MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS

Seventy-Third Session
April 13, 2005

The Committee on Ways and Means was called to order at 8:10 a.m., on Wednesday, April 13, 2005. Chairman Morse Arberry Jr. presided in Room 3137 of the Legislative Building, Carson City, Nevada. Exhibit A is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Mr. Morse Arberry Jr., Chairman
Ms. Chris Giunchigliani, Vice Chairwoman
Mr. Mo Denis
Mrs. Heidi S. Gansert
Mr. Lynn Hettrick
Mr. Joseph M. Hogan
Mrs. Ellen Koivisto
Ms. Sheila Leslie
Mr. John Marvel
Ms. Kathy McClain
Mr. Richard Perkins
Mr. Bob Seale
Mrs. Debbie Smith
Ms. Valerie Weber

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT

Mr. Tom Grady, Assembly District 38
Mr. Pete Goicoechea, Assembly District 35
Mr. Jerry D. Claborn, Assembly District Clark, No. 19
Mr. Joe Hardy, Assembly District Clark, No. 20

STAFF MEMBERS PRESENT:

Mark Stevens, Assembly Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Carol Thomsen, Committee Attaché
Connie Davis, Committee Attaché

Chairman Arberry called the meeting to order and opened the hearing on A.B. 20.

Assembly Bill 20 (1st Reprint): Revises provisions governing issuance of general obligation bonds of State of Nevada to support program to provide grants for water conservation and capital improvements to certain water systems. (BDR 30-753)

Assemblyman Tom Grady, District 38, explained that A.B. 20 was the continuation of an interim study following the 1989 Legislative Session. That interim committee had been chaired by Speaker Emeritus Joe Dini, Jr., and Assemblyman Marvel had also served as a member. Mr. Grady indicated that A.B. 198 of the Sixty-Sixth Legislative Session had been passed by the Body with a vote of 41-0, and had been updated many times. The last update had been sponsored by Assemblyman Hettrick.

Mr. Grady said he had worked with Senator McGinness, the State Board for Financing Water Projects, the Governor's Office, the State Treasurer, Bond Counsel, and the Legislative Counsel Bureau (LCB) Legal and Research Divisions, to request a change in the bonding practice. Mr. Grady noted that A.B. 20 would increase the aggregate principal amount from $90 million to $125 million. The bill would allow the State Board for Financing Water Projects to work with users and help them face their challenges. Mr. Grady explained that those challenges represented unfunded mandates, such as the Clean Water Act, which were passed to the State from the federal government and then passed by the State to local governments.

According to Mr. Grady, there were approximately 140 local water companies that were unable to meet the revised arsenic levels mandated under the Clean Water Act. The increased bonding could not begin to solve the problem, but it could be combined with other funds, and with an increase in local rates, would assist with the needs. Mr. Grady stated that presently, the $90 million bonding limit had been reached and on January 28, 2005, Governor Guinn had presented $9 million in grants to Clark, Humboldt, Pershing, and Washoe County water projects. That funding, along with special appropriations from the 2003 Legislative Session, had exhausted the present available bond funding.

Mr. Grady pointed out that the Assembly Committee on Government Affairs had passed A.B. 20 unanimously after hearing testimony in support of the bill from the various city and county entities, the Southern Nevada Water Authority, the Truckee Meadows Water Authority, the Nevada Conservation League, the Governor's Office, and many other entities. Mr. Grady emphasized that he was only the messenger and the future of Nevada's water systems depended on such legislation, which would enable the various entities throughout the State to meet the unfunded mandates that were often imposed in today's environment. Mr. Grady hoped that the Committee on Ways and Means would join the Committee on Government Affairs in support of A.B. 20.

Assemblyman Seale asked whether the bill had been amended, and Mr. Grady indicated that the bill had been amended. He pointed out that the first reprint of A.B. 20 was the legislation currently under consideration by the Committee. Mr. Seale asked whether changes would be made within the structure of the bonding mechanism, and would it remain general obligation bonds. Mr. Grady said the only change requested by A.B. 20 was the aggregate principal amount of the general obligation bonds. He noted that every few sessions the maximum amount was slightly increased and the current legislation would increase the amount from $90 million to $125 million. Mr. Grady explained that when the bonds were paid off, the bill would allow users to utilize that amount back up to the $125 million cap. That would allow users to continue to operate rather than requesting an increase every session or every other session. According to Mr. Grady, the current $90 million was not a true figure because some of the bonds had been paid off.

