

MEMBERS PRESENT: Chairman Dini  
Vice-Chairman Schofield  
Mr. DuBois  
Mr. Jeffrey  
Mr. May  
Mr. Mello  
Mr. Nicholas  
Mr. Polish  
Mr. Prengaman  
Mr. Redelsperger

MEMBERS EXCUSED: Mr. Craddock

GUESTS PRESENT: Please refer to the guest list attached  
to the minutes of this meeting.

Mr. May called the meeting to order at 8:10 A.M. because Chairman Dini and Vice-Chairman Schofield were in meetings at the beginning of this meeting.

Mr. May stated that there was a somewhat controversial bill at the beginning of the Government Affairs Committee Agenda and he would wait on that bill until there were more members of the committee present.

Mr. May stated that the committee would hear testimony on S.B. 485.

Mr. Bob Gagnier, Executive Director, State of Nevada Employees Association, testified first.

Mr. Gagnier stated that S.B. 485 is an effort to take care of a problem that has crept up within the last couple of years caused by various legal opinions regarding the State's longevity pay system. What we found was that when we first were successful in getting the legislature to agree to our longevity pay system we used the term continuous and in fact that was not part of the original bill but was added by the legislature.

The term continuous has been defined several different ways by various attorneys, both for the Attorney General's Office and for the legislative counsel bureau. We thought continuous was very plain but it was not apparently. This is an effort to clarify that and make sure that it was clear what continuous means for purposes of this law and to make sure that the legislative intent and our original intent is carried out.

The difficulty we had in the Senate which caused the amendment is in Section 1, subsection 3, and an effort was made here to make sure that anyone who was receiving a benefit as of the time this bill goes into effect would not lose that benefit and it had to be rewritten about two or three times but we have been

assured by all interested attorneys that the wording now takes care of the problem.

Mr. May asked if there was anyone else in the audience to testify.

Mr. Mitch Bruce from the State Personnel Division testified next.

Mr. Bruce stated that they are in agreement with this bill primarily for the reasons that Bob (Gagnier) has already stated. We think a longevity program is designed to number 1 keep employees there until they do vest in the program and then to encourage them to stay. As the previous language of this statute was interpreted, an individual who terminated once after they had vested in the program, it allowed them to return to state service and still receive a longevity payment. This will provide that when an employee does terminate that they will have to, if re-employed, re-vest in the program to receive it. For your information, there are presently 74 State employees who fall in this category and receiving the longevity payment. As Bob (Gagnier) indicated, they will continue to receive the longevity payment, but all employees who terminate after this date will lose that longevity payment if re-employed.

Mr. May asked if there was anyone else who wished to testify, or if anyone on the committee had any questions to ask of Mr. Bruce.

The public testimony on S.B. 485 was concluded.

Mr. May indicated that the next bill to be heard by the committee was A.B. 615.

Mr. Chester Sweeley, a Nevada taxpayer and a member of the Civil Air Patrol, testified first.

Mr. Sweeley stated that as the bill has been written quite a number of years ago, in 1941, there have been quite a few changes made in the procedures of the Civil Air Patrol and as a taxpayer I do not believe that the money is being used as it should be in the particular instance. The money is supposed to be appropriated for search and rescue operations and it has been used for staff colleges, commander's calls Alaska and Hawaii, and personal expenses for different persons in the Civil Air Patrol and I don't believe this is right. I have no evidence however to believe that the money is being used in a manner unbecoming the members of the Civil Air Patrol, but I believe that the bill should be looked at and changed from the way it is now.

Mr. May asked what kind of money Mr. Sweeley was talking about.

Mr. Sweeley stated it was \$30,000.

Mr. May asked Mr. Sweeley if that was just a matter of the use to which that \$30,000 was put.

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Mr. Sweeley stated that in a copy of the new bill we have a breakdown as to how we figure it should be used.

Mr. Sweeley stated that the Civil Air Patrol is an organization which you belong to on your own. I believe that some of the things that people are participating in should be on their own - use their own money rather than the State funds because it is a voluntary organization.

In the past some of the funds have been used for personal expenses and stuff like that. I think the way we have it written now it will put a little teeth in the bill.

Mr. May stated that what Mr. Sweeley was really asking for was a way to tighten up the use of that money.

Mr. Sweeley stated that was right.

Mr. May asked if Mr. Sweeley was associated with the Civil Air Patrol.

Mr. Sweeley stated that he was a sustaining member now of the Civil Air Patrol.

Mr. Sweeley stated that he was acting as a citizen and taxpayer.

Mr. May asked if there were any questions or comments from the committee.

Mr. DuBois asked Mr. Sweeley if when they went out on a search and rescue mission if they bought their own fuel.

Mr. Sweeley stated that any official search and rescue mission the fuel is paid for by the air force. All the fuel for the aircraft, the vehicles, everything else, also on the training missions it is paid for by the air force.

Mr. Sweeley stated that they turn in the bills to the air force and the air force pays for it.

Mr. Sweeley stated that he had gasoline bills here which I got from the State - copies - some of the bills had been turned in on a Civil Air Patrol Mission and they have been paid for by the State and also by the U.S. Air Force. This is what we are trying to get after - this is just a small amount. There are some that are out of state, in state, used for different purposes. One especially states a C.A.P. mission here for \$86.27 worth of fuel. This was paid for by the United States Air Force and it has also been turned into the State for payment.

Mr. DuBois stated that this was then a double payment.

Mr. Sweeley stated this was correct.

2230

Mr. DuBois asked if the State reimbursed the Air Force.

Mr. Sweeley stated no.

Mr. DuBois stated that most of the problems come from fuel.

Mr. Sweeley stated yes. He further stated that some of the things that they have been using it for is to go to staff college which I believe if anybody wants to go to staff college you should go on your own because it is a voluntary organization. Commander's call to go to Alaska, Hawaii and all of this has been coming out of the State funds. I just don't believe that is kosher.

Mr. DuBois asked if there was a search and rescue mission to be performed, how does that come about. What official status -

Mr. Sweeley stated the FRC - which is a branch of the Search and Rescue Mission of the Air Force. The Air Force assigns us a mission number to the search and any time they have a mission number, the air force pays for it. They have a mission number for each legal search and also for the training searches. When they assign a mission number to it, the Air Force pays for it. They pay for the gasoline, the fuel and anything that is involved with the mission.

Mr. DuBois asked if these could be conducted on behalf of the Air Force or if a civilian air plane goes down.

Mr. Sweeley stated that was correct.

Mr. Sweeley stated that we go on different emergencies of flood, earthquake and almost anything like that - not just on aircraft.

Mr. Jeffrey referred to Lines 6 and 7 of the bill and stated that it seemed to him that those should be Air Force. I can see where there has been some abuse in the travel expenses and maybe we should do something to tighten that up, but training expenses, even though it is a voluntary organization, I don't really think it is quite right for a guy to have to pay for his own training if it is to be used in the Civil Air Patrol.

Mr. Sweeley stated that as far as training goes, if they want to go they can go, but it should be involved with their own money. Not the State money.

Training can be a number of things. They can put almost anything into training.

Mr. Jeffrey asked who administers these funds?

Mr. Sweeley stated the commander.

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Mr. May asked if they were subject to audit by legislative audit?

Mr. Sweeley stated yes, we are subject to audit by the Air Force and subject to audit by our own auditor and also by the State.

Mr. Sweeley stated that he thought about ten or fifteen years ago the State audited the Civil Air Patrol funds - I am not too sure about that but that is what I heard.

Mr. Polish asked how much of the funds have been spent in the last three or four years - have they spent all of the \$30,000 in each year?

Mr. Sweeley stated everything but \$9.00 he thought.

Mr. Sweeley stated that it ran out to \$30,451.09.

Mr. Sweeley referred to Article 3 in the bill under rental. We do not have rentals. We own the building. They are charging money for rental of the building.

Mr. Sweeley stated he did not know why they had rental in there. We don't rent anything. Once in a while our equipment comes from the Air Force - jeeps, vehicles that are donated by the Air Force to the Civil Air Patrol and we maintain the vehicles as far as maintenance goes and stuff like that.

Mr. Jeffrey asked if the State owned the building or if the Civil Air Patrol owned it.

Mr. Sweeley stated that the Civil Air Patrol owns the building.

Mr. May asked the secretary if any officers of the Civil Patrol were notified.

Mr. May stated that he was just curious as to whether they had been notified.

The secretary informed Mr. May that Civil Air Patrol had been notified.

Mr. May asked if there was anyone else who wished to testify.

The Public Hearing on this bill was completed.

Mr. May stated that the next bill to be heard by the Committee would be A.B. 604.

Mr. Ken Redelsperger, Assembly District 36, testified first on this bill. Mr. Redelsperger stated that Kelley Jackson was with him. Mr. Jackson is with the Nevada Department of Energy.

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Mr. Redelsperger stated that what the funds relate to in this bill are the oil, gas and geothermal lease, rents and royalty payments that come back to the State of Nevada from the Federal Government. They have gone up from approximately \$2.9 million in 1977 to somewhere in the area of \$8,000,000 for this year and part of the problem is - the \$8,000,000 is coming back into the State now and distributed throughout the State on a pupil basis. Some of the areas that are being impacted by the development, basically oil and gas right - there aren't any funds to take care of the impact such as in Nye County they have to repair seven or eight miles of roads and they just don't have the funding to do it. Mr. Redelsperger referred to his handout to the committee, which is attached to the minutes of this meeting as EXHIBIT A.

Mr. Redelsperger stated that this would give the committee an idea of the public law pursuant to Section 317 of the Organic Act that the State of origin receives 50% of the bonus bids - rentals, royalties that stem from geothermal oil, gas leases on Federal lands and basically that is what we are talking about. If we go back to the bill, in Section 2, it states that the Treasurer shall distribute any money which he receives from the Federal Government from sales, royalties, bonuses, leases of or from geothermal oil gas and mineral leases as follows: 10% to the counties from which the revenues were or are to be extracted, 10% to the Department of Energy, which is the Nevada State Department of Energy, distributed as grants to counties, cities and districts which have potential or known geothermal gas or oil resources.

Mr. Redelsperger stated that he would go through the bill and if the committee had any questions he would be happy to elaborate.

The remaining 80% would still go back to the distributive school fund and be distributed on that basis. In Subsection 2 of Section 3, the State Treasurer shall pay the amount appropriated to each county to the treasurer of that county for deposit in the general fund of that county. The money can be used for construction and maintenance of public roads, and it also can be used for support of public schools and public services and facilities and planning within those various counties.

In Section 4, on page 2, the money which is allocated to the Department of Energy pursuant to Section 2 of this Act, must be distributed in the form of grants to political subdivisions of the State and then it goes right on down all the various things that this can be applied to and we have quite a list in here of the various possibilities in the various counties throughout the State.

The reason for getting into this is - you have a sheet in front of you - it would be the second sheet - which gives you a breakdown of how the public law works, which would be the Organic Act.

2233

It states that - I have checked off an area on the list below January 1, 1976 - any money received from sales, bonuses, royalties or rentals of public lands under the provisions of this Act and the Geothermal Steam Act of 1970 notwithstanding the provisions of Section 20 thereof, shall be paid to the Treasurer of the United States and it goes on to say that 50% thereof shall be paid by the Secretary of the Treasury as soon as practicable after March 31 and September 30 of each year to the State, other than Alaska, within the boundaries of which the leased lands or deposits are or were located. Said money is to be paid to any of such states on or after January 1, 1976 which was the date the Organic Act passed, to be used by such states and its subdivisions as the legislature of the State may direct, giving priority to those subdivisions of the State socially or economically impacted by development of mineral leases under this Act.

In other words, they are not directing that that money be sent out to the various subdivisions, but they are suggesting that that should be the criteria. We have in front of you, other states, for instance, Utah, has set up a distribution system the same way - Utah also started distributing it on a local subdivision basis after 1976. Idaho did the same thing. Also, they distribute 10% of the total revenues they get back to the local subdivisions which are impacted. California has done the same thing. They have 1905 which has passed and their geothermal leases are also back to the county of origin and all of them on a larger percentage basis than we are talking about here. The various western states adjoining us have done this so this is part of the reason we decided to go ahead and look into it at this time. I checked with legal division and tried to find out if there was anything in the Organic Act that would mandate us to do that and there isn't. The growth of the mineral and geothermal oil and gas leases and the potential is growing steadily.

As I mentioned earlier, it has grown from 2.9 million to 8 million and it is projected to reach \$10,500,000 by the year - fiscal year 1982 and 1983. You know the direction we are going and we are open for some questions. Kelley can help us quite a bit on the potential.

