

The meeting was called to order at 12:00 noon in Room 213. Senator Thomas R. C. Wilson was in the chair.

PRESENT: Senator Thomas R.C. Wilson, Chairman
Senator Richard E. Blakemore, Vice Chairman
Senator Don Ashworth
Senator Clifford E. McCorkle
Senator Melvin D. Close
Senator C. Clifton Young
Senator William H. Hernstadt

ABSENT: None.

OTHERS See attached guest list, page 1A
PRESENT:

AB 509 Reduces age of eligibility for examination and certification as dispensing optician.

For previous testimony and discussion see minutes of April 30, 1979.

Assemblyman Peggy Westall testified for AB 509. She stated the matter was brought to her attention by the case of a young lady who graduated from high school at 18 years, went directly to opticians school. She had worked for her optician father since before the age of 16, and worked for him later. She is now 20, but still not able to be an optician due to the age limitation.

Vice Chairman Blakemore asked if there were any others to testify on this bill; since there were not, he closed public hearing on AB 509.

SB 387 Changes certain procedures required of public utilities for increased rates and use of deferred accounting.

For testimony and previous discussion see minutes, April 2, 1979.

Bill Branch, Treasurer, Sierra Pacific Power Company, spoke for SB 387. He summarized changes made as a result of the original hearing and discussion on the bill. Mr. Branch stated to Chairman Wilson the changes would permit someone to include depreciation expenses on the plant which isn't permissible under present law.

Senator McCorkle asked why this bill didn't include all of the generating plants. Mr. Branch replied that earlier testimony indicated annualizing all depreciation could result in over-recovery in the next period.

In answer to Chairman Wilson Mr. Branch stated the greatest percentage of reduction at Valmy would be in 1981. In terms of dollars they are looking at \$3 million in one year of depreciation expense. The difference is the actual experience versus the day after rates go into effect, so it's a matter of timing.

(SB 387 - continued)

Mr. Branch also stated that, in a given year, if they book the \$3,000,000 worth of depreciation, and it is not recovered, then the financial effect is serious.

Heber Hardy, Chairman, Public Service Commission, and Janet MacDonald, Commissioner, PSC, testified next for the bill.

Ms. MacDonald and Mr. Hardy discussed several of the terms used in the bill (i.e. "may" for "shall", "consider", etc.) for the Committee.

In reply to Senator Ashworth's query regarding setting the rate of depreciation, Mr. Hardy replied the individual company would pick the most recent 12-month period for which financial data is available and use it for the "test period", and actual depreciation may be allowed for the period of certification.

Ms. MacDonald added that the rate base is one thing, where the PSC reimburses the utility for their operating expenses; and then gives them a fair rate of return on their rate base.

Senator McCorkle wanted to know if the amendment was a fair one. Both Mr. Hardy and Ms. MacDonald thought it was.

There was a general discussion regarding more of the terms in the amendment, particularly the relationship to "major" as applied to small companies and large companies; allowable expenses, operating expenses, cash flow and depreciation.

Senator Blakemore suggested it might be simpler to figure out how much it costs per kilowatt hour and let the transmission stand on its own two feet.

David Russell, representing Southwest Gas, testified for the bill, addressing the subject of why the bill deletes provisions of the current law (NRS 704.110 and 704.185). The reasons for the deletion according to Mr. Russell was that the present law works a hardship on Southwest Gas with regard to the northern and southern parts of the state.

Senator Ashworth commented that people in the south will be paying for the rate in the north or vice versa. Senator Hernstadt added that the northern gas supply is very expensive compared to the southern. The northern part of the state imports gas from Canada; the southern part from El Paso natural gas pipelines. He concluded the rate of return on the investment should be commensurate, but the raw material cost is substantially different; so their return as a percent of sales can be different.

There was further discussion by Mr. Russell, Chairman Wilson and Mr. Hardy with regard to the exact wording to be used in amending the NRS sections in question.

Chairman Wilson finally suggested that it might be more appropriate

(Committee Minutes)

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be allowed
that much of the debit balance/if it is in excess of the most recent allowed by their return. Chairman Wilson continued that he thought that would be more workable than either the present language or simply taking the present language out.

Mr. Hardy and Mr. Russell concurred with the Chairman's suggestion.

Mr. Russell had an amendment proposal for line 17 and 18, page 3, in which the last two sentences would read: "the reported period to transfer that portion of such recovered amounts, which exceeds the authorized rate of return to the next energy adjustment...".

Chairman Wilson closed public hearing on SB 387.

AB 27 Establishes board to review functions of NIC.

For testimony and previous discussion see minutes, April 30, 1979.

Chairman Wilson felt this bill has some drawbacks regarding the review board's selection of subjects and jurisdiction is selective. There is clear choice on the subject, the bill no longer relates to AB 84, which raises a lot of questions, particularly to the three commissions.

Senator Ashworth commented he would go along with the idea of a board set up which would have disciplinary action in regard to the NIC; he felt people felt there was problem with NIC and wanted some positive action on it.

Senator Young stated there would be other problems if there is another board, another level of government. He questioned the constitutionality of the way the bill is drafted. He had reservations about it being anything but advisory at this juncture; there should be caution in setting anything up until there is a trial run on what they are doing.

Senator Hernstadt stated that the Committee was well aware the NIC Chairman, Commissioners, etc., are full-time employees; that is why he feels a board of directors would set policy for the commissioners. A board of directors would eliminate the constitutional problem of legislators mixing in. He felt the board could be appointed by the governor from management, labor, and the public, without much difficulty.