Mr. Seale said he could not recall whether there was a federal match to the general obligation bonds. Mr. Grady stated there was no match, but the bonds were used by rural development as leverage; he noted that the State Board for Financing Water Projects was "tough" and users could not expect to simply be handed a check. In most cases, the Board would ask the user to first raise the rates up to the area average. He emphasized that it was a competitive process to secure bonding.

Assemblywoman Giunchigliani asked whether the increase from $90 million to $125 million in general obligation bonds would anticipate future need and eliminate the need to request increases approximately every other session. Mr. Grady replied that was correct. For example, he explained that the arsenic levels mandated by the Clean Water Act had to be implemented by 2006, unless an extension was issued, and it would take additional funding to meet that mandate.

Ms. Giunchigliani asked whether the general obligation bonds were repaid by water rates. She also asked what counties would benefit from the legislation. Mr. Grady stated that, to date, 16 of the 17 counties had used general obligation bonds and the only entity that had not participated was Carson City. Mr. Grady referenced the map, Exhibit B, which depicted the grants approved through January 2005. Mr. Grady asked Ms. Reedy from the State Treasurer's Office to address bond repayment.

Robin Reedy, Deputy of Debt Management, State Treasurer's Office, explained that the general obligation bonds were paid from the current 16-cent ad valorem tax assessed to pay for debt service and were not repaid by the entities. The bond funding ultimately became grants to the municipalities, which was the reason it was such a competitive program. Ms. Giunchigliani asked what impact, if any, the increase would have on the State's bond rating. Ms. Reedy stated the general obligation bonds had been included in the State's debt capacity at projected rates of issuance. Ms. Reedy stated that the Treasurer's Office had used the $125 million as a rolling principal amount and, if the computations were correct, the amount would be sufficient to carry the water municipalities through the next 10-year period.

Ms. Giunchigliani asked whether that would give the State a better rate. Ms. Reedy stated that the rolling principal was designed so that the entities could initiate better planning over the duration of the projects, which was usually 2 to 3 years. Since the bonding period was 10 years, as the bonds paid off, the entities could plan more readily without requesting an increase from the Legislature every 2 years. Ms. Reedy believed it would give the entities a known boundary within which to work.

Assemblyman Marvel asked about the arsenic levels, and noted that it appeared many of the municipalities had felt the "bite" of the new levels. He stated that A.B. 20 was a very important bill that would assist the entities in decontaminating the water. Mr. Grady said the arsenic standards had been changed from 50 parts per billion to 10 parts per billion, which had caused problems for the municipalities. Mr. Marvel stated that there had been water problems in Washoe County during the 2003 Session and, at that time, the entities had been able to secure federal matching funds in the amount of approximately $6 million by using bond funding as leverage.

Assemblyman Seale asked if the general obligation bonds would be fixed rate rather than variables. Ms. Reedy explained that the Treasurer's Office currently had no variable rates. She did not believe the Office would utilize variables since the rates were so low.

Chairman Arberry asked whether there was further testimony to come before the Committee regarding A.B. 20.

Leo Drozdoff, Administrator, Nevada Division of Environmental Protection (NDEP), stated that the NDEP had managed the program for the last 4.5 years and would support A.B. 20. Mr. Drozdoff echoed the comments made by Assemblyman Grady and Ms. Reedy, and stated that he believed the new concept of aggregate principal amount would allow the NDEP to plan beyond a period of two years. He stated that the NDEP had a very good relationship with the Treasurer's Office and provided an estimate twice yearly of cash flows that the Division expected projects would use. Mr. Drozdoff said the Division would be working with the Treasurer's Officer over the interim to ensure that the Division had a sense of the repayments and the affordability, so it could award projects appropriately.