Mr. Nicholas stated that they had noted that there was of course a substantial dollar impact and if we could look at that dollar impact for just a moment. Mr. Nicholas asked if Mr. Redelsperger had any idea what the latest year's distribution of the distributive fuel by the school fund was and how those dollars would accrue - would they go up or down the first year - in your situation?

Mr. Nicholas stated that he would rephrase the question in terms of Mr. Redelsperger's table in EXHIBIT A.

Mr. Redelsperger asked if Mr. Nicholas wanted it in percentages.

2234

Mr. Nicholas stated that he would like the latest year in terms of dollars that went to the distributive school fund as against the first year that -assuming that your bill became law - that dollars would be going to that distributive school fund.

Mr. Redelsperger stated what I can give you here is that in 1980 - 1981 fiscal year - there was \$8,000,000.

Mr. Nicholas stated that that was \$8,000,000 that went to the distributive fund -

Mr. Redelsperger stated in 1980/1981. In 1981/1982 fiscal year they are estimating it will be \$9,500,000.

Mr. Nicholas asked how much that would leave for the school people - about 78?

Mr. Redelsperger stated 80% of that figure.

Mr. Nicholas stated about \$7,800,000 so they would take a drop of a couple hundred thousand. How about the following year?

Mr. Redelsperger stated \$10,500,000 -

Mr. Nicholas stated that year they would be back up about 8 again, so essentially the distributive school fund would go about like that.

Mr. Redelsperger stated it would start growing again like that. He stated that on the front sheet that he gave the committee, it gives you an idea of how much we are getting per acre. Mr. Redelsperger asked Mr. Jackson if he had a breakdown of the total number of acres?

Mr. Jackson stated yes.

Mr. Redelsperger stated that bonus bids which we have very little of under goethermal, you can see where the first year to the fifth year it is \$2.00 per acre on competitive leases and non-competitive leases it is about \$1.00 per acre. Actually out of the production which is something in the area of 100,000 barrels a month being produced they pay 12-1/2% royalty payments on that.

Mr. Jackson stated that the total acreage is on the last sheet of the handout.

Mr. Prengaman stated that the counties already receive the tax payments from the Federal Government, don't they?

Mr. Redelsperger stated yes they do.

Mr. Prengaman asked if these weren't sort of a recognition on the part of the Federal Government that the counties can't develop along normal lines and that there are impacts out there because of the



Federal government's presence.

Mr. Redelsperger stated that that money is being used. Of course now there are about in the area of about 5 million dollars that came into the State this last year, and that is also distributed on a per capita basis so your larger counties with the land area are still getting a far less proportionate amount of and it is going to where most of the impact is and that is where the population is and that is what it is basically used for is the federal lands that the local subdivisions can't tax as revenue, but they still have to maintain those areas. That is what in lieu of taxes are basically used for. There is nothing in it that really has anything to do with oil, gas or geothermal or mineral leases.

Mr. Prengaman questioned the money that they can use for the provision of their services.

Mr. Redelsperger stated that would be maintenance of roads and so forth and that is where generally I know in the rural areas most of the in lieu of tax money is going for road construction because we just don't have the tax base to keep up with the construction.

Mr. Kelley Jackson stated that basically the reason that they were here is because we've got obviously a vested interest in seeing the type of energy resources that we have in this State brought on line with some sort of timely fashion. I know in appearances before this committee on several occasions during this session, the question has been posed - why isn't Nevada farther along in solar or why aren't we farther along in geothermal? And although it isn't the only reason, one of the significant reasons has been the level of State fund investments in the development of alternative energy resources in Nevada. It has seemed to us that one logical way of trying to make the next ten or fifteen years a period where we start transiting away from the types of energy resources that we are presently using into alternative energy resources like solar or geothermal wind bile mass is trying to redirect some of this Federal money that is coming back into the State to support research demonstration types of activity. If we look just at the geothermal field for a moment, we have got at least seven or eight communities in the State of Nevada that could be wholly or partially heated with geothermal energy. They run from a small community like Gabbs to probably the whole south end of the Truckee Meadows, Reno/Sparks area to Caliente in the South to Hawthorne and Gabbs in the middle of the State to Elko and Carlin on the West side of the State. Those sorts of developments, quite frankly, aren't going to happen in any sort of timely fashion unless there is some seed money to take some of the risk out of the front end of those projects. We see A.B. 604 as a step that could provide under some controlled conditions some seed money to start projects like that. On the solar side, we have had A.B. 48 before the committee this year which we were attempting to encourage local governmental entities to start putting solar on facilities; start looking at

passive design. This sort of funding could be used on a grant basis to help stimulate Clark County and other areas of the State. In fact use and demonstration so that we can demonstrate to Nevada cities in a visible way that we've got resources that in fact we can and should be using in the State. Probably one of our key problems between now and the end of the century is going to be motor fuels. Despite what everyone says, there are many productions that between now and the year 2000 we are going to see either political disruptions that once again cut off the flow of petroleum products down to the middle east or their economic factors that are pushing us toward trying to develop some liquid fuels that we can use here. If we could find our geothermal resource with various sorts of feed stocks, we could start producing some alcohol fuel in the State of Nevada. We've got that going on out at Wabuska now. There has been some indication that we did have a good potential in Clark County if you just collected all of the wet wastes that are generated in the restaurant and Casino business and converted them to liquid fuel you could probably generate 15 to 20 million gallons of alcohol fuel a year. We need to start looking at conversion of the sewage and sludge to methane gas that could either be used to fire electrical generation units to help run the sewage disposal process or you could actually capture that methane gas and run municipal vehicles on it. There are a whole planapy of things that can and should be done, but it is going to take some State investment if we really want to move forward with them.

Our department realizes the nature of the financial situation of the State and we certainly aren't expecting any windfalls and we don't see this as a windfall. We see this sort of a bill as an investment in the future energy development of the State. We think that they are steps that have got to start happening now or we are going to find ourselves in five or ten years in the same situation we found ourselves in 1973 and 1974 and again in 1979 without any real plan to react to those without any long term idea of where the State can or should be going.

Mr. Redelsperger stated that he might add to what Kelley is saying by stating that we have had numerous bills in here this session. We passed a few of them out encouraging alternate sources of energy as far as buildings are concerned over 20,000 square and a lot of other areas. We passed those bills out, but there really isn't any funding available for these people to really carry this out and with the cost of money now - close to 20% to borrow the money - it's really prohibitive. We have a State Department of Energy here in the State of Nevada and I think this would be an ideal area for them to get involved in if they had some funding to be able to issue grants and long term low interest loans or even forgivable loans to help get these geothermal leases into production and also other sources of energy. I think we ought to look at it seriously.

Mr. Jackson stated that we have just had two areas in relationship

to the bill that we would like to make suggestions on. Number 1 would be that if in fact the bill were passed that the entities that could qualify for financial assistance probably should be broadened to include State entities as well. As an example, it is very likely that we could heat the medium security facility with geothermal energy here at substantial savings, but it will take a 20, 30 or \$40,000 investment in drilling to find out and there are probably other State facilities in that same situation. In terms of mechanics and how the funds were distributed in order to ensure that the State retained more control, you certainly could subject any grants the department issued to be reviewed by the Interim Finance Committee as was done with the retrofit money for State buildings in the last session which at least from our department's perspective has worked very smoothly.

Mr. May asked if there were any questions from the committee.

Mr. DuBois asked if California now gives back 40%.

Mr. Redelsperger stated that they give back 40% and they also set up a fund of \$2,000,000 to make up for the funding that they didn't send back to the local subdivision since 1976 when the Organic Act came into effect, or 1977 the preceding year. It wasn't distributed as the Organic Act really urged it to be, so therefore that fund was set up for that purpose and I find that quite interesting.

Mr. Redelsperger stated that every cent of the oil and gas and geothermal lease and rents and royalty payments go directly into the distributive school fund that we get back.

Mr. DuBois asked what the damage, if that was the right word, that is occurring in your own county in your own particular case from exploration.

Mr. Redelsperger stated that basically in Nye County where the biggest is, the roads - you have the heavy trucks running on it all the time and they have completely deteriorated and the County has to go back in and I am sure the same thing is probably happening in White Pine. There is about 7 or 8 miles of road that they have to resurface this year and you are talking about somewhere in the area in excess of \$50,000 a mile.

Mr. DuBois stated that it was mostly road damage then.

Mr. Redelsperger stated that that was what was happening now but again we have geothermal and a lot of other things that are coming on line as time goes on and there should be some way to cover that impact.

Mr. DuBois asked if there was any natural gas produced in the State.

Mr. Jackson stated no there was no natural gas produced at this point.

Mr. Polish asked if anyone was looking into the development of hydrogen as fuel.

Mr. Polish further stated that hydrogen has tremendous potential.

Mr. Jackson stated that they have looked into it to the extent that we have polled the research that is going on at the New Mexico Energy Institute in Los Alamos and other places and it does look like over the long term if they can resolve some containment and other problems, it has good potential but we haven't had either the technical expertise or the funds to engage in research ourselves.

Mr. Polish questioned if they had done any type of exothermal type research.

Mr. Jackson stated that they had not done any specific research ourselves and we haven't been pushing Nevada at this point. Candidly we have been trying to stay with and direct our efforts to the sorts of energy resources that it looked like we had in Nevada to be developed in the near future.

Mr. Jeffrey stated that he thought that the bill looked like a good idea but we are already looking at a shortfall in education and he was concerned about that.

Mr. Redelsperger stated that he held this bill just as long as he could hoping that that would be resolved by now and I didn't want to pull it - I think it's got merit and I think we have to look down this line this year and in years to come. I understand we have a shortfall. I am open. I am here to tell you that a smaller percentage to start off with - I wouldn't have any objection to that. We can start off with a smaller percentage and perhaps it could be a smaller impact on the local counties. I would hate to see the amount that goes to the State Department of Energy reduced too far so they would have some funding to work with in the biennium.

Mr. DuBois asked if the impact would be a loss of 20%.

Mr. Redelsperger stated it was not a loss. It states that the 10% that goes back to the county of origin can be used for schools. It states it right in there. If they get that 10% and they wish to use it for their schools they can. They also can use it for road construction and planning.

Mr. Jackson stated that they would give high priority to grants to schools as well.

Mr. Redelsperger stated that also the 10% that is coming back from the Department of Energy is going to the Department of Energy. It states right in the bill that it will not be distributed on that county's share that it paid in. For instance, Clark County had a

major project that they wanted to get on line to get a substantial amount of that money. They might get 50% of the total that was paid in if the projects qualify in that particular year and of course that might encourage production and additional tax and revenues for that county if they can get something into production.

Mr. Redelsperger stated that in other words 10% of the 8 million that comes in, approximately \$800,000, would go to the State Department of Energy and from that \$800,000 they wouldn't get their county's percentage that they paid in. They could go over and above that for instance, any county could.

Mr. Polish stated that in several instances all of the monies were used by the counties and that no monies were given to the School Districts.

Mr. Redelsperger stated that is says that they have to set up a separate fund for this within the county and I guess under that mechanism you could have - it would have to be done by local ordinance - but you could have some participation by the school board in that. It would be a separate fund.

Mr. Douglas Sever, Director of Fiscal Services for the Department of Education. I have with me this morning, Ed Greer who is the Business Manager for the Clark County School District. I would like to apologize first for Mr. Sanders the superintendent of public instruction who couldn't be here this morning - he had another commitment in another committee. What we are here to tell you today is really to reiterate the figures that were presented here this morning by the Department of Energy and tell you about the impact on the distributive school fund and the Department of Education - Education in Nevada. First of all the governor's estimate of mineral land lease on income to the distributive school fund for the 1981/1982 year is \$9,500,000. 20% of that would represent 1.9 million. In the second year, in 1982/1983, 20% of the governor's estimate of 10.5 million would cost the distributive school fund 2.1 million. As most of you are aware, the distributive school fund and the school districts in Nevada currently have a shortfall in their request to the legislature of some 17 million the first year. If this bill were passed in its present form, that figure would increase from 17 million to something like 18.9. In the second year another 2.1 million impact on the distributive school fund would raise our shortfall from 23.5 million to 25.6 million.

Mr. Ed Greer stated that this committee obviously has all the data on it but on page 2 where it does provide for a return of about half of it and it could go to the schools. Obviously Mr. Polish expressed the obvious fact that counties are in much need and schools probably under this bill would probably not receive any of that. Even if they did though, we would still be looking at a loss of about half of that money that was identified. Of course our concern is where the schools are and we are coming to the end of the session and we feel more nervous

every time some one tries to cut into it. We are short over the two years of over \$40,000,000 so we have some real concerns.

Mr. May stated then that there concerns were that the schools would not have this money and that it could go elsewhere.

Mr. Greer stated that was correct.

Mr. Greer stated that they had no quarrel with the needs of the Department of Energy, it is just that this does infringe on our revenue.