Senator Wilson commented that Senator Hernstadt raised a point, of a super board; but he did not see it as a review board of any kind. It should meet, pass on management policy, serve truly as a corporate board of directors.

Senator McCorkle stated "you don't change the system, you change the people." He said the present system should work but hasn't for years because of the personnel.

(AB 27 - continued)

Chairman Wilson remarked it may be the commissioners themselves are at fault; if the commissioners aren't changed, that changes the picture. He summarized that there are advisory boards without the responsibility or jurisdiction of a board of directors which was legitimized by the executive board, without legislation or appointment by legislation. He stated part of the difficulty now is there is a serious lack of public confidence in the system, due basically to mismanagement. He believes the governor should have the power of appointing a board to make policy.

Senator Young stated the system right now is responsible and has addressed a lot of policy. He felt a separate appeals board would be something for allowing self-insurance, to take some powerful and affluent of those insured out on their own. He felt this would cut out a lot of the opposition, a lot of the criticism. He stated he is not sure the present system is as bad as they are led to believe, with the changes made.

Senator Hernstadt stated that does not solve the communications problems. Senator Young stated that was probably due to the personnel, he stated even if you changed it different ways and had the same people in there you might have the same problem.

Chairman Wilson stated he was not sure that the present advisory board would be opposed. He did not feel they would understand what the committee was talking about and would not take any action.

Senator Hernstadt stated that as long as you split up your board of directors into labor people, management people, members of the public at large with no particular answer one way or the other, they in turn set the policy to do that.

Chairman Wilson stated he felt it was too late in the Session to change the structure of the state. He stated the Assembly sent over a kind of a compromise on employment, they had jurisdiction, and they elected to exercise it and balance it.

Senator Hernstadt stated that it came out of the Assembly and shows the public sentiment and frustration that people have. A lot of people are concerned about this, and, he is really not trying to hurt the system, the question is, can we fix this, take out legislators, you don't have your separation of powers, take out the thing about labor-management board being stricken forever, just say that if the future legislature wants to establish it again it can. If this is workable should put our minds to it. The question is just what we want to do, you have seven individual ideas.

Senator Young stated if the committee is going to go on something he would rather do some legal things, the labor-management now for the interim period, he stated it is late in the structure and would be much easier, a study committee would be needed to study the results of the study very soon. The question was posed whether labor-management had terms. The response was that the board expires July 1, 1979. The terms of the advisory committee expire the first of July 1979.

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(AB 27 - continued)

Chairman Wilson stated that maybe the answer would be to create a new board to be effective July 1, 1979, with the governor to appoint replacements on the advisory board, he has the election to do that. He stated it would be a jurisdictional board. He stated he did not feel that was very disruptive. It could have a therapeutic effect. The employers would not feel so isolated as they do today, this could have a very therapeutic effect. There is an appointment process at the end of this fiscal year.

Senator Blakemore stated, what he was saying was that something to take effect July 1 or when the other board expires, and then this bill will "Sunset" May 31, 1983. He stated that he felt the board always seemed to operate with the best interests, no imbalance derived from labor benefits from the fund where management people argued this was hard to keep agreement in. This was where the basic policy changed, mandating the body to get a little more in depth to see how it runs.

Senator McCorkle stated he saw problems, and problems that could be corrected by policy correction, and he understands that investment funds is one of them, one area that could be a problem. He stated he had been under the impression, over the last few months, that the problems cannot be corrected by any change in policy. The problems are individual complaints. How do you restrict the jurisdiction of this board to policy only? He wonders if that is addressing the problems.

Senator Young stated he had seen that in the Fish and Game Commission where they made policy, and this created chaos. He felt individual complaints would be more of a hindrance to the N.I.C. if they can pull out on their own, as they have seven or nine people to go ahead on individual complaints and details in any operation, but you would be adding to the problem.

Senator McCorkle stated that was the original argument, not to have a board, but it was an argument to have some other form of review, maybe the committee is looking at it in the wrong direction, maybe it should have a general complaint appeal board. Maybe the committee is dealing with the wrong entity here.

Senator Blakemore asked if any other insurance company takes a board of directors and puts them over the top of the company.

Chairman Wilson stated the board of directors are travellers and do not go around handling automobiles accidents, and do not going around saying policy, they hire the president and they tell him what to do. He stated company policy has to do with investment policy, developing a portfolio and return investment, whether it has to do with processing claims that a percentage be settled on the staff or administrative level before it goes to a hearings officer, or communication by management with business community or the working community, that has to do with the efficient exercise of policy, or administration policy. He stated it has to do with finding policy and reviewing periodically how that policy is administered by executives and appointed by the governor, or served as executive officer in the insurance company.

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(AB 27 - continued)

Senator McCorkle asked what happens if that policy is not adhered to and they told the director to make a correction and he doesn't.

Chairman Wilson stated they have to have the jurisdiction to act. He stated in this case they do not have the jurisdiction, because the commissioner is appointed by the governor.

Senator Close questioned whether the Advisory Board have the capability to do what they are saying or doesn't the committee have that authority. He stated they have less than 6 years to try to solve contents, it would be a miracle to set up some broader statutory with less than 10 with broad spectrum of purpose of advising them ironing out problems. They have broad experience and should have some mandatory obligation, and it does have some statutory responsibility. They will have a Sunset two years from now. He said they need a study board.