Bruce Scott, member of the State Board for Financing Water Projects, referenced Exhibit B, his written testimony and a map for the Committee's perusal, which depicted the counties and communities in Nevada that had benefited from the program. Mr. Scott stated he was present at the meeting in support of A.B. 20. He indicated that the change in the arsenic standard by the federal government would ultimately have dramatic ramifications as extensions were exhausted.

Mr. Scott did not want to represent to the Committee that the $125 million would solve the arsenic problems throughout the state of Nevada. He believed that the State would have other significant costs that would have to be met, hopefully through an increase in federal programs, such as the Drinking Water State Revolving Fund or through other federal sources. Mr. Scott advised that the Board would help communities focus on the most cost-effective technologies for arsenic treatment. Some assistance had been provided in that area, but Mr. Scott wanted the Committee to be aware that the arsenic problem in Nevada was significant and the cost would be greater than $125 million.

Steve Walker, representing Lyon and Douglas Counties, Carson City, and the Truckee Meadows Water Authority, voiced support of A.B. 20.

Randy Robison indicated that he represented the Virgin Valley Water District, which served the City of Mesquite and the Township of Bunkerville in the northeast portion of Clark County. The District was a recent recipient of a grant from the Board for Financing Water Projects, which allowed it to leverage over $13 million in existing local and federal funds. Mr. Robison emphasized that the Virgin Valley Water District strongly supported the bill and the program.

Kaitlin Backlund, representing the Nevada Conservation League, testified in support of A.B. 20. From the League's perspective, it was hoped that the Committee would be receptive down the road to the possibility of increasing the fund once again, as Nevada faced the pressing issues surrounding water.

Bjorn Selinder, representing Churchill and Eureka Counties, stated that on behalf of those two counties, A.B. 20 would prove to be of continuing benefit to communities in need of safe drinking water. Obviously, as earlier testimony attested, the program had already benefited nearly every county in the State.

Mr. Selinder stated that, as far as Churchill and Eureka Counties were concerned, the bill was viewed as an important element in ensuring the health and well-being of each county's citizens.

Andy Belanger, representing the Southern Nevada Water Authority and the Las Vegas Valley Water District, also voiced support for A.B. 20. The Las Vegas Valley Water District operated several small water systems in remote parts of Clark County including Searchlight, Blue Diamond, and Kyle Canyon and, in the past, the District had used funding from the program to help those systems. Mr. Belanger advised that the small water systems operated separately and had separate service rules, a separate rate structure and, as a result, a separate pool of resources that could be utilized. He emphasized that the program had been extremely helpful in allowing those smaller communities in Clark County to take advantage of important funding pools. Both the Southern Nevada Water Authority and the Las Vegas Valley Water District were supportive of the bill. He thanked the Committee for its consideration.

Chairman Arberry asked whether there were questions from the Committee or further testimony on behalf of A.B. 20. There being none, the Chair declared the hearing closed and opened the hearing on A.B. 57.

Assembly Bill 57 (1st Reprint): Revises provisions concerning nonfederal share of expenses for institutional care of medically indigent persons pursuant to State Plan for Medicaid. (BDR 38-175)

Andrew List, Nevada Association of Counties (NACO), stated he was present in support of A.B. 57 and urged the Committee to pass the bill. By way of background information, Mr. List explained that during the 2003 Legislative Session there had been counties in fiscal crisis that had been unable to meet their Medicaid match payments. Mr. List stated that when a county failed to meet its Medicaid obligation, which was a 50-50 split with the State, the entire match system failed and no match dollars would be allocated from the federal government. It was fairly straightforward in that regard.

Because some counties had failed to meet their Medicaid match payment, said Mr. List, an agreement was entered into with the State whereby the State would pick up any portion of the county's payment that exceeded the equivalent of 8 cents ad valorem tax revenue. Mr. List said in FY2003-04, the State had picked up a portion of the payments for Carson City, Lincoln County, Mineral County, Pershing County, and White Pine County. According to Mr. List, the rural counties – Lincoln, Mineral, Pershing, and White Pine – were at the ad valorem property tax cap of $3.64 and, quite frankly, those counties had absolutely nowhere else to turn. Mr. List said the counties were thankful that the State had agreed to pick up that portion of their Medicaid match payment. The total for those counties had been $425,706.