Mr. Jack Shaw, Division of State Lands, testified next. I certainly don't want to infer either pro or con on this bill from our division but I do think the committee should be aware that we have through the Western State Land Commissioner's Association had quite a little involvement in this kind of revenue and what is happening in some of the other states and maybe look at a little potential. I can certainly feel for the Department of Education, but also for the local communities and the need for developing energy. My comments would be that whatever you do, don't cast it in concrete to be looking for a continual change in this field. In watching the other states in the last few years, these revenues have increased so rapidly that they really bring in lots of money and Nevada has that potential. I can give you some figures from land divisions in other states that are shocking. California and Texas have incomes of some \$600,000,000 annually. Washington is around \$400,000,000. New Mexico \$200,000,000. These down the road five years from now maybe 10% to the Department of Energy would be grossly too much money for grants to local communities. Maybe the 10% for a heavily impacted county might not be enough some time down the road so all I am saying is this is a pretty bright future in my opinion for Nevada and I think the move is good to take care of the local communities and develop energy, but not to, if you pass 10% on each one of these this year, to figure that that's it. I think you are going to find that it probably going to need a look at every couple of years to be sure that what's happening is what you want to happen. So that's my only comment.

I would like to add that basically I believe the in lieu funds going to the counties are in lieu of property taxes and that would not consider the massive impacts that big energy involvement could bring. Certainly it is and it is shakey too. In lieu payments may not be there at all, but that is all I have.

Mr. DuBois asked Mr. Shaw if he had any figures on the future of this for Nevada.

Mr. Shaw stated no he didn't. He stated that probably Kelley (Jackson) certainly has a better handle on that than I do. Because we don't have any state lands, this is relating to federal, and my associations with the other states in our meetings and discussion - so no I don't have.

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Mr. DuBois asked if they felt if any amount of state money would increase our revenue? In other words, would it encourage the productions of oil to the point where we would get much more coming back than we have invested.

Mr. Shaw stated that he didn't believe that the grants that this bill addresses would probably generate funds in this fund. That is on federal lands and mainly the royalties from the energy sources. I think where the grants would repay would be in the incentive for the local communities to experiment and have physical proof of better ways of doing things than we are doing. More efficient ways.

Mr. Redelsperger stated he would like to point out about growth. In 1977 we were talking about \$2,900,000 in these revenues and in 1980 that was up to \$7,186,000 and we project that in two years from now it will be over \$10,000,000. So it is already going at quite a rate and it would be prudent to look at the impact that all of these counties are going to face. In Clark County for instance, you have over 2,000,000 acres of leased land for oil potential and if any of that ever gets into production the revenue generated in for instance Clark County would be tremendous.

Mr. May asked what the latest potential in Nevada was, is it mineral, geothermal or oil?

Mr. Shaw stated that in this field - and I am not an authority - I am not a geologist, but in my opinion I think our biggest future potential is geothermal but I am sure there is quite an oil area involved and the activity is going to increase rapidly. We are getting requests for oil leases on our state parks. It is there, as oil, but the geothermal I feel has some tremendous potential in this state. From what I understand, not as a professional in that field, but it is one of the outstanding states in the nation for potential.

Testimony on A.B. 604 was concluded.

The committee took a short recess.

Mr. Dini called the meeting back to order.

He stated that the next bill the committee would hear would be S.B. 568.

Mr. Alan Bruce representing the Associated General Contractors testified first.

Mr. Bruce stated that the origins of this bill lie really in the report of the legislative subcommittee made under Senate Concurrent Resolution 40 from the last session of the legislature following its directed study of means of obtaining greater efficiency and economy in state public works.

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I would like to, before getting into the substance of the bill, I would like to just read a brief excerpt from the report of that legislative subcommittee. It says the State Public Works Board stated that they were in agreement with the AGC recommendations. That is a reference to a discussion that had been held relative to the payment of interest on retention monies. They informed the subcommittee that the payment of retained funds upon filing of project completion notice, could be implemented by the board which as of the writing of this report, has been accomplished. However the payment of interest on retained funds requires legislation. Regarding the payment of interest on retained funds, the State Public Works Board indicated these funds could be invested by the State Treasurer along with other state funds. This would avoid the establishing of private bank accounts for each project which would create an additional workload. The State Treasurer indicated there would be no problem in investing these funds and distributing them on a quarterly basis if authorized by the legislative. The subcommittee believes the payment of interest on retained funds is justified since these funds have already been earned by the contractor. Also the payment of interest on these funds could in a small way reduce construction costs therefore the subcommittee recommends that NRS 356.087 be amended to provide the investment and quarterly payment of interest by the State Treasurer to general contractors on funds withheld from progress payments by the State Public Works Board.

Of course subsequently to the issuing of that report, and the introduction of the original version of this bill in the Senate, there were some certain amendments adopted, the most significant of which expanded the concept of the bill to include not only state public works but to include all public works since the principal that would apply to state work would obviously as well to all public works projects. The real substance of the bill is contained probably in the three or four lines beginning on line 4 of the second page where it has reference to the payment to the contractor of interest which has been invested by the State Treasurer's Office and then going down to line 46 on page 2, where it talks about all public bodies paying the interest to the contractor quarterly and the rate of interest being the same as that earned during the quarter from the investment of money in the general fund of the public body and the final significant part of the bill is the very last paragraph on page three, where there is provision made for the distribution of this interest on a pro rata share to the subcontractors for work that they had performed.

You might wonder why it took so long for a measure like this to be introduced. I think probably more attention has become focused on the issue of interest on contractor's money in the last two or three years because of the very high cost of money these days. Whether or not passage of this bill will actually result in lower construction costs I am not prepared to say. I think it probably very well could result in lower costs not only because of the



feature where the contractor's money held in retention would be earning interest but also because of the dis-incentive for public bodies to withhold large amounts of retained funds for extraordinary periods of time, where with the adoption of this bill they would not be earning the interest but the contractor would be earning the interest on that money.

Even though existing statutes require that when a project is substantially completed, the retained funds be paid to the contractor, very often this is not the case. By way of illustration, I would like to cite just a few examples. I don't want to try to indite anybody or unnecessarily put the spotlight on any one agency or any one public body, but let me just give you a few examples.

Over the last several years in Las Vegas and Clark County, on construction projects in Public Works where the public bodies have withheld for months and months in many cases, large amounts of retention even though the project had reached the stage of substantial completion and because there may have been a dispute of one kind or another creep into the picture and I don't want to get too specific as far as naming projects but I will just give you the amounts involved and the period of months involved in some of these cases.

With the City of Las Vegas there was one job where a contractor's money was held up six months - \$44,000.00. Another one \$60,000.00 withheld for six months. In the County, one case where \$73,000.00 was held for eight months following essential completion of the job. \$289,000 for two months. \$258,000 for three months. \$30,000 for twelve months - \$223,000 for four months and \$58,000 for a full year. So when you are dealing in these amounts of money and looking at the time involved and the delays in final payments, interest on those funds becomes a very significant factor.

I don't know what to anticipate in terms of any objections that may or may not be raised by any of the public entities with regard to this bill, but however, should there be objections voiced relating to loss of revenue to a public entity because of the adoption of this measure, my response to that would simply be that the various entities have had a windfall for years and years of being able to earn interest on the contractor's money, and it is high time that the contractors would be able to earn that interest, because it after all represents their money for work that has already been performed.

Mr. Dini stated that he did not see any fiscal note put on this but there has to be a local government fiscal note for sure. Mr. Dini stated that due to the tax package, it may be a year when we should be careful. Mr. Dini asked Mr. Bruce if he had any idea at all what the impact was.

Mr. Bruce stated he did not. That would be awfully hard to try to pinpoint.

Mr. DuBois asked what the basis was for holding up payment.

Mr. Bruce stated that under existing statutes and as a general practice among all the entities for whom public works projects are performed, when the contractor submits pay requests for his monthly progress payments, the awarding agency withholds 10% of these progress payments until 50% of the job is complete and assuming that that point of progress on the job is satisfactory then no further retention is held so the net effect of that is that by the end of the project there is still withheld 5%.

Mr. DuBois asked Mr. Bruce if he was saying that they are withholding more than their share?

Mr. Bruce stated no. During the progress of the job the amount withheld is in general 10% up to 50% of completion and then no further retention is withheld beyond that point assuming the work is going satisfactorily. What I alluded to with those other amounts was at the end of the job before the final payment has been made, there have been a number of situations where the final payments have been withheld for varying periods of months due to various factors. Sometimes it may be a dispute over some facet of the work - sometimes it may be a dispute over the granting of time extensions or whatever, but there have been a significant number of cases where very large amounts of money, much greater than the amount necessary for any final completion have been withheld as I mentioned in some cases up to a year after substantial completion of the job.

Mr. DuBois asked if in the case of a year if that would be primarily for a dispute.

Mr. Bruce stated primarily.

Mr. Nicholas stated that Mr. Bruce's answer to this question might be very short and my question to get the idea across may be very long, but in the event of non-performance situations where there are controversies and obviously funds are being held up, as a result of the controversy, the contractor is the one who is the loser. However, various funds have been held up for a period of time. Do you find that the bill, as written, can satisfactorily handle that situation - forfeitures.

Mr. Bruce stated that the bill as written would at least provide that while these monies are being held up they would be earning interest that would eventually run to the benefit of the contractor. Or the subcontractor.

Mr. Nicholas asked Mr. Bruce if as a result of some sort of other arbitration some of their methodology the contractor turns out to be the loser. I realize that what I am talking about is a very

minor facet, but is that handled in some way in words in the event of controversy or forfeiture by the contractor interest would not accrue.

Mr. Bruce said no. The interest would accrue.

Mr. Jeffrey stated that he thought that the general philosophy and contention is that in the contractor doesn't perform there is that amount of money to use to bring somebody else in to finish the job and I think that is the underlying philosophy and of course it is also a hammer over the contractor's head - if he doesn't perform then he loses the retention. The problem that I have seen in Clark County with no particular one entity, I have seen it in several, is that sometimes it appears that it gets to a point of nitpicking because they can hold up a lot of money for a very small item and in fact much more money than it would take to get the original prime contractor off the job and hire another one to finish it. This money that is held sometimes for a long period of time is not for a very good reason and I am not a contractor, so I can see it.

Mr. Jeffrey stated that he had seen some contractors almost bankrupt because of the margin of retention, which is enough to give them some real problems.

Mr. Nicholas stated that that was pretty good testimony though and that the only area that he was going after here was just that in the event that the contractor did in fact lose in the arbitration that the interest accrued then would not be a point of contention between the two parties.

Mr. Bruce stated that he saw what Mr. Nicholas meant and that would probably be the case if the matter went to arbitration. That would be one of the issues, probably the subject of the arbitration procedure.

Mr. Nicholas stated that for the record, this was not to have interest accrue when arbitration results in the loss by the contractor.

Mr. Bruce stated right.

Mr. May asked if with regard to public works contracts, if you get a situation where a problem develops, that contractor's money is held and that contractor can simply not stop work and wait for that money to come to him. He must keep bidding other work and keep a cash flow going. If his profits are frozen then he has to go to some other source and borrow other money. He must pay interest on that money. So I suppose the philosophy, going back to your question, is that the contractor is innocent until proven guilty. In this case he has, hopefully, performed the work as bid, has the money duly entitled him, and if some nitpicking situation develops he would then, as I read the

bill, get those quarterly interest payments for those monies held until such time as a resolution is determined and if he should be not guilty at that time I suppose it would be a matter of discussion as to whether or not he would have to forfeit back that interest.

Mr. Prengaman stated that 338.160 talks about a notice of completion - I assume that is some sort of signing off - These monies that you have given us and the amount of time that they have been withheld, are these before this notice of completion is filed or is it after the notice of completion is filed.

Mr. Bruce stated that that would be at the completion of the job. Or it would be at the point where the job was substantially complete. And in many cases where the project was sufficiently complete to be placed into use or at least partial use.

Mr. Prengaman asked how many cases have been a problem?

Mr. Bruce stated that he did not think that he could give Mr. Prengaman a figure on that. I don't think there is a preponderant number of those cases, but there are enough to make the matter of some major significance. I think you could tell from those figures that I quoted on six or eight projects that took place say in the last three or four years, especially where you are talking amounts of say \$50,000 and above that are held up for six months, eight months, a year and in many cases where maybe the work in dispute might only involve \$5,000 or \$10,000 to actually get it taken care of but irregardless maybe 5 times that amount is withheld. When that has been done, it is really in contradiction to the existing law, but the fact remains that it does happen and it does constitute a severe financial burden many times on contractors and subcontractors.

Mr. Prengaman stated that local government just doesn't hold this money back arbitrarily. They are holding it back for a reason, am I correct?