Senator Ashworth stated he would be opposed to a study committee. What can any study committee tell us? It has been studied so many times now.

Senator Young stated they might be able to shed some light on the way the new procedure hearing is working, how the self-insured is working and make some recommendations. Senator Blakemore questioned what the governor's feelings are in the matter where he would be mandating, appointing additional people, he appoints the commissioner. Chairman Wilson stated the governor presently has an advisory board, created by an executive board, under the status quo he would fill vacancies as he sees fit, at the end of this fiscal year. Senator Hernstadt stated the board should be pleas for the governor. Senator Close stated if the committee were to vest the board of directors by powers and this board were to be appointed by the governor, he stated, they would then have to change the fixed terms of the NIC commissioner to have the pleasure of the governor, so they can go to the governor and say pleas cannot live with a certain commissioner, and these are our reasons, that after the governor hears that, the governor can replace that individual. Senator Young stated he agreed with that. Senator Close stated it was for a rotating terms and for a fixed period of time. Senator Close said this sunsets in two years, and then see how it works out. He feels the people of Nevada are really upset about this. This board is a sounding board, beyond the NIC level, the advisory commission and it is their responsibilities to hear the peoples' complaints, to work out policy within the NIC and report in two years what they find. He stated the NIC should be doing what this board will be doing.

Senator Young questioned how you are going to have them listen to complaints. You get people on this board, you are going to have to have staff, it is going to be a full-time thing with all the complaints. Senator Close stated there should not be any burden any greater than the advisory board is doing. Senator Young stated if you make policy that means promulgate regulations which means hearings, which means findings, this is a complex field. He said he would go for recommendations but would not like to see them get into policy. Senator Close stated they support each other, they are for a two year term, not to make policy, but to recommend policy they see areas of quality, and hear complaints, maybe come back and see a pattern develop in some area where we can advise or legislate next time if we have to.

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(AB 27 - continued)

Senator McCorkle stated with their jurisdiction he would hate for them to get in the day to day problems, in the normal school for their function as policy makers, why wouldn't they, as a matter of practice have public hearings? They would get input from people in the public hearings, at a stockholders meeting, decide their policy, and turn the specific complaints over to the commissioner. He stated whether or not the advisory boards recommendations have been adhered to up to now is credible in his mind. Senator Young stated he felt they should not have enough power to interfere with the NIC operation. He questioned if a super board would have to be created to make policy. Senator McCorkle stated the only people who promulgate regulations are management. Senator Young stated if you are making policy you have to do it by regulations. Senator Close stated that the board is going to meet regularly anyway. He stated the board, though advisory, is determining policy, they do not meet pursuant to any kind of requirement; by statute, they are not accountable, they serve pursuant to executive board, by their advisory status with executive order they determine policy. That is the fact of the matter, why not put statutory responsibility where it belongs. Senator Young stated you have to get the legal authority for the policy to do anything. Senator Close stated he assumes it is the advisory board's course of action is not being followed, somebody appointed them, not the legislature while it is in session, have not heard one shred of suggestion in the course of all the hearings that have been supportive on the other side.

Senator Hernstadt stated get the highway board, the governor and the comptroller and the attorney general, why not have an NIC oversight board of the AG, Governor and the Comptroller. It was suggested that maybe the governor could be ex-officio, this is an insurance company with a complicated business problem, stated Chairman Wilson. He stated you are dealing with millions of dollars in premium payments in reserve banks and held or administered in investment. He stated they are spread thin enough as it is.

Senator Young stated he would be a little reluctant to establish a board of seven for a couple of years to study this thing to give them that kind of authority. Senator Blakemore stated maybe they were looking at A.B. 27 sunseting. Senator McCorkle stated it sounds like they would like to reappoint some advisory members, keep the present system and require accounting in two years as to how many of the advisory statements were adhered to. Senator Young stated also the study to report back what they recommend. He stated that supposing the committee comes up with something and the legislative study comes up with an entirely different recommendation, would it then be again changed in two years? He said they could stay with what they are doing in the waning hours of the legislature, he thinks it is late to come up with an entirely new system, that is going to second guess, supervise these people on NIC. There is a lot of criticism but on the other hand they should be given credit for the things that are good. He said they have not been altogether bad.

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(AB 27 - continued)

Senator Hernstadt stated that there is this resolution now and working for an interim study against the bills processed, and that there is supposed to be another interim study to look at the feasibility of freeways. He said if they change the system now, while studying it, not studying the same thing and not looking at it as it were, so if there are these two studies maybe the two years should not be waited and see if the studies come out. One new study is the way it was and the other was the way it is from July 1st until when legislature meets again, it is difficult to come up with a permanent thing, so maybe it should be left the way it is for another two years and see what the studies come up with.

Senator Blakemore stated, getting back to A.B. 27, people involved in the system, and everybody, can derive benefits or who pay into it for their employees is the stockholder, they want a "watch dog". Let it run for the next session and then report back. Senator Close said that the various areas would have to be renewed, stating that the bill covers most of it.

Senator Young stated he felt they should strike out subsection 2 of Section 3, and change some of the provisions on the first page. Chairman Wilson stated to try to isolate some of the elements whether it could be jurisdictional, or advisory and whether it could be statutory or by executive order, certain subjects, what are they; and probationary report in the event the governor and the legislature, what the composition should be, effective date and whether they should apply for a committee.