Mr. List indicated that because the State had entered into the agreement with the counties to pick up the Medicaid match portion that the counties could not afford, the State fund that had previously existed for counties experiencing fiscal crisis had been eliminated. The bill would place the agreement in the *Nevada Revised Statutes* (NRS) and would stipulate that if a county had exceeded 8 cents of the ad valorem tax for its Medicaid match portion and, if that county was experiencing fiscal crisis, it could turn to the State to pay the additional expense.

Mr. List stated he would be happy to answer questions from the Committee.

Chairman Arberry asked what would happen if A.B. 57 did not pass. Mr. List said, in the event that the bill did not pass, the funding for the aforementioned agreement had been included in The Executive Budget. The bill would simply place the agreement into the NRS.

Assemblywoman Giunchigliani stated that the agreement had been a policy decision made by the 2003 Legislature. She indicated that she had always worked on behalf of the indigent fund to ensure that it was properly funded, but she did not believe it should be made a part of the NRS. Ms. Giunchigliani felt it was a policy decision that should be revisited by the 2005 Legislature rather than being placed in statute. She stated the Committee would have to review the issue. As Mr. List had testified, the amount was included in The Executive Budget, so there was apparently no need for A.B. 57.

Mr. List said the concern of the counties was that the original fund, which had been included in The Executive Budget each biennium, had been eliminated. The agreement was fine for the time being, but the question was what would happen in the future if funding for the agreement was no longer included in The Executive Budget and the original fund no longer existed. Mr. List said the counties would again be in the same situation, particularly the rural counties that were at the property tax cap and were in fiscal distress. Those counties would simply have nowhere to turn if the fund was no longer available. Mr. List said that was the concern and the reason the bill had been requested to make the agreement part of the NRS.

Assemblywoman McClain asked whether all the counties were utilizing the agreement once the rate exceeded the equivalent of the 8-cent ad valorem rate. Mr. List said the 8 cents was not a dedicated ad valorem rate, and the agreement stipulated that it would be the equivalent to the ad valorem rate. Mr. List reported that indigent funding was paid from the State General Fund and from the county's indigent ad valorem rate, along with several different "pots" of money. Mr. List said when the counties reached the equivalent of 8 cents ad valorem that was the point where counties could utilize funding through the agreement. In the past, said Mr. List, when the original fund was in existence, some counties had utilized that fund and some had not, and it depended on which counties were experiencing fiscal distress. Mr. List said, to his knowledge, the larger counties had never turned to the fund and it mostly benefited the smaller counties.

Ms. McClain asked about the actual levy in each county for indigent care. Mr. List said there were different levies in each county. He stated he would have to do some research to answer that question. Mr. List said for the Indigent Accident Fund, 1 cent was allocated to the supplemental fund and there was up to a 10-cent levy for other indigent care. He explained that counties could choose not to levy up to the 10-cent cap and provide for indigent care from their general fund revenues.

Vice Chairwoman Giunchigliani asked whether there were further questions from the Committee or further testimony to come before the Committee regarding A.B. 57.

Patrick Cates, Administrative Services Officer IV, Division of Health Care Financing and Policy, Department of Human Resources (DHS), attested that the funding to cover county Medicaid match stop-loss was built into the Division's base budget.

Vice Chairwoman Giunchigliani asked whether there was further testimony to come before the Committee regarding A.B. 57. There being none, the Vice Chair declared the hearing closed, and opened the hearing on A.B. 80.

Assembly Bill 80 (1st Reprint): Revises provisions relating to wells. (BDR 48-982)

Assemblyman Pete Goicoechea, District 35, advised that A.B. 80 had been amended and the fiscal note had been removed. The bill made only two major changes to the NRS:

1. The State Engineer would establish a procedure in the *Nevada Administrative Code* to waive the requirements to plug an abandoned well and would outline the procedures for abandonment.
2. The State Engineer would adopt regulations regarding continuing education for well drillers after consultation with the Well Driller's Advisory Board.

Mr. Goicoechea said that was the "meat" of the bill, and no fiscal note was attached to the bill after it had been amended.