Mr. Bruce stated that it seems that if it is just an arbitrary decision.

Mr. Nicholas stated that it depends on who is subbing the job.

Mr. Redelsperger stated that a certain percentage, like 10%, for 40 days or 60 days to make sure that no liens are filed by the subcontractors on the job.

Mr. Bruce stated that on public works, the lien law doesn't apply.

Mr. DuBois stated that when a contractor completes a job and he notifies the city or county, then what happens. Does the county inspector come out for the next two or three days or a week later

and sign that off?

Mr. Bruce stated that on say a building construction project, more than likely the architect would have a checklist of items, final clean up and touch items that would need to be completed and when those are finally signed off then the obligation of the public body is to make the final payment. I think there is a provision here if I can find it readily - it doesn't specify an exact number of days but it says the public body shall retain the amount withheld under any such contract until the contract is satisfactorily completed and finally accepted. When a project is sufficiently completed to be placed into service, the public body shall reduce the retained percentage and retain only such sum as it may determine to be sufficient to complete the contract. That is what I was alluding to when I mentioned the fact that there may be a dispute over an item that would cost \$5,000 or \$10,000 to take care of but in many cases the public body has withheld maybe five or ten times that amount for months on end.

Mr. Prengaman stated that he was still not clear on what period of time we are talking about. Are we talking about that last 5%? Is that the money -

Mr. Bruce stated that we are really talking about two things. The retention begins to be held on when the first progress payment is made on a job - when the first monthly pay request goes in. There is then, generally speaking, withheld 10% of that total progress payment and each month thereafter that 10% is withheld until the job is 50% completed, then assuming at that 50% completion point the work is going satisfactorily, then normally there would be no further retention withheld so then by the time you get down to the tail end of the job, the net effect is that there is still withheld 5%.

Mr. Max Christiansen, representing the air conditioning and sheet metal contractors testified next. He stated that he thought he was speaking on behalf of every subcontractor in Southern Nevada as well as Northern Nevada. I do have a handout that I would like to give the members of the committee. Mr. Christiansen's handout is attached to the minutes of this meeting as EXHIBIT B.

Mr. Christiansen stated that the handout was facts and figures on retention monies that have been withheld. It shows the particular job, the contractor, the date the job was completed, the amount of retention and the date that the retention was paid.

Mr. Bruce pretty much covered and did a very good job of covering all of our problems. Of course the general contractor receives this retention money and as this bill is written it is passed right down to the subs, so it works for everybody. I would like to just add one point on this retention money and it was brought out by Mr. Jeffrey that the contractors do have to keep jobs going in order to stay in business and the money flow is a must

with contractors. When we get four or five public works jobs in progress we have to list money held up in retention and then we have to go borrow money and I think it is 19-1/2 and it is pretty expensive. The passage of this bill S.B. 568 will allow more contractors to bid more competitively in the open market because they will release this money at a quicker date, sooner than we would get it under normal conditions. In Southern Nevada we have done our homework and have talked to some of the public officials. Just yesterday I talked to Commissioner Dondero in Clark County concerning this bill. She said that she was up last week and we had an appointment to see her to go over this and she had an emergency session here in Carson City. She said she did come up and did review the bill and go over it and as far as she was concerned there were no problems with the bill, that the money was the contractors and the interest should go to them. I also discussed it with Commissioner Manny Cortez and his opinion was the same as Commissioner Dondero's.

Mr. Dini asked if the committee had any questions.

Mr. Polish asked how the interest rate was figured back to the contractors.

Mr. Christiansen stated that he thinks it would be the same interest that the State gets and that would go to the general contractor and then the amount of money that has been withheld from the subcontractors, they would just put that figure in and they would just pass it right on down. It would be that interest that the State is getting.

Mr. Polish asked if that money should not be identified - as to whose money that was.

Mr. Christiansen stated that the intent of the bill is that we would get the same interest that that public entity is getting on their money. I would make a point that in two specific cases with contractors on the retention money, they were told that you can't get your retention money for another thirty days because it has been invested in a money certificate and as soon as the certificate expires you will get your money. Our position is that it is our money and we should get the interest.

Mr. DuBois asked how this retention of money compare with the private sector.

Mr. Christiansen stated that the contractors are more apprehensive about bidding public works jobs then they are the private works. This is because of the problem of getting our retention money.

The private work, of course when you are bidding these big hotels, that's a whole world all of its own - a different world all of its own but the other work we don't seem to have near the problem that we've had with the public works.

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Mr. Prengaman referred to Mr. Christiansen's handout and asked if when he put down date job completed, is that the date the contractor completed the job.

Mr. Christiansen stated that is the date that this particular contractor had completed his portion of the work. Remember on a lot of jobs, you get the underground utilities contractor is the first man in on the job and this is generally a major proportionate share of that total contract. This subcontractor is in, his work is put in and it is covered up and buried and he is completed. He still goes the full spread of that job before he gets his retention money and generally it is two or three months after the entire job has been completed. A specific example of a job in Southern Nevada right now is the prison. We have one of our contractors, Hansen Mechanical, doing the plumbing, airconditioning sheet metal on that job. He is better than 50% completed with his portion of the job right now. He has over \$200,000 in retention money that they held back on him at this point, yet that job - it will be another year before that job is completed, until the prison is completed and turned back to the State and then who knows after that how long it will be - it generally runs two or three months and sometimes longer before you get your retention after the job has been completed.

Mr. Prengaman asked if the completion date that Mr. Christiansen had in his handout didn't mean that contracted, for example the school, is satisfied and that all claims have been settled, that just means this is the contractor feels he is done.

Mr. Christiansen stated that this would be the date the job was completed because his retention was held until the completion date of the job. When he is finished on the job doesn't mean that even though he is completed he still has to wait until the entire job is completed before he gets his retention.

Ms. Jacqueline Loforte of the Northern Nevada Air Conditioning Sheet Metal Contractors and the Plumbers and Electricians of Northern Nevada testified next. She indicated that on line 48, the rate of interest is lined out, in the handouts there are statistics from contractors in Northern Nevada also.

Mr. Bob Cameron, Chief Deputy State Treasurer testified next.

Mr. Cameron stated that they had no opposition to this bill at all. Their only concern was that they be able to receive sufficient information in order to properly service the requirements of the bill if it should become law. In 356.087, the funds that are outlined there now to receive interest are funds in themselves and this portion of the law there would be several contractors involved. In other words, we wouldn't ordinarily receive probably the right information to be able to distribute the money. We just wanted you to be aware of that fact.

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Mr. Dini asked what kind of language they needed.

Mr. Cameron stated that he did not know that they needed any language except by agreement with the Public Works Board that they furnish us with sufficient information to make the determination.

Ms. Debbie Langston of the City of Reno testified next.

She stated that now that we have finally clarified that this does apply to local governments we wish to oppose this bill.

She asked if the summary ever changed? You talked about fiscal notes. It still will always apply to just State Public Works projects.

Ms. Langston stated that it does apply to all local governments.

She stated that the committee had a handout, attached to the minutes of this meeting as EXHIBIT C, which was prepared by our Finance Director which will give you an estimated loss of revenue for the 1980/1981 year. Our main problem with this of course is with all tax cuts or revenue caps, this is an additional loss the City of Reno was not counting on and the main problem seems to be retention monies that are withheld without just cause, then if they are in the Southern area, if there is another remedy to this, I don't think that the local governments should be penalized when the retention monies are warranted.

If there is a gross abuse of retaining monies longer than what is necessary, maybe there is another way to approach that problem, but I would just like to go on record as being in opposition and you can see our reasoning.

Mr. DuBois spoke of the loss to the City.

Ms. Langston stated that as Mr. Jeffrey said, maybe they would bid accordingly then from now on and their bid would be lower because their bid does take into consideration the retention. You have to remember that the cities have earmarked these monies and they are government monies and it is a shame that they can't be earning interest on the monies that are held throughout the period. There are two sides I feel.

Mr. Jeffrey stated that the problem is though that once the work is complete in my opinion, I can understand the reason for holding the money in retention, I don't have any problem with that because I think that is necessary, but in my opinion once the work is complete, the retention is on work that is complete and then that money would ordinarily have gone to the contractor rather than going into the general fund.

Ms. Langston stated that this was one source of revenue from what



I can see for the governing bodies. They count on this type of revenue from the retention monies. The contractor when he is bidding the bid, takes that retention money into consideration and bids accordingly. Now the problem that I can see is when there is a gross abuse of withholding the retention monies longer than - like some of the previous testimony, when that type of abuse - longer than what is normal.

I don't know how you would remedy that, but in normal retention monies the contractor takes it into consideration and that is one way that the governing body also has some revenue from this money that has been earmarked for a public project.

Mr. Redelsperger asked if there was any specified period of time that you are going to retain that money after the completion.

Ms. Langston stated that this was not her area. She stated that she knew that with their contracts that theirs vary depending on type and size.

Mr. Redelsperger referred to Ms. Langston's handout to the committee which is attached to the minutes of this meeting as EXHIBIT C and stated that from the handout did it generally from 4 to 6 or nine months.

Ms. Langston stated that he would have to ask somebody who was familiar with those types of projects. I know ours do vary.

Mr. Redelsperger stated that his problem was if they bid the job just how long it could be retained.

Ms. Langston stated that that was in the specifications. There is a retention period and when they bid, that is just one of the specifications that they bid on then.

Mr. Dini stated that that is built into the price when they bid the job.

Mr. Redelsperger stated up to a certain period of time up to the job completion and that is what I am trying to find out - what that time period is because -

Mr. Dini stated that it depends on the size of the job.

Mr. Jeffrey stated that as far as the time was concerned, it becomes too whether the public entity may say that the job is not complete because certain things in the specifications were not met. Some public entities seem to do more of that than others. I have seen one public entity in particular that will hold money for a long period of time on disputes that monetarily do not amount to much.

Ms. Langston asked if Mr. Redelsperger was not asking if the contractor knows what the retention period is when he is bidding?

Mr. Redelsperger stated that was right.

Mr. Jeffrey stated that they do unless there is a dispute.

Ms. Langston stated that was right but that factor was built in so some would be two months and some could be two weeks depending on size and type of project.

Mr. G. P. Etcheverry of the Nevada League of Cities testified next. He stated that he thought he would take a little different approach on this. When we found out local governments were involved, and we should have by reading the bill, it somewhat dismayed us and I think we can go through the testimony that has already been given and Debbie gave some excellent testimony on behalf of what happens with local governments. Again, we are dealing with large and small local governments, we are dealing with large and small projects and the retention period to answer Ken's (Redelsperger) question varies on the contract. However, I would like to add something a little bit different. On page 3, line 16, I think we have to make a word change there. It says contractor may withheld, and I think that should be withhold, but I have a problem frankly with the last paragraph of the bill and it says there whenever the contractor receives a payment in interest earned on the amount withheld from the contract, he shall within a reasonable period of time make sure that his subcontractors are paid. I have to revert back to page 2. In the last section it says after the court order that the public body has to pay the contractor but then we go to the last section of the bill and I have to relate to what Mr. Bruce said about the fact that the contractor should be making the money off of the interest. I think the subcontractor should not be left out either because in some of the smaller areas we deal more with subcontractors than we do with the contractors and I think this has to be taken into consideration and I have to agree Mr. Chairman with what you said that the price of the bid including the money is included in the bid price and I think we have to look at that situation as well. I have no strong objection to the figures that were given because I am not familiar with those figures on retention and withholding of funds to the contractor, but I do know that there have to be two sides to each story and the ones that I have been involved with, it was not the local governing body that was withholding the money just to be withholding it. There was a reason for doing it in several cases. In fact there are a few jobs outstanding in the eastern part of the state today that are withheld because of non-performance or bad performance or whatever the case may be or claims by subcontractors, so I think there is a two way street with this thing. I just would like to express that.

Mr. May stated that the NRS - the existing NRS - does have the correct spelling and it is withhold and that is just a technical problem. In regard to figuring in the cost of the money, I think the key word in that discussion is "bid" because every contractor who proposes a bid to a public works job is in competition with

other people bidding it too and if one bidder estimates that his figures and retention on a big job at 10% for our months and another one figures in 10% retention for one month, you are going to have asparity in those bids and the whole idea of bidding is to come in as low as possible so that you can get the job. They are very likely going to estimate short knowing full well that other contractors are going to bid that job and that they will probably be estimating that they will receive their money promptly as they should upon completion of the job. You simply have to take into consideration a value judgment and keep in mind that you want to get that bid as low as possible. You are not going to say to yourself that they are going to hold my money for a year and it is going to cost me \$30,000 interest.