Senator McCorkle asked if he wanted to add a few to that, such as day to day complaints or policy on it; and whether or not to emphasize a change in existing personnel, rather than creating a new board. Chairman Wilson said where it is regarding other major issues, making policy decisions. Discuss jurisdictional in the sense that it sets policy, should it be advisory only, commissioners, governor or legislature. Whether it should be jurisdictional or advisory there still should be a report inherent part of that. But, stay on the question whether it is jurisdictional, as to policy, or whether it is advisory as to policy. Three to three for policy and advisory, (for advisory- Young, Close and Blakemore). He stated he assumes they are agreed that it should be statutory and not by executive order and that there should be reports rendered on specified subjects, the governor, the NIC commission and the legislature. On the subject of composition the bill provides for composition, the present advisory committee is five labor, five management, which is a ten man board.

Senator Blakemore stated that what they really are looking out for is what is it supposed to be, is it workman's compensation, the workman is the guy who has to look out for himself, those are the people who should be on that board, the workman, the people who will look out for that workman. Chairman Wilson stated to bear in mind whether it is advisory or jurisdictional, you want a fully competent board, a board that can comment upon labor, how to run an insurance company and you want a board that can comment upon the adequacy of benefits and the adequacy of treatment. One of the committee felt there should be a CPA (certified public accountant) on the board, as it is too defined

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and there are going to be very few CPA's who are going to have the expertise in the area and it should be left open a little more than just a CPA. Senator McCorkle asked why would it matter from the time investment standpoint whether it was policy or advisory. Senator Young stated if you make it policy you have to have responsibility you can't do a poor job. Senator McCorkle stated you have to set up a policy that must be followed. Chairman Wilson stated if the committee killed the bill the labor-management board would continue. The governor would reappoint and they could continue. Senator Blakemore stated that what the board wants is a watchdog at least, he stated he did not think they would really be upset after they saw where the make up level was going to be heading to satisfy them. They do have policy, they understand, if we tell them what to do they could do their own watchdogging. The performance of this bill is something with a little more defined than what they are going to do. Chairman Wilson stated they should come to a consensus as it is futile to take it to the floor with the divided votes. It was mentioned that policy decisions made were of such a general nature that they were jurisdictional, but could still be implemented by regulations established by the commission, if that were possible. Assemblyman Banner stated he was on the study committee of NIC and they studied the general operations of NIC and the claims. He was asked what relationships existed between the NIC and the advisory board, to which he stated the study committee did not find that the existing labor management committee had any approaches whatsoever, there was a big void in between, and the people who represented the management people were the ones who did the most complaining about the NIC. He stated the only thing labor management committee has done in the past is get together and has made proposed legislation. He stated there was no line of communication between the employers and the labor management board nor with him. From the claims angle, he said he could go to the claims level, but if he had to get to the commission level or the commission representative on the commission he found he was non-existent to that finding. There was no place for him to go regarding procedures or anything else. He stated he had been a commissioner on the NIC at one time and he knew their workings.

Chairman Wilson stated the advisory board terms expire October 30, 1979 not July 1st. Mr. Banner stated it should have some powers because it is just going to be an advisory board. Senator Young stated he could not imagine that the governor would want two commissions, one that he appointed and one that the legislature established. It was mentioned that what the committee is addressing is the investment of the asset and the rate structure as established and they have taken care of the hearings which was a big problem.

Chairman Wilson stated this board, whether jurisdictional or advisory is on report to the governor, NIC, and to the legislature. He stated they wanted a report back on the hearing and appeals process. He suggests not mandating but make recommendations on each case, but mandate generally to disposition process report, otherwise you are going to commit them to a hearing schedule on the claim, even though it is not jurisdictional. Senator Close stated they should look at procedures, practices and policies.

(AB 27 - cont.)

Chairman Wilson stated the next subject is policies in governing monies, investment of monies. Senator Close said they are not talking about hearing complaints, talking about review and report of procedures and practices. He said they are talking about any complaint made by a physician including his setting of scheduled fees. Senator Young said then hear complaints and set policy in the same day. It was suggested to use the terminology of "professional fees" instead of "physicians". Regular rates for scheduled fees or special fees was mentioned as the doctors do not like this because they want their own usual, customary fees. Senator Close said it should state "professional fees" because there have been psychologists and chiropractors in this session. He asked about the fees paid to the diagnostic groups in California, and Utah, stating that maybe the overview committee should look into it, as maybe they are paying some people too much. It was stated the addressing of Page 2, Line 11, procedures whether fair or unfair, if they are out of line, then they are unfair. Chairman Wilson stated that subsection 3 was rather broad in the manner in which the commissioner administers the functions assigned to it. To which it was stated that was casual, in case anything was forgotten. He stated there is a large order on procedures and practices and policies, asking the committee if they want to act upon it, such as saying the procedures, practices and policies in the following areas? The general consensus was not to limit it. Senator Close asked for inclusion: operation and rehab. center; or should that be a separate item. It was agreed that should be a separate item, materially part of the operation. It was questioned whether those out of the state should be included, sending the patients out of the state for rehabilitation.

Chairman Wilson stated they needed advice from counsel on a legal question. He said they are trying to resolve what should be done and the committee has reached consensus that a board, should be a statutory group to make reports to the governor, the NIC commissioner the legislature; the committee was talking about some general subjects whether worthy of review and report or not, we haven't settled yet. There are questions about whether the board should be appointed by the governor; the basic question is whether the board should be jurisdictional, as to setting policies, promulgating regulations, or whether it should be advisory only.

