

Committee in session at 7:30 a.m. Senator Floyd R. Lamb was in the Chair.

PRESENT: Senator Floyd R. Lamb, Chairman
Senator Eugene V. Echols
Senator Norman D. Glaser (absent for some votes)
Senator Thomas R.C. Wilson
Senator Lawrence E. Jacobsen
Senator Clifford E. McCorkle

ABSENT: Senator James I. Gibson, Vice Chairman

OTHERS: Ronald W. Sparks, Chief Fiscal Analyst
PRESENT: Eugene Pieretti, Deputy Fiscal Analyst
Howard Barrett, Budget Director.
Senator Wilbur Faiss, speaking for S.B. 22

(SEE PAGE 1A FOR BALANCE OF THOSE PRESENT AND TESTIFYING)

S.B. 281 - Increases allowance of state officers and employees who travel by private vehicle.

Senator Jacobsen moved to amend the bill to read 22 cents for special use vehicles.

Seconded by Senator Wilson.

Motion carried.

Senators Gibson and Glaser absent.

Senator Jacobsen moved "Do Pass as Amended" for S.B. 281.

Seconded by Senator Wilson.

Motion carried.

Senators Gibson and Glaser absent.

A.B. 498 - Increases amount public agencies may pay for group insurance.

Mr. Barrett explained that by law passed by Congress and signed by the President on October 30, this must be in effect within 120 days of the time it was signed. It requires all employers who provide medical or health benefits to their employees to cover pregnancy and childbirth-related medical costs. An employee cannot reduce his benefits for a period of one year to add this additional benefit. It will increase the premium to 42.32 a month.

Senator Jacobsen moved "Do Pass" on A.B. 498.

Seconded by Senator Wilson.

Motion carried.

Senator Gibson absent.

S.B. 22 - Provides means for veterans to obtain homes and farms.

Senator Wilbur Faiss presented the Committee with handouts. (See Attachments A and B.) Senator Faiss explained that this bill pertains to veterans and servicemen; and provides for purchase of homes and farms for re-sale to veterans. It establishes their eligibility, requirements for the purchase, and provides for the administration of the act by the Nevada Commissioner for Veterans' Affairs. It creates a veterans' loan fund in the State treasury, and it appropriates the sum of \$20 million from the State General Fund to the veterans' loan fund.

(CONTINUED FROM PAGE 1, OTHERS PRESENT AND TESTIFYING)

Claude Evans, AFL-CIO representative
Terry Sullivan, Administrator, State Purchasing Division
Stein Moen, Commissioner of Veterans' Affairs
Darrell Camp, Disabled Veterans of America, Reno
Joe Romaine, Commander, American Legion, Reno
William A. Hatfield, Post 9211, Reno VFW
Leslie M. Fry, Past National Commander, VFW
Duane Sudweeks, Administrator, Colorado River Resources Division
Jim Long, Financial Manager, Colorado River Resources Division
James Flechemitini, DAV, Carson City
K. E. Messid, DAV, Fallon
James D. King, DAV, Fallon
Chestner N. Newell, Carson City
Bill R. Oakes, Nevada American Legion
Dana Greenleaf, DAV Chairman
Ray A. Crosby, Nevada DAV
John J. Rettagliata, Jr. Vice Commander, VFW, Reno
James W. Smith, Commander Dist. III, VFW, Nevada
Jack N. Lindsay, retired, Nevada American Legion
Robert J. Campbell, DAV, Chapter 7, Carson City
Russ Skidmore, DAV, Chapter 7, Carson City
Gene Wetzstein, DAV, Chapter 7, Carson City
Wally Hawkins, NSO, DAV, Reno
Robert S. Greene, DAV, Chapter 7, Carson City
Jean E. Skidmore, DAV Auxiliary, Nevada
Harry Shepherd, Post 9211, Reno VFW
Dwight E. Curran, Post 9211, Reno VFW
George McKnight, Post 9211, Reno VFW
Dayton Russell, Post 9211, Reno VFW