Mr. Etcheverry stated that he believed that concept as well. I think that also the marketplace dictates that particular policy as well. On some public works projects you are fortunate to get a bidder. Other times you have more than you can handle. This has been the case on several public works contracts, particular EDA contracts where we had to meet the criteria in some areas of our state where we couldn't meet the criteria for minority groups and this type of thing and that had to be taken into consideration as well. In fact in various cases we have included certain ethnic groups as minorities to qualify on EDA grants which is a shame but it happens to be. I heard a comment made the other day about Italian and Spanish speaking and some of us Basque people on the other side of the mountain that couldn't qualify as a French Basque, but you could qualify as Spanish Basque and you could qualify if you were a rich Italian, I think that was the term that was used, but we have run into these problems and like I say, it is a two way street.

Mr. Prengaman asked if we couldn't adopt some language that states that if the money is held 30 days after completion of the job then interest must be paid?

Mr. Jeffrey stated that it is not really just a matter of being arbitrary. I am not saying it is wrong to do it - I agree with the concept of retention and I think it serves a useful purpose, but as I understand the bill, the money is retained from the halfway point or even the first installment on the job until the retention is paid. The bill came out of the study to try to provide efficiency and economy in public works and contractors do bid public works contracts higher than they do a private job for the most part because of the bidding requirements, bonding and retention and all the other things that go into a public job that don't necessarily go into a private job and this is one of the methods that the committee felt that may reduce the cost of construction. It is not really a matter of being arbitrary or not but retention money by its nature is money that is withheld until the work has been done, and once the work has been done, then the question is does that money belong to the public body or does it belong to the contractor.

Mr. Joe Cathcart representing the City of North Las Vegas testified next.

He stated that he wanted to make a few comments on this particular bill and with regard to some of the comments made in the committee. The study did come out of the State Public Works Office on the legislative study. It didn't study all the governmental entities it was only strictly one particular entity. In reading some of the language in here, we did find it rather ambiguous - 356 strictly pertains to the State and 338.160 pertains to all public works. If you read this right, it looks like you are depositing your money in a State account. It seems to be worded rather awkwardly right there.

Mr. Dini asked Mr. Cathcart if this bill had passed the Senate.

Mr. Dini then asked if anyone had testified over there.

Mr. Cathcart stated that he was in another committee.

Mr. Dini asked if any of the people from the City or County objected to it over there?

Mr. Etcheverry stated yes that there was some testimony and I am not sure who was there - there was some testimony from public works people.

Mr. Cathcart testified stated that they felt that the accounting alone would be particularly immense. If you read the public works construction statute anything \$2,000 or over is considered a formal contract and must be advertised and requires bonding and so forth. In a smaller entity 90% of the contracts are smaller amounts. If you take - I also might interject here that there are other bills out on public works and I know two in particular that address this retention problem. One of them reduces it to 5% retention up to 50%. If you take a \$5,000.00 contract, 50% of the project is \$2,500.00 and you retain only \$125.00. You also have to keep track of this - you have got to keep track of where the money is invested and different entities invest their money right now in the short money markets trying to get as much interest as they can and they move it around quite often. The accountability looks like it would be rather difficult on that. I made a note here on the prime contractor - it would be a nightmare for him too on the subs that he has because he has to pay them. If you talk to subcontractors that work for some of these primes you hear the same complaints that you hear from the primes that they are not getting their money either. Whether the primes have been paid or not. It is the other side of the coin and here they are talking about paying them the interest that they have had retained and the prime has to keep track of all of that and you are getting down to what seems like a lot of paperwork. I would recommend more study into this especially with the other bills out because it could change the concept of this and possibly you would not be talking about that much money if they reduce that to 5%. It is not that I don't feel for

the contractors. I do agree that some of these contracts when you are talking about 1/4 of a million dollars on some of these contracts the retention does get a little heavy and if this type of bill comes out, they may want to set \$100,000 or up on a retention period.

Mr. Bruce listed the amounts of money in the City of Las Vegas and in the Clark County area from Southern Nevada. He does not give a reason as to why these are retained. The public entities don't just arbitrarily retain this money. They have to have the money there before they can start a project. That is the law. It has to be held - and there has to be a dispute or something. The public works contracts also require the arbitration laws in there if you have a problem then you have a recourse in the courts. They also know what they are getting into when they bid the job. They have been doing this for years and I feel that they know that certain entities are going to hold it longer than others for whatever reason. They bid the job accordingly. We know that prices go up.

The real problem with withholding large sums on projects that are way beyond retention periods, as Mr. Jeffrey also stated, let's put something in there to pay the interest on the monies beyond the normal retention period. Mr. Bruce also stated that there is no more lien law any more. I have been out of public works contracts for two years but we used to have it and you had the lien period for thirty five days after the project was completed. In fact we had to file with the Clark County the lien notice and it had to be publicly advertised. We only had 35 days. If the entity itself did not file that notice within that 35 day period the entity would have to pay the subs themselves for up to 90 days. You could end up with considerable expense in the courts. I suggest that interest on the monies held beyond that normal retention period be paid. If there is a dispute going, language could be put in to possibly cover that particular item.

Mr. Dini asked if there was anyone else who wished to testify against the bill.

Mr. Chuck Neely testified next. Mr. Neely stated that he represented the Clark County School District. The real concerns that we have pertaining to this would be the bookkeeping and trying to keep up with this and I would like to bring up one point. Working for a public entity we are charged with the responsibility to make sure that the money is spent properly and the job is completed before we make that payment. We do not intentionally retain monies for investment purposes. I think we have had disputes with the general contractors where we have had to retain money, but it is not intentionally retained for investment purposes.

Mr. Patrick Pine, representing Clark County testified next. Mr. Pine stated that with him was Assistant County Manager, Joe Denney. I think I will have Mr. Denney talk about a few of our general

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concerns. As testified earlier, we are not necessarily opposed to the bill. We wanted to express some concerns in some technical areas as was indicated by some of the proponents, some of our commissioners are generally in support of the concept but that does not mean that we did not want to address a few technical areas of concern.

Mr. Denney stated that without taking too much time, he would like to say that unless you face the wrath and ire of a taxpayer who believes that a public job has not been done correctly and you release the retention and/or bonds, you will understand that we do try to not nitpick, but insure that compliance with the contract is met in the interest of the public. That is what we get paid to do so just to clarify that. I know that there have been a number of dollars and contracts mentioned that we have withheld payment on. I assure you at least as far as I know it was not arbitrary nor capricious and if I ever find out that it is, it will be changed. Our concern beyond that I think deals with some of the problems in terms when interest should begin when money is the contractors as opposed to when it really belongs in the general realm.

If you start in terms of paying interest from the very beginning from the acquisition of retention dollars to a normal expected time frame, i.e., 30 to 45 days from notice and final completion, a contractor would expect to get his money back. Now if we are talking about that time frame, I have very little argument - yes that is the contractor's money. Having dealt with cash flow in the private sector I understand their concerns. However, if there are problems with compliance with the contract, i.e., for good cause, the retention is held for compliance, I find it very difficult to for the public to be penalized.

It would seem to me that we need to differentiate in those areas.

Mr. Pine stated that he would like to add a couple of points. I think what Mr. Denney is alluding to is Mr. Prengaman mentioned the idea of after a certain time you would begin to pay interest. I think we would take almost the opposite viewpoint that if somebody met a certain criteria completed satisfactorily, maybe then they are more entitled to interest than the contractor who fails to meet the deadline and satisfactorily complete the job, and so we would look at it from the standpoint of you should probably reward that contractor who comes in within the specified limits and meets all of the criteria. I think secondly I wanted to mention a few things just for general information.

As far as fiscal impact, it is tough for us to give you one because in any given year it depends on how much capital and the kinds of projects you have going on. In years where we have minimal capital we might be talking about an impact on the county that is somewhere less than \$100,000, if we followed this bill as written. However if we get into heavy capital years which we are looking towards since we have a major jail and some major airport expansion, we could be talking about an impact well in excess of \$100,000 to the county.

It is going to vary year by year depending on how much you have in the way of construction projects. Another thing I would like to mention is that there are a couple of other minor points as to the question of paperwork and what is the proper rate of return to pay on interest if you are going to pay some interest back on retention. I think our only point on that is that since there is no provision for some sort of service charge from the treasurer or who ever does your investing and since in our case, most of our investments are pooled - we take all resources and pool to the extent possible to get a higher return - should we pay that interest rate or some other interest rate which is pegged to the amount that someone might earn on a much smaller amount. In other words, if we invest a million dollars and out of that million dollars, maybe \$50,000 of it is attributable to a retention amount, should you pay out the interest you earned on the million dollar investment or should you pay out some surrogate amount which is what you think they might have been able to earn having invested \$50,000. I don't think that it is an easy problem to solve, but it is something that I think creates some problems for whoever is doing the investing who has to figure out what the proper rate of interest is to pay and then the last point is the question of the necessity of retention and why in some cases there is a time lag.

We have one specific project that I thought I would cite where the amount of retention did not cover what we discovered was the deficiency and in that case it was for essentially what we call our juvenile building - a relatively new building - the amount of retention did not come any where near to eventually covering the cost of things that had to be done to make that structure meet certain guidelines. In that case most of our problems come in public buildings as opposed to private buildings with meeting a lot of the handicapped access regulations and we have had a number of occasions where there has been difficulty in certain areas where something was not built to meet the handicapped requirements under federal law and I think a lot of times that is where you get into problems of retention being held longer is that something goes wrong in the area of handicap access.

Mr. John Raymond, Manager of the Northern Nevada Chapter of the National Contractors Association. Mr. Raymond stated that their members perform approximately 80% of the electrical construction in Northern Nevada. As far as the bill is concerned, we are not really opposed to the intent. I think the language of this bill is much better than the initial language that was proposed this year. However, we do have some problems with it. One of the major problems is the fact that the public body who owns that building may in its opinion pay, if satisfactory progress has been made in the work.

Another problem we have is the fact that retention is withheld period. Retention is an archaic outdated form of enforcing the contractor's progress and proper completion of the project. We have gone into new generations where things could be handled differently. You have bonding. The only thing that retention

serves to do right now is that it forces the subcontractor or the general contractor to finance that project. Testimony by the City of Reno that it will lose money is one thing. The difficulty is that the contractor is funding that project and he is losing money additionally. Testimony that the contractor builds the price of retention into his bid, in some cases they do and most cases they don't. Let's face it - if you are in construction, you bid your competition - you don't bid the job.

Another problem with retention is that it is claimed to withhold so to enforce satisfactory completion. In many cases that is true. In most cases the subcontractor will complete his portion of the job. He may be off the job for months before a certificate of completion is issued for that building. The building can then be occupied. We have some county buildings that are occupied and retention is still being held on them.

The position of our association is that retention is archaic and it is outdated. There is no reason for any retention to be held at all. If the public entities are concerned about satisfactory progress or completion of the project by the contractor or the subcontractor they can use bonds. Bonds are fairly inexpensive and they can be built directly into the cost of the contract and the public body can be aware of what the cost is right up front and they can ask for the cost of the bond and they can see the bond and know exactly how much it is costing them.

The other advantage is that if there is unsatisfactory work by the contractor they can go directly to the bonding company. The idea of bonds also protect the subcontractor and the contractor. If the public bodies do not pay then the subcontractor or the contractor can go directly to the bonding company and bypass the public body. As I say, retention is fine or was fine 25 or 50 years ago. There is no reason for it any more.

As far as the bill goes, we feel it is a much better bill than it was before. Our association still has problems with retention.

Mr. DuBois asked if bonding was done very much or quite a bit?

Mr. Raymond stated that we are seeing it. Right now if I was an owner and I could withhold retention from my general contractor and all my subcontractors, I can use that money, I can invest it in one of the short term high interest bearing accounts. I can probably make a great deal of money and it is far more to my advantage to make my money off of the retention and withholding and keeping it hanging out there two, four, six or eight months. It is to my disadvantage as a public body or as an owner to require a bond. I am not getting the same amount of money. We are seeing it and there is a lot of resistance to it because you get a bond and it is up front. The cost is into the contract and you know what it is. The cost of that bond - you can make far more money by withholding retention and putting it in a high interest bearing account.



Mr. Raymond stated that there was some language in the previous bill with regard to bonding that required payment and performance bonds that has been deleted from this language. We feel that should be part of the language that protects both the public body and it protects the contractor and subcontractor as well. It is happening but it is very slow. Right now you can make more money on retention and it is just economically more advantageous.

The idea that a subcontractor builds his cost of money into his bid is wishful thinking.

The committee took a five minute recess.

The committee next discussed S.B. 485. Mr. May moved for a do pass which was seconded by Mr. Nicholas. The motion carried unanimously.

The committee next discussed A.B. 615. Mr. May stated that there was one witness, Mr. Chester Sweeley.

Mr. Dini stated that this bill should be studied a little more.