Mr. Wally Warren stated he thinks what they are implying is that the labor management advisory board, appointed by the governor, has no authority at all, as members of that board he stated they are in search of some sort of solution to the problem that would strengthen the direction of NIC, and whether it would mean to either remove the members of the commission and put it all in the hands of the trustees by legislative action. He stated they would welcome any solution. He said he would hesitate to speak for anyone other than himself, but he thinks they do have to make some changes and he believes they are welcome by the commission. The advisory board is scheduled quarterly, they do not meet on any given date, but as the legislative session builds up they meet more often than that, trying to consider and resolve legislation to be presented or should be presented, based on the experience of the past two years. He was asked if they hear complaints or anything like that, to which he responded no. Basically they just recommend legislation. He stated they try to resolve some

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of the problems they know they will have to face, they have been aware of the need for better communication between NIC and the employers in particular. He stated the Stanford research pinpointed the need for better communications. He stated he has served 8 years on the board. He stated that Governor O'Callahan was more interested in their resolving the differences that might develop in legislative matters between the group that represent the claimants and the employer. The board is pretty well represented: mining, the old gaming industry and other general industries. He stated they would welcome any suggestions that would strengthen the advisory group, be it a trustee or a board of directors by legislative action.

Senator McCorkle stated it sounds as though the scope of their activities have been severely limited whether voluntarily or otherwise, he said that now the committee is expanding that scope. He asked if a strictly advisory body were created would he have confidence that the advice he just came up with would be adhered to by the present commissioners.

Mr. Warren stated he did not think there would be any problem reasoning with with them on giving them better direction. He is convinced that they are looking for better direction too, they are not resisting. Senator McCorkle stated they were talking about some subject matters, which change beyond the legislative problems which are resolved by the voters, such as investment portfolio policy with the adequacy of greater returns, and rates and rate structure and categories and the effectiveness and problems in the Nevada Rehabilitation Center, difficulty in staffing, sending patients out of state for rehabilitation and whether that makes an expense, and all kinds of policy questions that affect what the employer pays and the benefit received by the claimant, return on investment portfolio, all of these questions have not been the subject of his activity as such, except insofar as legislation can be anticipated then develop labor and management groups. Mr. Warren stated that a group of that kind, with select talent in those fields represented there, would be most welcome. He stated the group should not be more than ten. He talked to the chairman about including three commissioners, the chairman, one representing labor and one management with, say an additional four of each labor, so that you would have a board of eleven. He stated he understands that in 1984 they plan to take claims out from under the commission, that came about, as he explained, through general abuse. He stated that the two commissioners representing labor and management spend approximately seventy-five percent of their time on claims. Senator Young stated he felt twenty-five percent would be too much time to spend on claims, for them. He said John Reiser, originally sat on claims and got himself away from that. The other two still do claims and travel extensively, they got into it by abuse, and they could not quit it. He means they got tied into claims and could not get away from it, got too involved. He said the legislative program begins to build to some extent right after the session is over, you are preparing for it. He said he would encourage the committee to design, or create a board of directors, or trustees, whatever you want you want to call them that have legislative authority to help direct the commission. The present board is by executive order of the governor. He asked the chair if the committee would like the commissioners to put together a labor management advisory board and sit with them and talk to them, and do it quickly. He asked if there could be anything gained by that. The

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response was that it was felt not necessary to belabor the issue. It has been an advisory type of thing. Senator Young stated it really was not an advisory thing has been a pre-legislature thing. Mr. Warren stated that was about the limit of what you could expect of a purely advisory. Senator Young said there would be quite a burden on a committee if they had to set policy, they would have to conduct hearings, they would have to sit through appeals, super board would be expensive, you would need staff and a lawyer. He further stated it could create some problems. He stated there is a proposal in a concurrent resolution that might give the answer, involving a study by the labor management advisory committee to make some determination. (reads study report) Labor-Management study report: "Whereas there is a continuing controversy regarding the operation of the Nevada Industrial Commission, whereas the rapid economic growth of the state makes it necessary to restructure the operation of the commission to accommodate the increased volume of claims and premiums, now therefore be it resolved that the Governor be requested to direct the present labor-management advisory committee to conduct a study of the commission and recommend to the legislative commission, not later than July 1, 1980, an acceptable structure to replace the present commission and be it further resolved that the labor-management advisory committee conduct public hearings in the populated areas of the state to which employees and employers will be invited to testify on their perceptions of the short-comings of the present commission. Be it further resolved, that the labor-management advisory committee devise a system of selecting a board of directors to operate the Nevada Industrial Commission as a quasi public corporation. Be it further resolved, that the labor-management advisory committee develop legislation to accomplish the change from a commission to a board of directors". Senator Ashworth questioned if the committee amends this bill, assuming the Assembly concurs, the governor can really make that choice, he can ask labor-management advisory board to do what he wants. Senator Young stated if this bill were passed the governor would not have that option. Senator Ashworth stated that all the monies are coming from the employer, but this area has been taken care of in another bill, the people who have been contacting him from the employer vantage-point are willing to foot the cost if there is an additional cost as long as they can get the system running in a way that it should so they can get some input and find out what is going on. The way it is now, they cannot get answers to their questions.