Stein Moen, Commissioner of Veterans' Affairs, spoke on behalf of the bill. He did state that one problem with the bill if it passed, is that they wouldn't have anyone qualified to administer the money. In the State of Nevada, said Mr. Moen, are roughly 1,000 World War I veterans still alive, about 41,000 World War II veterans, 19,000 Korean veterans, 28,000 Viet Nam veterans, and 10,000 peace time servicemen. Mr. Moen stated that in the first year they would need 4 people: a loan manager, loan processor, clerk, and secretary. This would cost about \$50,000 in salaries, and \$8,000 payroll expense. There is need for roughly \$6,000 for furniture and supplies; and some contractual expense. Mr. Moen estimated \$97,000 total for the first year of the biennium and approximately \$140,000 for the second year.

Darrel C. Camp, Past Commander of Disabled American Veterans of California, and presently a member of the Reno Chapter of DAV in Nevada testified on behalf of all veterans in Nevada.

Joe Romaine, Commander, American Legion, Reno, spoke on behalf of the bill also. He stated he visits each post of the American Legion, and he sees desperate situations in Nevada where this bill would be beneficial, especially to the younger veterans. He stated there are at least 75 people who need assistance. They are willing to work, and do have jobs, but have no means to buy a home.

William A. Hatfield, Post 9211, Reno VFW, spoke on behalf of the bill, describing some desperate situations of families who are in need of this bill.

Leslie M. Fry, Past National Commander, VFW, also spoke on behalf of the bill. Mr. Fry told the Committee Nevada has done nothing for veterans since World War II. He realizes it will take a large amount of money to start, but it is profitable and will serve Nevada in the end.

Howard Farrell, DAV, Past Dept. Commander, stated that VA loans are at 5-1/2 percent. He stated that on State Housing loans there are only 2-1/2 points, and the maximum loan is \$60,000 if the veteran is fortunate enough to find a home for that amount.

S.B. 315 - Allocates interest on funds, administered by the division of Colorado River resources, to those funds.

Duane Sudweeks, Administrator, Colorado River Resources, and Jim Long, Financial Manager, spoke on behalf of the above bill. Mr. Sudweeks stated the purpose of this bill is to require funds administered by the Division to share equitably in the income earned from investments of State money. The Division presently administers six different funds which are part of the State's accounting system. These cash balances are part of the money in the State Treasury that it has available for investments. All of the revenue deposited to the Division funds are derived from sales of power, water, and land rather than from the General Fund. (Exhibit C)

Mr. Sudweeks continued that, for the next two fiscal years, the loss to the General Fund would be approximately \$22,000. This doesn't amount to much as far as the State Treasury is concerned, but it means a lot to the Division. With this money, they could delay in raising their administrative charge to the Division contractors during the 1981-82 biennium. The State Treasurer approves of this bill; however, they will have to reach an applicable arrangement for making sure that they can implement the provisions of this bill should it be passed.

S.B. 317 - Creates fund for use by state agencies to carry into practical effect, ideas which will save money for the state.

Senator Cliff McCorkle explained his bill to the Committee. He stated if a money-saving idea costs money to implement, this money would be available to use. He has 3 different programs to give department heads the tools to save money: 1. Taking a poll of the people of the state to voice their priorities on government services. 2. To create an interim task force that will attempt to develop cost saving ideas for state government. 3. This bill which provides the money. The money won't be spent unless the Interim Finance Committee

approves it. The \$2 million stays in the General Fund if the Committee does not approve any money-saving ideas.

A.J.R. 21 - Requests Congress to submit an amendment to the U.S. Constitution to limit federal spending.

Senator Wilson moved "Do Pass" A.J.R. 21.

Seconded by Senator McCorkle.

Motion carried.

Senator Gibson absent.

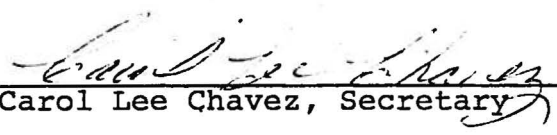
A.B. 254 - For purchase of land adjacent to purchasing division warehouse in Las Vegas.