Mr. Dini stated that on S.B. 568 he had asked for a fiscal note. In the meantime he stated that he would like to have Mr. Prengaman and Mr. DuBois in a subcommittee to study the alternatives. I can see a real complication in the Clark County School District.

Mr. Dini stated with regard to A.B. 470 they had the amendments from Assemblyman Chaney. A copy of the amendment is attached to the minutes of this meeting as EXHIBIT D. The committee discussed the amendment presented by Assemblyman Chaney.

Mr. May stated that he moved that the committee amend A.B. 470 by adopting Amendment No. 906 and that the bill be rereferred to this committee. The motion was seconded and unanimously carried.

Mr. Prengaman stated that he supported getting the amendment back into the committee.

Mr. May stated that he had a report on S.B. 518. Mr. May stated that he met yesterday afternoon with Mrs. Pat Mulroy and he later double checked with Mr. Dave Henry.

They recommended the following changes. On page 1 of S.B. 518, delete the first bracket on line 6 and delete the second bracket on line 7. Clark Counted wanted this and Washoe did not so this applies only to Clark County. On the second page, delete lines 8 through 12. Add on line 15, the Board of County Commissioners shall dissolve by ordinance any fire protection district whenever all or part, adding the words "or part" within the boundaries or the service of a county fire department.

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Mr. Prengaman asked Mr. May is Section 3 put Washoe back in.

Mr. May stated yes, absolutely.

Mr. Redelsperger moved that the committee amend and Do Pass S.B. 518, which was seconded by Mr. May. The motion carried unanimously.

Mr. Dini stated that Mr. Nicholas had a request of the committee and Mr. Nicholas stated that the situation is that NRS 278.349 dealing with governing body majority votes in action on zoning proposals essentially - this particular section carries both a positive and a negative direction. What I am trying to say is that in Section 1 of that portion it calls for a different type of vote by the same body. This has been reviewed by Mr. Daykin and with several representatives of the League of Cities in Washoe County who were available to discuss this during our last break and they agreed that this was necessary and Erik Beyer is actually behind this and requested me to bring it to the committee. I brought it to our chairman and with the permission of the committee it will be a one paragraph bill, it would be appreciated if it could be brought to the attention of our committee in the form of a bill.

Mr. Dini stated that perhaps they should order the bill and see what kind of a response we get from the bill drafter? Mr. Dini asked if anyone disagreed.

There being no further business to come before the meeting, the meeting adjourned at 10:55 A.M.

Respectfully submitted,

Barbara Gomez  
Assembly Attache

ASSEMBLY GOVERNMENT AFFAIRS COMMITTEE

GUEST LIST

Date May 12, 1981

PLEASE

<u>PLEASE PRINT YOUR NAME</u>	<u>PLEASE PRINT REPRESENTING:</u>	<u>I WISH TO SPEAK</u>		
		<u>FOR</u>	<u>AGAINST</u>	<u>BILL NO.</u>
BOB GAGNIER	SNCA	✓		SB 485
Allan Bruce	Assoc. General Contractors	✓	✓	SB 568
DEBI LANGSTON	CITY OF RENO	✓		SB 568
JOHN HAWKINS	Nev. State School Boards			AB 604
May Christensen	So. Nev. Air Cond. Centre	✓	✓	SB 568
CP Elh. Perry	Nev League of Cities	✓		SB-528
A	NO LAS VEGAS	✓		SB-568

2262



## MEMORANDUM

February 3, 1981

To: Assemblyman Redelsperger

From: Noel A. Clark *NAC/klc*

Subject: Background Information Regarding Oil, Gas, Geothermal Rentals, Royalties and Bonus Bids

Pursuant to Section 317 of the Organic Act, the State of Origin receives 50% of any bonus bids, rentals or royalties that stem from geothermal, oil and gas leases on federal lands. Following hereinafter is a brief recap of the federal fee structure for geothermal and oil/gas leasehold interests:

Geothermal

1. Bonus bids - Competitive bids are required on all KGRA's. The highest competitive bidder usually gets the lease.
2. Rentals -
 

	Competitive Lease	Non-competitive lease
Year 1-5	\$2.00 per acre	\$1.00 per acre
6	3.00 " "	2.00 " "
7	4.00 " "	3.00 " "
8	5.00 " "	4.00 " "
9	6.00 " "	5.00 " "
10+	7.00 " "	6.00 " "
3. Royalties - Once a lease goes into production royalties in lieu of rentals must be paid. The royalty rate for the heat is 10% - 15% by the value thereof and the royalty rate for byproducts is 5% of the value of the byproduct.

Oil and Gas

1. Bonus bids - None in Nevada.
2. Rentals - Pre February 1, 1977 leases \$.50 per acre  
Post February 1, 1977 leases \$1.00 per acre
3. Royalties - 12 1/2% of sales price of oil and gas that is produced.

NAC:lg

Exhibit A 2264

(d) Such recordation or application by itself shall not render valid any claim which would not be otherwise valid under applicable law. Nothing in this section shall be construed as a waiver of the assessment and other requirements of such law.

RECORDABLE DISCLAIMERS OF INTEREST IN LAND

43 USC 1745.

SEC. 315. (a) After consulting with any affected Federal agency, the Secretary is authorized to issue a document of disclaimer of interest or interests in any lands in any form suitable for recordation, where the disclaimer will help remove a cloud on the title of such lands and where he determines (1) a record interest of the United States in lands has terminated by operation of law or is otherwise invalid; or (2) the lands lying between the meander line shown on a plat of survey approved by the Bureau or its predecessors and the actual shoreline of a body of water are not lands of the United States; or (3) accreted, relicted, or avulsed lands are not lands of the United States.

(b) No document or disclaimer shall be issued pursuant to this section unless the applicant therefor has filed with the Secretary an application in writing and notice of such application setting forth the grounds supporting such application has been published in the Federal Register at least ninety days preceding the issuance of such disclaimer and until the applicant therefor has paid to the Secretary the administrative costs of issuing the disclaimer as determined by the Secretary. All receipts shall be deposited to the then-current appropriation from which expended.

(c) Issuance of a document of disclaimer by the Secretary pursuant to the provisions of this section and regulations promulgated hereunder shall have the same effect as a quit-claim deed from the United States.

CORRECTION OF CONVEYANCE DOCUMENTS

43 USC 1746.

SEC. 316. The Secretary may correct patents or documents of conveyance issued pursuant to section 208 of this Act or to other Acts relating to the disposal of public lands where necessary in order to eliminate errors. In addition, the Secretary may make corrections of errors in any documents of conveyance which have heretofore been issued by the Federal Government to dispose of public lands.

MINERAL REVENUES

30 USC 191.

30 USC 1001  
note.

SEC. 317. (a) Section 35 of the Act of February 25, 1920 (41 Stat. 487, 450; 30 U.S.C. 181, 191), as amended, is further amended to read as follows: "All money received from sales, bonuses, royalties, and rentals of the public lands under the provisions of this Act and the Geothermal Steam Act of 1970, notwithstanding the provisions of section 20 thereof, shall be paid into the Treasury of the United States; 50 per centum thereof shall be paid by the Secretary of the Treasury as soon as practicable after March 31 and September 30 of each year to the State other than Alaska within the boundaries of which the leased lands or deposits are or were located; said moneys paid to any of such States on or after January 1, 1976, to be used by such State and its subdivisions, as the legislature of the State may direct giving priority to those subdivisions of the State socially or economically impacted by development of minerals leased under this Act, for (i) planning, (ii) construction and maintenance of public facilities, and (iii) provision of public service; and excepting those

shares of the same among the several counties in which such forest reserves are situated in proportion to the area of such reserve in such county, and to pay the same over to the several county treasurers of such counties as soon after the same is received as such apportionment can be made. [1957, ch. 116, § 1, p. 194; am. 1980, ch. 137, § 2, p. 301.]

Compiler's notes. As enacted this chapter contained a heading which read: "Forest Reserve Funds."

Sec. to sec. ref. This section is referred to in § 57-806.

Sections 1 and 3 of S.L. 1980, ch. 137 are compiled as §§ 57-1201 and 57-1307, respectively.

57-1303. County apportionment of forest reserve funds. — The auditor of each county receiving a portion of this fund shall within ten (10) days of receipt of this money allot and distribute seventy percent (70%) of this money to the county general road fund and to the treasurer of the highway districts and good road districts in the county in proportion to the mileage of each within the county, to be expended for the construction and repair of roads and bridges, and thirty percent (30%) to the various school districts and joint county school districts within the county in proportion to the number of pupils in average daily attendance in each district in the year immediately prior to this distribution. The distribution of such moneys to the respective school districts entitled thereto shall be in addition to and without regard to any assistance to such school districts from any and all other sources in maintaining the minimum educational program and minimum transportation program. [1957, ch. 116, § 3, p. 194; am. 1963, ch. 65, § 1, p. 253; am. 1980, ch. 87, § 1, p. 190.]

57-1305. School districts to keep records and report. — Each school district receiving such moneys shall keep an accurate record of receipts thereof and expenditures therefrom and shall report the same annually to the state department of education in the format prescribed by the state board of education. [1957, ch. 116, § 5, p. 194; am. 1979, ch. 297, § 1, p. 779.]

57-1306. Mining leases impact funds to county. — (1) Upon receipt of any moneys from the federal government from sales, royalties, bonuses or rentals of oil, gas or mineral lands of the federal government, the state treasurer shall remit ten per cent (10%) of such receipts to the general fund of the several counties from which the resources were extracted. The state treasurer shall compute a particular county's share of such receipts by computing the proportion of the moneys generated by sales, royalties, bonuses or rentals of federal lands situated within that particular county to the total of moneys received from the federal government from sales, royalties, bonuses or rentals of all oil, gas or mineral lands of the federal government within the state of Idaho for the same period. The moneys remitted to the various counties according to the provisions of this section shall be used for the construction and maintenance of public roads or for the support of public schools.

STATE OF NEVADA  
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING  
CAPITOL COMPLEX  
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 885-5627  
KEITH ASHWORTH, *Senator, Chairman*  
Arthur J. Palmer, *Director, Secretary*  
INTERIM FINANCE COMMITTEE (702) 885-5640  
DONALD R. MELLO, *Assemblyman, Chairman*  
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JOHN R. CROSSLEY, *Legislative Auditor* (702) 885-5620  
ANDREW P. GROSE, *Research Director* (702) 885-5637

February 19, 1981

M E M O R A N D U M

TO: Assemblyman Kenneth K. Redelsperger  
FROM: Robert E. Erickson, Senior Research Analyst *Bob Erickson*  
SUBJECT: Impact Funds for Local Governments Affected by Federal Mining Leases

I have checked the current statutes of both Arizona and Utah as you requested. Only Utah has a law relating to funds for communities impacted by federal mining leases. I have enclosed sections 63-52-1, 65-1-64 and 65-1-64.5 of the Utah code for your information. These laws were apparently all passed or amended in 1977 in response to the 1976 Federal Land Policy and Management Act.

Please note that the fiscal year ending June 30, 1978, was a transition period for the allocation of funds derived by the state from federal mineral leases. For fiscal year 1979 and thereafter, 32½ percent is to go to the community impact fund. Not more than 33½ percent is allocated to institutions of higher education, with a majority of these funds to be expended on research and programs of benefit to impacted local communities. Lesser amounts are allocated to various other entities with the unallocated balance (26½ percent) apparently remaining in Utah's general fund.

As you can see, Utah has developed an excellent program to aid local units of government adversely impacted by mineral leases on federally managed lands. Arizona, on the other hand, has yet to address this matter in its state law.

REE/jld  
Encl.

2267



Assembly Bill No. 1905

CHAPTER 139

An act to add Chapter 6 (commencing with Section 3800) to Division 3 of the Public Resources Code, relating to geothermal revenues, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor May 30, 1980. Filed with Secretary of State May 30, 1980.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1905, Bosco. Geothermal resources: federal lease sales: disposition of revenues.

Existing state law does not provide for the distribution of moneys received by the state from federal geothermal lease sales of public lands. Existing federal law provides for 50% of the moneys received for geothermal leases under the Geothermal Steam Act of 1970, as amended, and under Section 35 of the Mineral Lands Leasing Act of 1920, as amended, to be paid to the state where the leased lands are located.

This bill would create the Geothermal Resources Development Account in the General Fund, would require all of the moneys received by the state from the federal government for federal geothermal leases to be deposited in the account, would, in addition, require that \$2,000,000, or so much thereof as may be necessary, of the revenues received by the state pursuant to designated federal law from sources other than activities undertaken pursuant to the Geothermal Steam Act of 1970 be deposited each fiscal year, commencing with the 1980-81 fiscal year, in the account until a total amount is deposited that is equal to the revenues that were received by the state on and after January 1, 1976, from activities undertaken pursuant to such federal act but which were not deposited in the account, and would continuously appropriate all funds in the account for expenditure or transfer in the manner and at the times specified in the bill. The bill would require the Controller to immediately disburse 40% of the revenues received in the account to the county of origin for expenditure for enumerated activities. The bill would authorize the State Energy Resources Conservation and Development Commission annually to expend 30% of the revenues in the account to provide grants to local jurisdictions to carry out enumerated activities.

