest industry. Mr. Trounday speculated that it would cause some problems with career advancement, and would most likely affect recruitment a great deal.

Mr. Hickey posed the question of career advancement at a lower salary versus higher salary with restrictions. Mr. Trounday said that he would respond to this question in his letter.

Mr. Barengo asked if the new position of Hearing Officer would require legislation, and Mr. Trounday replied that he did not believe so. He felt a budget request provided adequate authority.

Mr. Trounday referred the Committee to an item identified as "Other Government Services." He explained that this is to cover two positions which would be transferred to the Highway Patrol to act as gaming dispatchers.

Chairman Mello inquired about the EDP System. Mr. Trounday stated that this Division has gone completely to an automated system in the work permit program. In addition, the Division is going to put all of their tax and licensing information into the computer for more efficiency and economy.

Mr. Bremner asked how many Deputy Attorney Generals were under legal and court expense. He asked if there were three and two and a half more were being requested. Mr. Trounday said this was correct. He also pointed out that there is a Legal Researcher in the agency request for positions.

Chairman Mello asked for a priority list of positions, in the event that all requested new positions could not be approved. Mr. Trounday said that he would make that list and present it to the Committee.

GAMING CONTROL BOARD INVESTIGATIVE FUND

This fund advances travel and per diem funds for gaming control board agents to investigate new applicants. That applicant is then charged for the actual cost of the investigation and the money is put back into this fund. In addition, the applicant is charged at the rate of \$12.50 per hour for salary for the investigator, that is also deposited to the fund, then reverted to the General Fund.

Mr. Barengo asked about travel and policy directives for agents in the field. Mr. Trounday replied that directives have been sent out on policy and procedures, and commented that the travel involved is not as glamorous as imagined. Some of the agents are travelling 2 or 3 weeks out of each month. Mr. Trounday also stated that a policy manual is in the process of being prepared which offers guidelines for procedures while on travel status.

Motion made by Mr. Bremner to introduce BDR 27-136 (removing the limit on the purchase price of State automobiles) as a Committee-introduced bill and refer it back to Ways and Means Committee; seconded by Mr. Hickey. Motion carried unanimously.

The meeting was adjourned at 10:30 a.m.

DATE: January 5, 1965

WAYS AND MEANS COMMITTEE

GUEST LIST

NAME (PLEASE PRINT)

REPRESENTING:

11/10/64

11/10/64

DENNIS GEORGE

MYSELF

BILL COZART

NEW ASSOC OF

Thany Van Kuy

Consumer Affairs

ROUF MORRIS

HOUSING

AI McNitt

"

Bill White

" "

Clive McMoran

REAL ESTATE

JIM JONES

REAL ESTATE

James Hamilton

DAVID E. THOMPSON

REAL ESTATE

Susan DiBiase Simmons

REAL ESTATE DIV.

ROBERT R. MACAULAY

SCOUT TROOP 411