Terry Sullivan, Administrator, State Purchasing Division, stated that this bill asks for authority to purchase an outside storage yard in Las Vegas, adjacent to their warehouse. The money would be appropriated to the State Lands Division. The cost of the land is \$40,000. They are asking for \$45,000 to allow for the incidentals such as closing costs, etc. Anything left over would revert to the General Fund. They had similar land appraised in 1975. This particular parcel is less than the appraised value then. The land is 15,000 square feet at \$2.57 per square foot. The last time they bought land, it was \$3.94 per square foot.

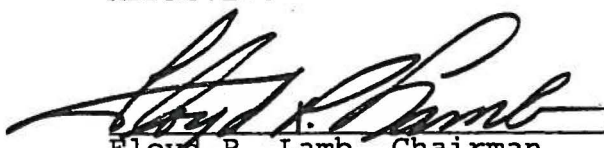
They need the space in Las Vegas for excess State vehicles that come to them for storage.

Meeting adjourned at 9:05 a.m.

Respectfully submitted,


Carol Lee Chavez, Secretary

APPROVED:


Floyd R. Lamb, Chairman

Senate Committee on FinanceDate Friday, March 30Time 8:00 a.m. Room 231Bills or Resolutions
to be consideredSubjectCounsel
Requested*

S.B. 22 ✓

Provides means for veterans to obtain homes and farms.

S.B. 315 ✓

Allocates interest earned on funds administered by division of Colorado River resources of department of energy to those funds.

S.B. 317 ✓

Creates fund for use by state agencies to carry into practical effect ideas which will save money for state.

A.J.R. 21 ✓

Requests Congress to submit amendment to United States Constitution to limit federal spending.

A.B. 254 ✓

Provides for purchase of land adjacent to purchasing warehouse in Las Vegas.

*Please do not ask for Counsel unless necessary.

GUEST LIST

DATE: 3/30/55

NAME	AGENCY OR ORGANIZATION
Philip E. Jones	Sec. Vet Commissioner
John F. [unclear]	S.O.V. [unclear] 883-3364
[unclear]	DAV [unclear] 423 2890
[unclear]	[unclear] Phone 847-2722
[unclear]	[unclear] 800-2005
[unclear]	[unclear]
Francis Oakes	President [unclear]
Dana [unclear]	D.A.V. Chapter 100-949-1755
Jim [unclear]	[unclear]
[unclear]	[unclear]
[unclear]	[unclear]
Harold [unclear]	WCAI [unclear]
Harold C. Camp	NEV. DAV 5835 LEON 673-4624
Roy A. Crosby	NEV. DAV 5835 LEON 673-4624
[unclear]	[unclear]
James W. Smith	VFW [unclear]
[unclear]	[unclear]
[unclear]	[unclear]
[unclear]	[unclear]
[unclear]	DAV. CHAPTER 7
[unclear]	DAV [unclear] # 7
GENE NETZSTEIN	" " " " "

WRITE [unclear]

NSO DAV [unclear]

STATE OF NEVADA
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DONALD R. MELLO, Assemblyman, Chairman
Arthur J. Palmer, Director, Secretary

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ANDREW P. GROSE, Research Director (702) 885-5637

February 20, 1979

*Refers to SB 22
New Vet Loan Bill
Palmer*

TO: Senator Wilbur Faiss
FROM: Donald A. Rhodes, Chief Deputy Research Director
SUBJECT: Cal-Vet Loan Law

This is in response to the various questions you had concerning the Cal-Vet Loan Law.

Number of outstanding loans.....110,000

Total amount of loans outstanding.....\$1.5 billion.

Number of defaults.....Approximately 10 per year.
The department has incurred no loss on defaults since the late 60's.

Original appropriation.....\$10 million.

Last appropriation.....\$500 million.

Profit.....Approximately \$10 million during last full year. However, the Department of Veterans Affairs advises that the system does not try to make profit. It uses profits to offset administrative expenses and reduce interest levels on the loans.

Participation....."Good," approximately 1,400 applications per month.

Complaints:

- 1. Low market value of improvements (home) allowed under the law. The limit was \$43,000 and was subsequently raised to \$53,000.

EXHIBIT A

The Department of Veterans Affairs advises that the limit has now been removed (as of January 1979).