Vice Chairwoman Giunchigliani asked about the Well Driller's Advisory Board, and where it was located. Mr. Goicoechea explained that the Board functioned under the auspices of the State Engineer's Office. Vice Chairwoman Giunchigliani noted that there were many wells in Clark County and she asked whether the bill would negatively impact persons who utilized wells. Mr. Goicoechea stated the bill would mainly establish a continuing education program for well drillers. He pointed out that, presently, there were no requirements for well drillers. The original bill had required two members of the Well Driller's Advisory Board to also be members of the Nevada Groundwater Association, but that requirement had been amended out of the bill.

Hugh Ricci, P.E., State Engineer, Division of Water Resources, advised that when the bill was originally introduced, a fiscal note had been attached. He indicated that he had met with the proponents of the bill and it had been amended. Mr. Ricci stated that the fiscal note had been removed.

Vice Chairwoman Giunchigliani said the fiscal note appeared to have been attached to the former Section 3 that had included the two members of the Board also serving on the Nevada Groundwater Association. Mr. Ricci said the fiscal note was attached to the original section of the bill that stipulated a well could be capped with a steel cap. That was what had caused the fiscal note to be attached to the bill, however, that section had been removed.

Bjorn Selinder, representing Churchill and Eureka Counties, voiced support for A.B. 80, which would provide an additional tool for the State Engineer in managing the State's groundwater. The bill would also establish a much needed continuing education program for well drillers, which had not been in place previously. Mr. Selinder stated that would provide for further protection in the development of the State's groundwater.

Vice Chairwoman Giunchigliani noted that there were several pending bills that would help protect the State's groundwater and, hopefully, they would all work together regarding that issue. Vice Chairwoman Giunchigliani closed the hearing on A.B. 80 and opened the hearing on A.B. 108.

Assembly Bill 108 (1st Reprint): Revises provisions governing appointment of hearing officers in certain cases involving licensed educational personnel. (BDR 34-378)

Keith Rheault, Superintendent of Public Instruction, Nevada Department of Education (NDE), stated that A.B. 108 had been submitted on behalf of the State Board of Education by the NDE. The intent of the bill was to simplify the process and reduce some of the redundancy in the State regarding the hearing officer process. Mr. Rheault said the NRS currently required that the NDE maintain a list of active attorneys in Nevada to act as hearing officers in cases where teachers or licensed personnel were demoted, dismissed, or not reemployed by the school districts. The bill would attempt to clarify the process. Mr. Rheault stated that, for a number of reasons, he had been administering the hearing officer process for 10 years and the list of active attorneys maintained for hearing officers had dwindled to 7, which was the bare minimum.

Over the past 10 years, Mr. Rheault believed there had been 6 hearings that had utilized hearing officers, and when the attorneys on the list were called, they usually asked, "Am I still on that list." Most had forgotten that they were listed as hearing officers for the NDE. Mr. Rheault noted that the NRS limited the reimbursement for hearing officers to $60 per hour, and the NDE also required that attorneys receive training regarding the hearing process. Mr. Rheault said that, based on those issues, there were only 7 attorneys left on the list. Since there was a Hearings Division within the Department of Administration, the proposal was to eliminate the hearing officer list maintained by the NDE and, for cases where teachers or licensed personnel wanted to utilize the appeal or hearing process, the Department would utilize the hearing officers from the Hearings Division.

Mr. Rheault said the bill had been amended by the Assembly Committee on Education to allow parties to secure their own attorney, use the American Arbitration Association, or any other group, if they so chose. Mr. Rheault indicated that he was unsure regarding the fiscal note and, in fact, did not believe there was one attached to the bill. He called the Committee's attention to Subsection 6 of AB. 108, and pointed out that the NDE was not recommending changes in the method used to finance hearings. That would remain the same with the licensed employee who requested the hearing paying half of the fees and the school district paying the remaining half. Mr. Rheault stated that when the service was utilized, any and all reimbursements would be allocated directly to the Hearings Division.