Senator Young stated he felt there was something wrong and he said there should be a super board established, to make policy. NIC now has the power to make policy. He said he would like an advisory board to investigate the whole spectrum to make recommendation. Try to set up a board of directors of competent people and do the job at the same time of the study. Senator Ashworth asked if it would do any good to have the three commissioners in and ask them that if the committee got a board set up that would advise, and get them on record, to give advisory opinions, what would be done with those opinions, would you look at them and give them weight. If you get them in here and on record you will have something to fall back on. Senator Young said he would buy that if they will say they will give consideration, he doesn't expect them to accept everything that is said. If you give them the right to think policy they have to accept it.

(AB 27- cont.)

Mr. Warren stated, when they do, and he felt that would certainly be an order, what he just read has no standing, nor clearance with the labor-management board, the chairman had asked him for some suggestions. He said they recognize the need of some support and direction for the commission. He feels they would be the first ones to accept it if they knew what they were about to do.

Chairman Wilson stated that the committee has agreed the board, whatever it is, should be statutory and they will give them some specific things to review and report on. He questions whether or not they should have jurisdiction and setting management policy. It is the unanimous consensus of all the other functions of this board. He said it is not general appropriation, it is not tax money, it is public money, a separate money, in that sense of the word. He stated the committee should decide on some form of this bill.

Senator Young stated if you are going to go policy you might as well do away with the NIC, or executive director, then you could have a five or seven man board that sets policy and have no problems.

Chairman Wilson stated you still have to have commissioners for claims. Mr. Warren stated he wanted to make it clear that he was not speaking for the labor-management board, but stated they were sincere in finding answers to the problem, they will support anything that is reasonable. He stated he felt they had good reason to question A.B. 27, in the structure of the board that is proposed there. He stated he would like to get the board together with the committee and see if they have better recommendations. He stated he felt the structure of the present advisory board is in good balance. He said that management was pretty well represented and labor also. It was asked whether or not they can carry out the function that they wanted because they want to do more than just advise on legislation, want to look at the fund, how the fund is being invested and other things that are going to take more expertise outside.

Chairman Wilson stated that there are two ways to go with the composition of a board, one is to recognize the position of labor-management commission and the other is to develop qualifications investment, actuarial and also in the management areas and supposedly responsive in specific areas of inquiry on which reports are going to be requested. We are talking about review and report on specific problem areas, not a general advisory board. Make a recommendation on this composition, and have it for Wednesday and make the other policy decisions today, but today is Wednesday, we would like specific recommendations so go ahead with the bill as far as we can today and develop amendments of the rights and recommendations on composition and general areas. Procedures, practices and policies generally and that is certainly a catch-all, investment of money, determine internal portfolio structure, setting rates, premium stable for employers, reserves. Mr. Warren asked how the employment security advisory board made up. It was stated there are three medical, three labor and three from another sector. There are no known qualifications beyond the general categories. Mr. Warren was asked to bring back an official expression of the commission, substance of a recommendation. Mr. Warren stated that the committee would like to have their

(AB 27 - cont.)

consideration of structuring the board or commission or whatever it becomes so they have representatives on investment. Chairman Wilson said they would like the membership and recommendations or qualifications in light of the specific areas concerned with mentioned today, also the number of people. He stated this would be a more active board. Mr. Warren stated he would probably consult the commission on this too because he feels they are willing to recommend some strengthening. He asked if this bill could be held until he returned with the report. It was felt it could wait until an expression could be reported. Chairman Wilson stated that everyone was questioning whether it should be jurisdictional, or advisory. He asked the committee to set up some amendments. Senator Blakemore questioned the sunset provision for review provision. Chairman Wilson asked if 4 years would be all right with a report back in 2 years. It was felt they could report back by the next session, but they sunset in 1983, as it is in the bill and then the next session to consider where to go. It would require reports to the governor, to the commissioners and then to the legislature. Have already covered the subjects and cannot answer the composition nor the qualifications and have not answered jurisdiction or advisory. The bill can be effective July 1, 1979 or sunset when, and when will they meet?

Senator Young said if they are going to accept policy it is like a school board with teachers, they need a recommendation to change a policy, then you have to have a hearing. Senator McCorkle stated they could have monthly meetings, just like the school boards. Senator Young said this is not a school board, it is a new agency being set up. Senator McCorkle said that a policy board can not be so general in their policy making that they can meet monthly. It is difficult to get quality people to meet more than once a month, they have their own lives, businesses, etcetera. It was stated that Hal Curtis is doing a good job on handling complaints.

Chairman Wilson questioned if the committee could attempt to restrict what they decide on, and if they don't, and because of the time constraints, limit their policy making abilities, what will happen is that they simply will not make that policy, and the status-quo remains. Chairman Wilson said there is another way of approaching this if there is not a broad enough consensus to make the board fully jurisdictional then should be pretty specific in requiring them to meet with their specific findings with respect to employer rates premium structure and a number of the other questions, need some definition, and render specific findings on rates, premium rates, categories, reserves that are imposed, investment portfolio, and all the things we have been talking about. We are explicit in specific things they are going to review and make findings and recommendations on them.

Mr. Richard Lance stated he had a suggestion, there seems to be a thing of advisory, could it not be a board that has the authority to approve policy, be solving of problems. Senator Blakemore stated that everyone is sincere in what they are trying to do. Chairman Wilson asked if recommendations were going to be taken on Friday, or decide on an advisory board. It was decided to get the three commissioners in the committee meeting Friday and get their opinions. Amendments are needed also. It was decided to have a long session Friday and get it done.