2. Loans not permitted on mobile homes in mobile home parks because Department of Veterans Affairs cannot hold title to land in such parks. The Department of Veterans Affairs advises that this complaint has been dealt with by an amendment, which went into effect on February 1, 1978, in the Cal-Vet Law.

Enclosed is a copy of the Cal-Vet Law, "the Veterans' Farm and Home Purchase Act of 1974." (See sections 987.50 to 987.93, inclusive, of the California Military and Veterans Code.) Also enclosed are the 1978 amendments to the law.

DAR/llp
Enc.

E X H I B I T A —

INTRODUCTION

The Department of Veterans' Affairs was created July 1, 1945, in response to two years of effort by Oregon veterans' groups. The Agency was created to assist veterans in obtaining benefits under educational programs, loan programs, and other state, federal and local programs.

The Department's enabling legislation created the Office of Director of Veterans' Affairs and a Veterans' Advisory Committee. The nine-member committee (eight members of which must be veterans) is charged with the duty of making recommendations to the Director regarding Departmental programs and policies. The statute specified that both the Director and the Advisory Committee members be appointed by the Governor. Committee members are appointed for four-year terms.

The present Advisory Committee members and the expirations of their terms are: James L. Barrett, Albany, 1977; Ronald Dicken, Mulino, 1981; Clarence D. Griffiths, Portland, 1979; E. G. Johnson, Portland, 1980; Alan H. Miller, Grants Pass, 1980; Dr. Alfred E. Schilt, Portland, 1978; Charles C. Wilson, Woodburn, 1979; Ronald A. Wood, Coos Bay, 1977; and Luther Metke, Camp Sherman, 1978.

The Department administers several programs benefiting war veterans. The largest of these is the Farm and Home Loan Program, authorized by ORS 407.010 to 407.210. The Loan Division administers the loan program. The Veterans Services Division administers other programs which provide educational benefits to veterans, counseling and claims services for veterans, and conservatorship services for veterans' estates. The Department also has two responsibilities unrelated to veterans--administration of the Boardman Space Age Industrial Park, and the recovery of liens held on foreclosed properties for other State agencies.

Details of the Department's administration of these functions are contained in this report.

E X H I B I T 8

DEPARTMENT HIGHLIGHTS

LOAN FACTS

The Oregon Veterans' Farm and Home Loan Program is completely self-supporting and uses no tax dollars. Money, raised by issuing self-liquidating bonds, is loaned to eligible individuals for the purchase of farms and homes. The bonds are repaid by money received in the form of principal and interest from the borrowers. Income from the loan program is used to finance the operation of the Department of Veterans' Affairs including the Veterans Services Division.

1. Total Loans: -- Since the Oregon Veterans' Farm and Home Loan Program started in mid-1945, veterans have obtained 169,153 loans in the amount of \$2,936,775,142.
2. Loans For Fiscal 1976-77: -- Loans went to 22,475 veterans in 1976-77 in the amount of \$629,978,796 for the highest year on record. It was a 21 percent increase in loans and a 36 percent gain in dollar volume over the previous record year, 1975-76, when 18,536 veterans borrowed \$468,380,939. This represents 88 loans for \$2.4 million every working day. The monthly average was 1,873 loans for \$52.4 million.
3. Loan Applications: -- Loan applications last year totaled 25,872 for a new record. It was a 13 percent increase over the previous record year 1975-76, when 22,878 veterans applied. Applications in 1976-77 averaged 2,156 a month, against 1,906 the previous year.
4. Many Still Eligible: -- Only 42 percent of the eligible veterans have used the loan, leaving 185,118 who are still eligible. Vietnam Era veterans represent 63 percent of the applications being filed, followed by World War II veterans at 19 percent, and Korean veterans at 18 percent.
5. Loan Repayments: -- Of the \$2.9 billion borrowed, veterans have repaid \$1.1 billion in principal and \$500 million in interest, with monthly repayments currently averaging nearly \$30 million. In 1976-77, veterans repaid \$206 million in principal and \$104 million in interest.
6. Loans Outstanding: -- Of the 169,153 loans granted, 50,256 have been paid in full and another 19,338 have been retired through additional loans, cancellations and foreclosures. This leaves 99,559 loans outstanding in the amount of \$2,128,922,579.
7. Bonds: -- The Department has issued \$2,615,000,000 in bonds to obtain loan funds. Of this amount, \$351 million have been retired, leaving \$2,264,000,000 in bonds outstanding. The overall cost of these bonds is 5.24 percent. The Department has \$561,679,880 remaining in bonding authority. The current bonding authority is \$2,825,679,880 based on 8 percent of the State's true cash value.