Vice Chairwoman Giunchigliani noted that the fiscal note on the original bill had been approximately $10,000. Mr. Rheault said he had spoken with Bryan Nix, Senior Appeals Officer, Hearings Division, Department of Administration, who explained how the reimbursement would work, and that it would be allocated directly to the Hearings Division. Whatever charges were incurred would be paid by the licensed employee and the school district, and there should not be a fiscal note attached to the bill. He believed there would actually be a savings because the NDE had allowed the minimum of $60 per hour for hearing officers and the Hearings Division charged only $50 per hour.

Mr. Rheault said the recommendations were not binding and the hearing officer would hear the case and present it to the local Board of Trustees. He pointed out that it was a process which had been utilized by only three districts in the past. The rest of the districts had stipulations included in their collective bargaining agreements and did not use the hearing officer process. Mr. Rheault

said White Pine, Douglas, and Mineral County School Districts had used the process within the past 10 years.

Vice Chairwoman Giunchigliani asked whether there was further testimony to come before the Committee regarding A.B. 108, and there being none, declared the hearing closed. The next bill for consideration was S.B. 94.

Senate Bill 94 (1st Reprint): Makes appropriations to restore balance in Contingency Fund. (BDR S-1203)

Vice Chairwoman Giunchigliani explained that S.B. 94 would simply restore the balance of the Contingency Fund and would also restore money in the State Highway Fund. She noted that similar action was taken every session to restore monies to those funds.

Vice Chairwoman Giunchigliani asked whether there were questions from the Committee regarding S.B. 94.

Assemblyman Seale asked whether the Contingency Fund was utilized by the Interim Finance Committee (IFC). Vice Chairwoman Giunchigliani replied in the affirmative.

Vice Chairwoman Giunchigliani asked whether there were further questions or testimony to come before the Committee regarding S.B. 94.

ASSEMBLYMAN SEALE MOVED TO DO PASS S.B. 94.

SPEAKER PERKINS SECONDED THE MOTION.

THE MOTION CARRIED. (Chairman Arberry, Assemblyman Marvel, and Assemblywoman Weber were not present for the vote.)

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Vice Chairwoman Giunchigliani opened the hearing on A.B. 116.

Assembly Bill 116 (1st Reprint): Revises provisions governing eligibility of person to apply for tag to hunt mule deer. (BDR 45-866)

Assemblyman Jerry Claborn, District Clark, No. 19, explained that A.B. 116 would require that a person who drew a mule deer tag, and who was successful in "bagging" a deer, would not be eligible to apply for another deer tag the following year. To make it simple, said Mr. Claborn, if a hunting party of 10 drew tags and 5 of the hunters bagged a deer, those 5 hunters would not be allowed to apply to draw another tag for a period of 1 year, however, the 5 hunters who had not bagged a deer would be allowed to apply for a tag the following year. The purpose of the bill was to make the process available to all hunters.

Vice Chairwoman Giunchigliani asked about chronic wasting disease among the deer herds in Nevada, which she understood was becoming a real problem. Mr. Claborn said he had recently read a newspaper article that said no chronic wasting disease had been detected in the state of Nevada's deer population.

Chairman Arberry asked about the revenue impact of the bill. Terry Crawforth, Director, Nevada Department of Wildlife (NDOW), stated that the Department did believe there would be a fiscal impact. He explained that the NDOW had

not provided a fiscal note, but had provided fiscal information to Legislative Counsel Bureau (LCB) Fiscal Analysis Division staff. Mr. Crawforth explained that adoption of A.B. 116 would require the NDOW to enhance the computer programming regarding the application hunt system through its contractor, which would cost approximately $3,800. In addition, the NDOW had a guarantee in its contract with the contractor of 113,000 applications, and if the hunters who were successful in harvesting deer could not reapply the following year, that would remove approximately 6,000 hunters from the market. Mr. Crawforth stated that hunters paid $10 per application and the NDOW believed that would also create a fiscal impact.

Chairman Arberry asked how the Committee could secure an official fiscal note. Mark Stevens, Assembly Fiscal Analyst, LCB, explained that the Chairman of the Committee on Ways and Means could request an official fiscal note. He said that informal fiscal information had been received from the NDOW, which indicated that the fiscal impact would be approximately $80,000. That amount included a combination of decreased revenue and data processing costs that would be required if the bill passed.