If Proposition 1 is adopted by the voters at the June 3, 1980, election, the bill would annually transfer 30% of the revenues in the account to the Parklands and Renewable Resources Investment Fund. If Proposition 1 is not adopted, 30% of the revenues in the account would be annually transferred to the Renewable Resources

*Note:  
Prop. 1 not  
passed in  
June 1980.*

EXHIBIT A  
OIL/GAS GEOTHERMAL REVENUE

COUNTY	GEOTHERMAL LEASES <sup>1</sup>				OIL & GAS LEASE						Total State Share
	Acres Competitive	Acres Non-Competitive	Estimated Rentals Total	Rentals <sup>2</sup> State	Acres Competitive	Acres Non-Competitive	Actual Rentals Total	Rentals State	Actual Total	Royalties State	
Churchill	65,735	333,779	\$465,249	\$233,625	348,069		\$ 334,463	\$ 167,232			\$ 399,857
Clark	---	---	---	---	2,000,812		1,981,164	990,582			990,582
Elko	3,823	33,108	40,754	20,377	2,422,385		1,983,282	991,641			1,012,018
Esmeralda	2,546	55,615	60,707	30,353	6,906		6,587	3,294			33,647
Eureka	13,377	12,255	39,009	19,504	1,040,969		858,478	429,239			448,743
Humboldt	13,511	142,323	169,345	84,672	79,063		79,072	39,536			124,208
Lander	10,936	59,992	81,864	40,932	442,803		442,853	221,427			262,359
Lincoln	---	5,203	5,203	2,602	2,277,207		2,217,019	1,108,509			1,111,111
Lyon	5,541	7,223	18,305	9,153	8,384		8,386	4,193			13,346
Mineral	---	18,828	18,828	9,414	13,207		12,107	6,054			15,468
Nye	7,395	72,907	87,697	43,848	2,240,162	400	1,899,621	949,561	\$1,834,245	\$917,123	1,910,532
Pershing	28,213	274,358	330,784	165,392	107,735		109,202	54,601			219,993
Storey	---	591	591	296	---		---	---			296
Washoe	15,242	31,131	61,615	30,808	1,155		1,155	578			31,386
White Pine	---	97,309	97,309	48,655	2,975,763		2,463,619	1,231,810			1,280,465
<b>Total</b>	<b>166,319</b>	<b>1,144,622</b>	<b>\$1,477,260</b>	<b>\$738,631</b>	<b>13,964,620</b>	<b>400</b>	<b>\$12,397,008</b>	<b>\$6,198,257</b>	<b>\$1,834,245</b>	<b>\$917,123</b>	<b>\$7,854,011</b>

<sup>1</sup>Does not include revenues from bonus bids

<sup>2</sup>Based upon assumption of \$2.00/acre for competitive leases and \$1.00/acre for non-competitive leases



# HANSEN MECHANICAL CONTRACTORS, INC.

1605 Marietta Way • Sparks, Nevada 89431

Telephone 359-3232

April 8, 1981

Jacqui LoForte, Chapter Manager  
N.N. S.M. & A.C. Contractors, Assoc.  
P.O. Box 12033  
Reno, Nevada 89510

Dear Jacqui:

Below is a list of our larger contracts for federal or county buildings which we have completed during the last two years for which retention has been withheld:

### GEORGE WHITELL HIGH SCHOOL

General Contractor:	S.J. Amoroso Construction Co., Inc.
Contract Amount:	\$192,639.00
Date Job Completed:	April 16, 1980
Date Retention Paid:	June 23, 1980
Amount of Retention:	\$40,518.00

### WESTERN NEVADA COMMUNITY COLLEGE

General Contractor:	S.J. Amoroso Construction Co., Inc.
Contract Amount:	\$297,099.00
Date Job Completed:	May 20, 1980
Date Retention Paid:	August 26, 1980
Amount of Retention:	\$13,077.00

### SPARKS CITY HALL

General Contractor:	C.H.S., Inc.
Contract Amount:	\$255,520.00
Date Job Completed:	May 4, 1980
Date Retention Paid:	August 22, 1980 & October 9, 1980
Amount of Retention:	\$21,969.00 & \$15,908.00

### PEDESTRIAN UNDERPASS-STATELINE, NEVADA

General Contractor:	Corrao Construction Co., Inc.
Contract Amount:	\$281,457.00
Date Job Completed:	June 10, 1980
Date Retention Paid:	September 10, 1980
Amount of Retention:	\$50,623.00



# EMIL M. PAHOR

Air Conditioning & Sheet Metal Contractors, Inc.  
 11 West Utah Ave.  
 LAS VEGAS, NEVADA 89102

Telephone (702) 382-5894

April 14, 1981

Sheetmetal and Air Conditioning Association  
 1937 Western Avenue  
 Las Vegas, Nevada

Attn: Max Christiansen


Gentlemen:

The following is a list of State and County funded projects that we have done in the last two years.

<u>JOB NAME</u>	<u>GENERAL CONTRACTOR</u>	<u>ARCHITECT</u>	<u>TOTAL CONTRACT</u>	<u>DATE COMP.</u>	<u>DATE RET. RCVD.</u>
UNLV Camp. Imp.	Argus	Cambiero & Cambiero	174,663.00	11/26/79	2/4/80
Int'l Arrivals	Sletten	Cambiero & Zick &	269,500.00	6/26/79	10/23/79
Guinn Jr. Hi	Yoxen	Sharp	446,062.00	11/28/79	1/16/80
L.V.V.W.D.	Claude Cooke	Jack Miller	215,225.80	4/25/79	8/17/79
Chas.Hts. Library	Sunrise	Fred Kennedy	135,816.00	2/23/79	5/79 (50%) 9/79 (50%)

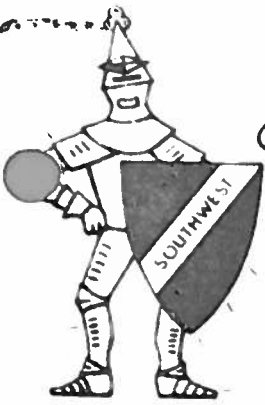
Sincerely,

EMIL M. PAHOR AIR CONDITIONING  
 & SHEET METAL CONTRACTORS, INC.

  
 Robert B. Pahor  
 Manager

RBP/gg

2271



# Southwest

## AIR CONDITIONING, INC.

AIR CONDITIONING  
REFRIGERATION

SHEET METAL  
KITCHEN FACILITIES

3020 VALLEY VIEW BLVD.  
LAS VEGAS, NEVADA 89102  
PHONE 876-5444

April 10, 1981

JOB NAME:     Guild Gray Elementary School    

GENERAL CONTRACTOR:     Blanchard Construction, Inc.    

TOTAL CONTRACT AMOUNT:     \$148,490.00    

DATE COMPLETED:     June 20, 1980    

RETENTION AMOUNT:     \$14,849.00    

DATE RETENTION PAID:     January 31, 1981    

JOB NAME:     Nellis AFB Officers Quarters    

GENERAL CONTRACTOR:     John E. Yoxen Company    

TOTAL CONTRACT AMOUNT:     \$576,900.00    

DATE COMPLETED:     September 12, 1980    

RETENTION AMOUNT:     \$57,690.00    

DATE RETENTION PAID:     February 20, 1981    

JOB NAME:     Eldorado High School    

GENERAL CONTRACTOR:     Zuni Construction Company, Inc.    

TOTAL CONTRACT AMOUNT:     \$107,695.00    

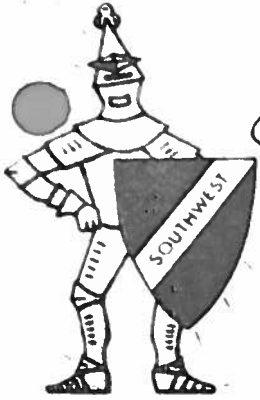
DATE COMPLETED:     July 16, 1979    

RETENTION AMOUNT:     \$5,384.75 (5%)    

DATE RETENTION PAID:     October 16, 1979    

...continued





*Southwest*

AIR CONDITIONING, INC.

3020 VALLEY VIEW BLVD.  
LAS VEGAS, NEVADA 89102  
PHONE 876-5444

AIR CONDITIONING  
REFRIGERATION

SHEET METAL  
KITCHEN FACILITIES

JOB NAME: Grant M. Bowler Elementary School

GENERAL CONTRACTOR: John E. Yoxen Company

TOTAL CONTRACT AMOUNT: \$162,101.50

DATE COMPLETED: January 2, 1981

RETENTION AMOUNT: \$16,210.15

DATE RETENTION PAID: Unpaid

JOB NAME: Correctional Center - Phase II

GENERAL CONTRACTOR: J. A. Tiberti Construction Co., Inc.

TOTAL CONTRACT AMOUNT: \$237,700.00

DATE COMPLETED: October 25, 1978

RETENTION AMOUNT: \$11,885.00 (5%)

DATE RETENTION PAID: October 16, 1979

JOB NAME: Nate Mack Elementary School

GENERAL CONTRACTOR: Sletten Construction Company

TOTAL CONTRACT AMOUNT: \$146,000.00

DATE COMPLETED: August 20, 1980

RETENTION AMOUNT: \$7,300.00 (5%)

DATE RETENTION PAID: January 16, 1981

2273





**air conditioning . inc.**

3337 WESTWOOD DR  
LAS VEGAS NEVADA 89109

702-732-2545

March 25, 1981

Max Christiansen  
Sheet Metal & A/C Contractors Association  
1937 Western Ave.  
Las Vegas, Nevada 89102

Dear Max:

The following is a list of our larger contracts for federal or county buildings which we have completed during the last two years for which retention has been withheld:

BUREAU OF RECLAMATION

General Contractor:	Quality Air Conditioning, Inc.
Contract Amount:	\$505,670.00
Date Job Completed:	April, 1980
Date Retention Paid:	December 30, 1980
Amount of Retention:	\$15,408.00

NELLIS AFB COMMISSARY

General Contractor:	Sunrise Construction
Contract Amount:	\$230,681.00
Date Job Completed:	October, 1979
Date Retention Paid:	June 24, 1980
Amount of Retention:	\$22,613.00

JUVENILE COURT SERVICES PHASE II

General Contractor:	John E. Yoxen Company
Contract Amount:	\$325,209.00
Date Job Completed:	September, 1980
Date Retention Paid:	December 22, 1980
Amount of Retention:	\$16,098.40

RANCHO HIGH SCHOOL ADDITION

General Contractor:	Richardson Construction
Contract Amount:	\$14,940.00
Date Job Completed:	October, 1979
Date Retention Paid:	March, 1980
Amount of Retention:	\$1,494.00

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WESTERN HIGH SCHOOL ADDITION

General Contractor:	Richardson Construction
Contract Amount:	\$13,333.00
Date Job Completed:	March, 1980
Date Retention Paid:	August, 1980
Amount of Retention:	\$1,333.30

I hope this will be helpful to you.

Sincerely yours,



Carol Stewart, Bookkeeper

CS/



# ASSOCIATED AIR CONDITIONING, INC.

Air Conditioning  
And Sheet Metal

2121

SOUTH HIGHLAND AVE.  
LAS VEGAS, NEVADA 89102  
PHONE 702-384-1471

March 25, 1981

Max Christiansen  
S/M & A/C Contractors Assn.  
1937 Western Avenue  
Las Vegas, Nevada 89102

Dear Max:

Below is a list of our larger contracts for federal or county buildings which we have completed during the last two years for which retention has been withheld:

## FAY GALLOWAY ELEMENTARY SCHOOL

General Contractor:	Blanchard Construction
Contract Amount:	\$134,300.00
Date Job Completed:	August 30, 1979
Date Retention Paid:	February 13, 1980
Amount of Retention:	\$14,007.00

## GORDON PLAZA V

General Contractor:	Empire Construction Co.
Contract Amount:	\$40,115.00
Date Job Completed:	June 19, 1979
Date Retention Paid:	November 13, 1979
Amount of Retention:	\$2,005.75

## ADDITION FIRE STATION #18

General Contractor:	Fremont Construction
Contract Amount:	\$16,450.00
Date Job Completed:	May 24, 1979
Date Retention Paid:	August 24, 1979
Amount of Retention:	\$1,645.00

## ARCHIE GRANT PARK

General Contractor:	Associated Air Conditioning
Contract Amount:	\$82,900.00
Date Job Completed:	May 8, 1979
Date Retention Paid:	June 15, 1979
Amount of Retention:	\$4,145.00

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# ASSOCIATED AIR CONDITIONING, INC.