Oregon War Veterans' Bonds are rated AAA (the highest possible rating) and are self-liquidating. Moody's Bond Rating Service reports the bonds are not figured as part of the net debt of the State of Oregon because they are "self-supporting."

8. Delinquency Rate: -- Of 99,559 active loan accounts on June 30, a total of 796 or .80 percent (80/100ths of one percent) were delinquent three monthly payments or more. A year ago June, the rate was .75 percent. Low over the 12-month period was this January's .70 percent. The high was .82 percent in February and March. All-time low was in November, 1968, at .26 percent.

9. Foreclosure Rate: -- Of more than 169,000 loans, only 553 have had to be foreclosed. This represents .33 percent (33/100ths of one percent), lowest on record. A year ago, the rate was .36 percent and two years ago, it was .38 percent. Of the 553 foreclosed, 21 remain on hand.

10. Variable Loan Interest Rate: -- The Director, with the advice of the Advisory Committee, is authorized to set a loan interest rate to assure the solvency of the loan program, and to adjust this rate up or down during the life of each loan closed on or after May 27, 1971. Effective that date, the interest rate on real property loans was set at 5.9 percent where it remains today.

In 1975, the Legislature authorized loans for the purchase of personal property mobile homes and houseboats, and for property with leasehold interests. The interest rate was set 2 percent higher than the rate for real property loans.

The 1977 Legislature passed two laws affecting the interest rate. One reduced the interest rate on loans for property with leasehold interests from 7.9 to 5.9 percent, the same as for real property loans. The second establishes procedures for setting the interest rate on transferred loans. It states the Director must annually set the transfer interest rate within one-half of one percent of the market interest rate. Currently the transfer rate is 8 percent on real property loans and 9 percent on personal property loans. Both laws become effective October 4, 1977.

11. Property Tax Payments: -- The Department paid \$64,646,892 in 1976-77 property taxes last November 15, on 84,506 homes and farms of veterans. This was an average tax payment of \$765, nearly 12 percent above the previous year's average of \$684. The 3 percent discount for paying the taxes on time saved the veterans \$1,999,388. From November 15 to June 30, an additional \$2,404,213 was paid bringing the total taxes paid for 1976-77 to \$67,051,105.

12. Loan Cancellation Life Insurance: -- In over 20 years the loan cancellation life insurance program has been in effect, loans have been paid in full on the homes and farms of 2,997 veterans who died as borrowers under the loan program in the amount of \$36,158,899.

There was a record 396 of these payoffs last year, or 76 more than the previous high of 320 in 1975-76. The premium rate is currently 42 cents per month per \$1,000 of coverage.

13. Profit and Loss: -- The Loan Program earned a net profit of \$5,495,121 in fiscal year 1976-77. This compares with \$3,891,942 for the previous year. It brings overall earnings since 1945 to \$45,105,069.

OTHER DEPARTMENT FACTS

1. Educational Benefits: -- Educational Aid benefits were paid to 305 veterans in fiscal 1976-77 in the amount of \$66,857. Since the program started in 1945, payments have gone to 15,510 veterans in the amount of \$4,592,178, for an average benefit per veteran of \$296.

2. Claims and Counseling: -- The Department's Veterans Services Division conducted 5,440 counseling and service interviews in 1976-77 and made monetary recoveries of \$31,909,282 in pensions, compensation, and other benefits for veterans and their dependents and survivors. These figures compare with 5,602 interviews and \$31,064,554 in recoveries in 1975-76.