Chairman Wilson closed public hearing on AB 27 until Friday, May 4, 1979.

SB 11 Amends provisions for obligations and assessments of Nevada Life and Health Insurance Guaranty Association.

For previous testimony and discussion see minutes of meetings of January 24, and January 31, 1979.

Mr. James Wadhams stated he felt the basic bill, after testimony by Mr. Don Rhodes and Mr. John Crossley, should be, he was reminded the problem was not with the bill but for an existing problem. The problem, he said, is not with the basic bill, the problem is with the potential amendment that Mr. Crossley and Mr. Rhodes addressed, and he stated he would recommend, because of the press of time, and the impending end of the Session, there is not the time to give the policy consideration to the variety of proposals presented earlier on this bill. It is a fairly complex issue on the premium tax whether it will be funded by the policy holders or by the general tax base. He stated the status quo has been less than \$150 thousand dollars in the three years of the program's existence. He stated his recommendation was to take the bill with no further amendment, and consider it early in the 1981 session.

Senator Close moved to defer consideration of S.B. 11 proposed amendment - 1st reprint.

Seconded by Senator McCorkle.

Motion carried.

Mr. Wadhams stated it is a deduction against the premium tax and the premium tax flows into the general fund, it is indirectly supported by the tax base of the State of Nevada, so currently being paid for by all taxpayers. Senator Close: "but is being paid by the insurance carrier." Mr. Wadhams stated that was right, that would be not more than \$150 thousand in the three years the statute has been in effect. He stated the legislature created a statutory mechanism for paying people who end up with policies in insurance companies that have gone bankrupt, and the mechanism now works that a board, appointed by the insurance commissioner, renders an assessment against all the insurance companies doing that kind of a business, for example, all life insurance companies, pay on a pro-rata basis the fund paying the bankrupt insurance companies claims, they then in turn deduct at the rate of 20 percent per year, as a credit against the tax they owe the state. That is how the mechanism works. There was discussion to change that mechanism and he suggests that philosophically there is not time to make the in-depth analysis that should be done on an issue like that. Senator Blakemore stated then Mr. Wadhams wanted to pass the bill in its present form without any amendments.

(SB 11 - continued)

Mr. Wadhams stated there is a handful of sentences in NRS (2 chapters) that could be repealed that would change it, effective July 1. Senator Young stated you have a problem with "life" policies, you cannot raise the rates. Mr. Wadhams stated that life, or long-term contracts so that the only rate adjustment, if you don't allow them the credit against their premium tax the other alternative is rate adjustment. They raise the rates to cover what they have paid. Life insurance contracts are normally long-term. They cannot raise the rates once they have entered into the contract, so life insurance companies could only recoup those losses against new policies that they sell. Automobile insurance, the casualty insurance companies write essentially annual contracts, they would have an easier time of doing it, but their argument is that they would have to raise their rates high enough as is and they do not want the additional burden. The industry would support leaving the status quo. Processing the bill as is, makes the changes that are in the bill, but leaves the status quo as to who funds the mechanism ultimately.

Senator Blakemore asked what happens if they withdrew S.B. 11. Mr. Wadhams stated he strongly recommends against that, as there are some very important limitations imposed on the liability on the entire mechanism. The off-set to date has been some accrued liability, he suggests to the committee that S.B. 11 was sufficiently important that it should try to get through this session, and they will prepare amendments to raise the other issue for early introduction in the next session.

Senator Ashworth stated you could use a law to increase rates by doing this, you could off-set that clause by saying all insurance should be paid 50 percent by the government and 50 percent by the individual. He felt this philosophy is wrong. He felt the "user" should pay the fee. A response was that if you try to change the bill you will lose the whole thing. Mr. Wadhams suggested he agrees with their concerns and would be happy to make a full presentation.

Chairman Wilson stated that Mr. Wadhams feels there is not enough time in this session to process this bill, and hold the amendments which will eliminate the credit, and will present at the next legislation providing for appeal of the credit. Mr. Wadhams said they could then resurrect all the information as presented by the Legislative Counsel Bureau so they can have full opportunity to consider all the ramifications. Mr. Wilson stated the last item was the presentation of the legislation for consideration by this committee.

Motion made by Senator Close to hold the amendments and present S.B. 11 at next legislative session.

Seconded by Senator Blakemore.

Motion Carried (Senator Young abstained)

S.B. 531 was mentioned, it was stated there was no testimony on this bill April 30, 1979. Chairman Wilson stated there was an assumption that the board of architecture is going to oppose this bill. It was suggested the committee pass it and it would go to the assembly side to talk it out. Testimony will be given Friday, May 4th and will be rescheduled for the committee decision.

(Committee Minutes)

S.B. 529 Corrects reference to another section of NRS in provision of law relating to physical therapists.

Senator Close moved to Do Pass S.B. 529.

Seconded by Senator Hernstadt.

Motion passed unanimously.

S.B. 528 Makes technical correction to provision of law relating to underground utilities.

Senator Close moved to Do Pass S.B. 528.

Senator Young seconded.

Motion carried unanimously.

A.B. 622 Limits power of certain public officers and others to take custody of pawnbroker's property.

Senator Hernstadt moved to Indefinitely Postpone A.B. 622.

Seconded by Senator Young.

Motion carried unanimously.

A.B. 564 Clarifies compulsory industrial insurance of musicians.

Senator Ashworth moved to Indefinitely Postpone A.B. 564.

Seconded by Senator Close.