Air Conditioning  
And Sheet Metal

2121

SOUTH HIGHLAND AVE.  
LAS VEGAS, NEVADA 89102  
PHONE 702-384-1471

Page 2

## RULON EARL MOBILE MANOR

General Contractor:	Argus Construction
Contract Amount:	\$10,500.00
Date Job Completed:	May 27, 1980
Date Retention Paid:	August 8, 1980
Amount of Retention	\$1,050.00

## FIRE STATION #3

General Contractor:	Guy W. Jones Corporation
Contract Amount:	\$42,896.00
Date Job Completed:	September, 1980
Date Retention Paid:	
Amount of Retention:	\$4,289.60

## RANGE CONTROL CENTER

General Contractor:	John E. Yoxen Company
Contract Amount:	\$820,734.30
Date Job Completed:	December 22, 1980
Date Retention Paid:	
Amount of Retention:	\$56,897.06

Respectfully Submitted;



Patricia K. Shaw  
Bookkeeper

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PROJECT	GENERAL CONTRACTOR	CONTRACT AMOUNT	DATE COMPLETED	DATE RETENTION PAID	AMOUNT OF RETENTION	DAYS DIFFERENCE	COST AT TODAY'S PRIME RATE
WASCO COUNTY SCHOOL DISTRICT	Mc CLAIN CONST.	164,965.22	3-8-81		16,496.20	ASSUME 110 DAYS	\$ 845.19
GENERAL AVIATION OFFICE BUILDING	S. J. AMOROSO	184,824.22	7-18-80	11-20-80	18,463.22	120 DAYS	\$ 1,031.93
UNIV. OF NEV. NYE HALL SOLAR PROTECT	U. N. R.	155,361.22	4-30-80	7-17-80	14,150.22	75 DAYS	\$ 389.47
UNIV. OF NEV. DUST COLLECTOR	U. N. R.	28,178.22	11-26-79	3-7-80	1,408.22	100 DAYS	\$ 65.62
UNIV. OF NEV. GYMNASIUM REMODEL	NEVADA BUILDERS	80,161.19	6-22-79	10-18-79	8,016.22	120 DAYS	\$ 448.04
FALLOM POST OFFICE	ROSS BUILDERS	89,486.22	7-21-78	11-30-78	9,948.22	121 DAYS	\$ 220.63
UNIV. OF NEV AGRICULTURE BUILDING FALLON	ROSS BUILDERS	25,289.22	11-15-77	3-17-78	2,528.22	120 DAYS	\$ 141.34

2278

TOTAL AMOUNT OF RETENTION : \$ 62,011.22

TOTAL AVERAGE DAYS RETAINED : 110 DAYS

AVERAGE COST AT TODAY'S PRIME RATE: \$ 3,142.22



# Aldous

HEATING • AIR CONDITIONING  
COMPANY

831 DEMING WAY • SPARKS, NEV. • 89431

TELEPHONE • (702) 359-1619

April 21, 1981

Sheet Metal Contractor's Association  
P. O. Box 12033  
Reno, Nevada 89510

Attention: Jackie

RE: State of Nevada retention payments

Dear Jackie:

We are offering this letter in support of the efforts towards insuring prompt retention payments.

This firm is in support of being able to collect the interest on retention money being withheld on payment requests.

When this bill is drafted, direction should be mandated to the general contractors for proper distribution of these interest funds.

We would suggest that this bill incorporate a method for collecting late charges on overdue progressive payments on State projects.

We are offering a brief report on a random selection of State projects indicating time frames of these projects along with the date the finish payment (retention) was made.

We are unable to include the final acceptance of the project by the owner, but, it appears to us that numerous delays in accepting the project means more earned interest money for the owner at the contractor's expense.

Project Name.....	Mental Health Institute Sparks, Nevada
General Contractor.....	Amoroso Construction Co. Sparks, Nevada
Final Contract Amount.....	\$27,954.00
Date Started Project.....	December 20, 1978
Date Finished Project.....	June 14, 1979
Date of Retention Payment.....	January 5, 1980

(continued)

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Page 2.  
Aldous Heating & Air Cond.Co.  
RE: State of Nevada Retention Payments

Project Name.....Sierra Nevada Job Corp Center  
Stead, Nevada  
General Contractor.....Nevada Builders, Sparks, Nev.  
Final Contract Amount.....\$22,615.00  
Date Started Project.....April 19, 1979  
Date Finished Project.....June 28, 1979  
Date Retention Paid.....December 17, 1980

---

Project Name.....State of Nevada Computer Facility  
Carson City, Nevada  
General Contractor.....Olympian General Constructors  
Final Contract Amount.....\$27,900.00  
Date Started Project.....March 27, 1980  
Date Finished Project.....August 10, 1980  
Date Retention Paid.....January 16, 1981

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Project Name.....Lahontan State Recreation Bldg.  
Silver Springs, Nevada  
General Contractor.....Krump Construction Co, Sparks, Nv.  
Final Contract Amount.....\$6,600.00  
Date Started Project.....November 15, 1979  
Date Finished Project.....April 7, 1980  
Date Retention Paid.....June 27, 1980

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It appears that any public works projects federal, county, school districts, etc. hold back approximately 4½ months to pay the retention payment after the date the heating and air conditioning systems are turned on.

We hope this letter will be of some assistance to you.

Yours truly,

ALDOUS HEATING & AIR CONDITIONING CO.

  
Robert J. Aldous,  
President

RJA:ea

2280



## U.S. ENGINEERING CO.

591 Nugget Avenue • Sparks, Nevada 89431 • (702) 331-1611  
Post Office Box 11397 • Reno, Nevada 89510

April 10, 1981

Northern Nevada  
Contractors Association

Attention: Chapter Manager

Regarding: Division of Forestry, Washoe County

Job Number: 6227 & 6804

Contract: Ian McSween, in the amount of \$210,000.00

Retention: In the amount of \$ 21,000.00

Completion  
Date: February 1980

Date of Payment  
of Retention: August 1980



**Ray Heating & Sheet Metal Company**

1008 E 4th St • P.O. Box 2957 • Reno, Nevada 89505 • Phone (702) 322-9434

**April 10, 1981**

**JOBS REQUIRING STATE AND FEDERAL PAYROLL REPORTS**

Projects completed 1979

**Nevada Builders - Kingsbury Middle School**

11/20/79 - Completed  
\$42,843.00 - Contract Amount  
05/27/80 - Retention Payment

**Vasko - Carson Valley Middle School**

10/24/79 - Completed  
\$19,086.85 - Contract Amount  
01/02/80 - Retention Payment

Projects completed 1980

**LeRoy Properties - Nevada Hills**

01/22/80 - Completed  
\$112,740.00 - Contract Amount  
August 1980 - Retention Payment

**Nevada Builders - Zephyr Cove School**

03/12/80 - Completed  
\$8,767.00 - Contract Amount  
07/22/80 - Retention Payment

**Nevada Public Works Bldg. - State Health Laboratory**

04/16/80 - Completed  
\$15,127.08 - Contract Amount  
08/25/80 - Retention Payment

**Vasko & Associates - Airport Maintenance**

03/26/80 - Completed  
\$24,407.00 - Contract Amount  
07/22/81 - Retention Payment

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JOB REQUIREMENTS STATE AND FEDERAL PAYROLL REPORTS  
April 10, 1981  
Page 2

Vasko & Associates - Sierra Development Center

02/22/80 - Completed  
\$14,858.00 - Contract Amount  
05/19/80 - Retention Payment

Walker Boudwin - Maximum Security Prison

07/21/80 - Completed  
\$272,421.00 - Contract Amount  
02/09/81 - Retention Payment

Washoe County - Court House

10/29/80 - Completed  
\$21,999.00 - Contract Amount  
12/01/80 - Retention Payment

Nevada Public Works Bldg. - DMV

(In Progress)

Current Work in Progress

Q & D Const. - HEW

\$101,265.00 - Contract Amount  
10,126.50 - Retention Payment

Thomas, W.A. - Sparks Library

\$69,942.00 - Contract Amount  
6,994.20 - Retention Payment

Amoroso - DMV

\$307,494.00 - Contract Amount  
30,749.40 - Retention Payment

Amoroso - Sparks Fire Dept.

\$258,177.00 - Contract Amount  
25,817.70 - Retention Payment

Amoroso - Maximum Security Prison II

\$78,881.00 - Contract Amount  
7,888.10 - Retention Due



JOBS REQUIRING STATE AND FEDERAL PAYROLL REPORTS

April 10, 1981

Page 3

Retention Only

A & A - MIS

11/17/80

\$272,265.00

16,219.58

- Completion

- Contract Amount

- Retention Due

CHS-MIS

10/21/80

\$33,499.00

3,410.45

- Completion

- Contract Amount

- Retention Due

Savage & Son - Pershing County School

10/23/80

\$94,274.00

9,427.40

- Completion

- Contract Amount

- Retention Due

A & A - Incline Middle School

\$215,111.00

21,511.10

- Contract Amount

- Retention Due

Nevada Builders - Incline Middle School

\$5,971.00

597.10

- Contract Amount

- Retention Due

SB 568

CITY OF RENO

E.C.

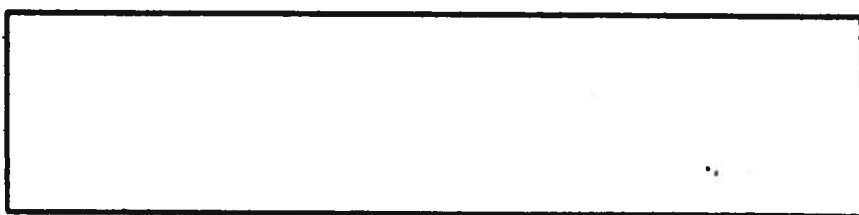
ESTIMATE  
Interest Earnings Loss  
Due to S.B. #568

	80-81 Average Retained %	
Traffic	\$ 4,121.50	
Streets	10,687.82	
Public Safety	3,104.94	
Storm Drain	57,609.25	
Public Works	--	
Parks & Recreation	42,588.02	
City Hall	11,367.00	
Truckee River	--	
78 Improvement District	73,570.67	
79 Improvement District	53,965.99	
Sewer C.P.	697,028.82	
Stead Sewer C.P.	<u>959.31</u>	
Total	<u>\$955,003.32</u>	@ 10% = \$95,500 estimated loss of revenue

1981 REGULAR SESSION (61st)

ASSEMBLY ACTION	SENATE ACTION	Assembly.....AMENDMENT BLANK
Adopted <input type="checkbox"/>	Adopted <input type="checkbox"/>	AMENDMENTS to..... Assembly.....
Lost <input type="checkbox"/>	Lost <input type="checkbox"/>	Bill No. 470 <del>Joint</del> .....
Date: <input type="checkbox"/>	Date: <input type="checkbox"/>	<del>Resolution No.</del> .....
Initial: <input type="checkbox"/>	Initial: <input type="checkbox"/>	BDR 28-1559.....
Concurred in <input type="checkbox"/>	Concurred in <input type="checkbox"/>	Proposed by Assemblyman Chaney.....
Not concurred in <input type="checkbox"/>	Not concurred in <input type="checkbox"/>	.....
Date: <input type="checkbox"/>	Date: <input type="checkbox"/>	.....
Initial: <input type="checkbox"/>	Initial: <input type="checkbox"/>	.....

Amendment N<sup>o</sup> 906



Amend section 1, page 1, by deleting line 2 and inserting:  
"thereto a new section which shall read as follows:

1. Each contractor who submits a bid for a contract for the construction of state public works must have solicited bids from subcontractors who are members of minority groups for subcontracts for 10 percent or more of the work or materials or both to be used on the project.

2. Each bid submitted for a contract for construction of state public works must be accompanied by a list of the subcontractors who were solicited to bid for subcontracts and a list of all subcontractors who submitted bids."

Amend sec. 2, page 1, by deleting lines 3 and 4, and inserting:  
"3. As used in this section, "member of a minority group" means a citizen of the".

Amend the bill as a whole by deleting sections 3 and 4 and renumbering section 5 as section 2.

Amend sec. 5, page 1, line 20, by deleting "sections 3 and 4" and inserting:  
"section 1".

Amend the title of the bill to read as follows:

"AN ACT relating to state public works; requiring contractors to solicit bids for subcontracts from members of minority groups; and providing other matters properly relating thereto."

To: E & E  
LCB File  
Journal  
Engrossment  
Bill

Drafted by DGS:smc Date 5-7-81