3. Conservatorships: -- The Department serves as conservator of the estates of certain incompetent or minor recipients of Veterans Administration benefits. As of June 30, 1977, a total of 960 cases had been assigned to the Department since the program started in 1965. Of this number, 476 have been closed due to death or majority of the wards, leaving 484 active accounts.

4. Recoveries of Liens for Other Agencies: -- The Department has taken over 15 properties under a 1963 Act which authorizes the Department to bid on foreclosed property being offered at a sheriff's sale to recover a lien held by another State agency against the property. Fourteen of the properties have been sold on contract.

5. Loan Legislation - 1977: -- Several pieces of loan legislation came into being as a result of the 1977 Legislature. Their first action was to recommend to the people an increase in the Department's bonding limit. This was voted upon at a special election held May 17, 1977, and was passed by a large majority. It made approximately 700 million dollars more available for loans. All the other legislation passed by this session, except HB 2145, becomes effective October 4, 1977.

A bill, SB 477, was passed to permit loans for installing or connecting alternative energy devices to homes. Such loans can be for as much as \$3,000 in excess of the loan maximums.

The Governor's "weatherization" bill, HB 2156, will apply to all loans beginning October 1, 1977. All homes upon which loans are made will have to meet weatherization standards. There are a few exceptions due to such things as unreasonable hardship to the applicant or

EXHIBIT B
1452

extraordinary circumstances or conditions applying to the home. The amount of these loans is not limited by the maximum dollar amount permitted by statute. Loan funds can be advanced to eligible persons who have State veteran loans or as part of a loan being made. It is also possible to obtain a loan to meet the standards even though the home is owned free and clear.

The Legislature also passed HB 2449 which will increase the loan maximums and make various other changes. The home loan maximum will go from the present \$35,000 to \$42,500 and the farm loan from \$125,000 to \$150,000. This will result in increases in loans during the 1977-79 biennium of about \$307,000,000.

The Attorney General is currently examining some of the other changes required by this legislation. The changes involve the number of loans an eligible individual can receive, and the interest rate to be collected when the loan is transferred to another individual.

Another bill, HB 2609, changes the interest rate for loans on homes or farms held by a leasehold interest. Effective October 4, 1977, the rate will be 5.9 percent per annum, the same as the rate charged on real estate loans.

E X H I B I T B

1453

DEPARTMENT OF ENERGY
DIVISION OF COLORADO RIVER RESOURCES

Testimony Regarding Senate Bill No. 315 -
Senate Committee on Finance

March 30, 1979

Mr. Chairman and Committee members, for the record I am Duane Sudweeks, Administrator of the Division of Colorado River Resources. Joining me is Jim Long, the Division's Financial Manager. We are here to offer testimony in support of Senate Bill 315.

The purpose of Senate Bill 315 is to require that the funds administered by the Division of Colorado River Resources share equitably in the income earned from the investment of State money. The Division presently administers six different funds which are a part of the State's accounting system. Fund cash balances at year end are carried forward to the subsequent fiscal year. These cash balances are part of the money in the State Treasury that the State Treasurer has available for investment. We feel that the benefits of investing this money should accrue to the respective funds because all revenues deposited to Division funds are derived from sales of power, water or land rather than appropriations from the General Fund. Since Division

power, water and land contractors are supplying the revenues, they should realize the benefits of any investment income.

There is precedent for this philosophy. NRS 356.087 presently provides that several other funds are entitled to a share of investment income.

Estimated future fiscal effects of Senate Bill 315 on the General Fund are relatively minor, but are significant to the Division. We estimate that for fiscal years 1979-80 and 1980-81, General Fund investment income would decrease approximately \$22,750 and \$22,960, respectively, with concurrent amounts accruing to the six funds administered by the Division. This could represent the difference between having to increase the administrative charge to Division contractors during the 1981-83 biennium or being able to defer increases to a later date.

The State Treasurer informs us he approves Senate Bill 315 in principal, subject to our respective offices agreeing to an equitable, easily-administered procedure for implementing the provisions of the bill.

I appreciate the opportunity to present our position today in support of Senate Bill 315. If you have questions, Mr. Long and I would be pleased to answer them.