Discussion: Senator McCorkle stated the language on Page 2, Lines 13 through 16 was all right. Senator Young said he would like testimony from the "other side of the fence". Chairman Wilson stated there were opinions to hear the bill again on Friday and bring NIC over for testimony, it has been moved and seconded to kill the bill.

Motion carried.

(Senators Blakemore and Wilson voted Nay).

A.B. 509 Reduces age of eligibility for examination and certification as dispensing optician.

Senator Close moved to Do Pass A.B. 509.

Seconded by Senator Blakemore.

Motion carried unanimously.

A.B. 241 Provides for agreement as to what constitutes employee misconduct for purposes of unemployment compensation.

Senator McCorkle moved to Amend and Do Pass A.B. 241

Seconded by Senator Ashworth.

Discussion: Senator McCorkle stated this was with Summa's amendment, which takes out the last sentence and the 90 percent also, wll that is left is 10 times. Senator Blakemore stated he was not for this bill at all. Discussion followed during which time it was decided that there must be good evidence to prove misconduct. Senator Young stated that it is difficult to define misconduct.

It was decided to postpone action on A.B. 241 to a later date.

A.B. 464 Revises circumstances in which a limited used vehicle dealer's license is required for real estate broker in selling used mobile homes.

Senator Young moved to Indefinite Postpone A.B. 464.

Secnoded by Senator Blakemore.

Discussion: Chairman Wilson asked why he wanted to indefinitely postpone, to which Senator Young responded what good is served, there is a real problem, is the real estate broker taking advantage for transferring property? Mr. Chuck King stated under the present law a real estate broker has the right to sell a mobile home if it is in conjunction with property in which it is situated.

Motion carried unanimously.

S.B. 387 Changes certain procedures required of public utilities for increased rates and use of deferred accounting.

Motion by Senator Ashworth to Amend and Do Pass S.B. 387

Seconded by Senator Hernstadt.

Discussion: Chairman Wilson stated there are two ways to go, one is with the principal of the amendment, that is allowing them the expense of depreciation on the plant that is used or useful to some extent determined by the commissions. The second is what form or description this land should be. He stated there is difficulty on the amendment; should take out "major" and the commission should have "sole and exclusive discretion" determining what extent is permissive. If the word major is taken out, it applies to any plants. This bill addresses plants which are not used and useful, it is not dedicated to service, and on which they cannot charge a rate. Senator Young stated on Line 17 the "may" should be changed to "shall". Chairman Wilson stated that was not necessary to change it. Senator Ashworth stated his motion was to amend by changing the word "may" to "shall".

Motion carried unanimously.

S.B. 493 Amends qualifications of members of state board of cosmetology and authorizes employment of certain staff by the board.

Motion by Senator Blakemore to Indefinitely Postpone S.B. 493.

Seconded by Senator Close.

Motion Carried unanimously.

S.B. 501 Permits certain dental specialists to practice speciality without having to take general examination in dentistry.

Motion by Senator Ashworth to Indefinitely Postpone S.B. 501.

Seconded by Senator Young.

Motion carried unanimously.

S.B. 504 Requires service stations to provide receptacle for waste motor oil.

Motion by Senator McCorkle to Indefinitely Postpone S.B. 504.

Seconded by Senator Ashworth.

Motion carried unanimously.

S.B. 505 Adds requirement of consideration of geothermal resources to Utility Environmental Protection Act.

Motion by Senator Close to Amend and Do Pass

Seconded by Senator Ashworth

Motion carried (Senator McCorkle opposed).

A.B. 732 Removes requirement of actuarial experience for chairman of Nevada industrial commission.

Motion by Senator Ashworth to Do Pass A.B. 732.

Seconded by Senator Hernstadt.

Motion carried. (Senator Blakemore abstained).

S.B. 443 Provides for licensing of certain classes of real estate brokers and salesmen.

Motion by Senator Blakemore to amend and Do Pass S.B. 443.

Seconded by Senator Hernstadt.

Motion Carried.

S.B. 425 Exempts members of clergy from provisions of law regulating practice of psychology.

Senator Close moved to indefinitely postpone S.B. 425.

Senator McCorkle seconded.

The motion carried. Senator Hernstadt voted No.

A.B.98 Allow prescriptions for drugs to be filled by generic name.

Senator Hernstadt moved ammend and Do Pass

Senator Close seconded.

The motion carried. Senator Ashworth absent.

Chairman Blakemore scheduled S.C.R.41, A.B.196, and A.B.728 for Friday, May 4, 1979.

There was no further business. Meeting adjourned at 6:30 p.m.

Minutes of the Nevada State Legislature

Senate Committee on

Commerce and Labor

Date: May 2, 1979

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RESPECTFULLY SUBMITTED

Betty L. Kalicki
Betty L. Kalicki, Secretary

APPROVED:

Thomas R. C. Wilson, Chairman

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OTHERS PRESENT: GUEST LIST AND THOSE TESTIFYING.

Bill Branch, Treasurer, Sierra Pacific Power Company
Heber Hardy, Chairman, Public Service Commission
Janet MacDonald, Commissioner, PSC
David Russell, for Southwest Gas Company
Wally Warren, member, labor management advisory board
Richard Lance, The Gibbons Company
James Wadhams, Director, Department of Commerce
Assemblyman Peggy Westall
Chuck King, Central Telephone Company
Don Rhodes, Research Division, LCB
John Crossley, Audit Division, LCB