Assemblywoman McClain asked how many hunters applied for deer tags each year. Mr. Crawforth indicated that there were approximately 55,000 deer tag applications per year. Ms. McClain asked whether every applicant was issued a tag. Mr. Crawforth stated no, the NDOW had only issued 15,000 tags during the past year. Ms. McClain said it did not appear that the Department would lose business if the 6,000 hunters who were successful in harvesting a deer had to "sit out" for 1 year. It appeared that would open the hunt for more applicants. Mr. Crawforth said that, because of the successful hunter's inability to reapply the following year, the NDOW would lose the resultant $10 application fee. Ms. McClain opined that those hunters would be replaced by other applicants. Mr. Crawforth stated that was not correct and the applicants would not be replaced, but the successful hunters would be replaced by others who had drawn a tag. He emphasized that successful hunters would not be able to reapply the following year and, therefore, the NDOW would lose the $10 application fee from those hunters. That fee paid for the application hunt system.

Speaker Perkins explained that what was important to understand was that the $10 application fee was retained by the NDOW, whether or not the applicant had been successful in drawing a tag. The loss of 6,000 applicants would also result in the loss of the $10 application fee. Speaker Perkins said if the NDOW had 55,000 applicants for the current year, and 6,000 were successful, the next year there would only be 49,000 hunters eligible to apply, which would cause a loss of $60,000 in revenue.

Ms. McClain asked why there would not be additional applicants. Mr. Crawforth said the NDOW believed that 55,000 was the total number of people who would apply for tags, as that was the total number of hunters. If 6,000 hunters were removed from the application process, there would not be 6,000 new applicants to make up the difference between 49,000 and 55,000, as explained by Speaker Perkins, and that would create a loss of revenue.

Mr. Claborn said he disagreed with Mr. Crawforth for the simple reason that many people had told him they did not fill out an application because their names were never drawn. With that in mind, he believed that more people would fill out applications because they would have a better chance of drawing a tag. Mr. Claborn indicated that the deer herd had declined and hunters were

discouraged and did not want to fill out an application. Mr. Claborn said he had been trying to do everything possible to bring the mule deer herd numbers back up, to no avail. When the bill was heard in the Committee for Natural Resources, Agriculture, and Mining, it had passed with an amendment to address hunters younger than 17 years of age; the amendment stipulated that hunters younger than 17 years of age could apply for a deer tag every year.

Mr. Claborn said every time he sponsored a bill, there appeared to be a fiscal note attached, and he did not understand. He believed that A.B. 116 would give every hunter a chance to draw a tag.

Assemblyman Seale asked about the condition of the mule deer herd. Mr. Crawforth stated that mule deer herds were struggling in the West and, in Nevada, the herds were struggling more so than in the other states. He explained that there had been more mule deer in the state of Nevada in 1988 than ever before, with the herds numbering over 200,000 at that time. At the present time, there were approximately 110,000 mule deer in the State and the NDOW was as concerned as Mr. Claborn. Mr. Crawforth agreed with his assessment of the need to take action, and the NDOW had personnel dedicated solely to determining the threats facing the mule deer population. The Board of Wildlife Commissioners had a process whereby the NDOW would implement projects in the strategic plan for enhancement of the mule deer herds.

Mr. Crawforth said the problem was primarily a climate and habitat issue. The recent fires in the State had caused a loss of hundreds of thousands of acres of mule deer winter range, particularly in Elko and Humboldt Counties. Mr. Crawforth said there had also been two significant droughts over the last two decades. Spring and summer rains were also very important to the mule deer herds and, as everyone was aware, the rains had been very sparse lately. Mr. Crawforth said that, fortunately, there was not a significant disease issue, such as chronic wasting disease. He emphasized that the NDOW was working, and would continue to work, on the problem. Wildlife populations were always cyclic, based on habitat.

Mr. Seale noted that hunters could also be considered a threat, and he asked whether one of the ways to restore the herd was to issue fewer tags. Mr. Crawforth said the NDOW managed all the big game population very conservatively and harvesting was not an issue. Closing the season and not harvesting 15,000 deer would not address the real issue, which was habitat.

Assemblyman Denis asked whether the costs could be reduced if there were 6,000 less applicants. Even though the applications brought in $10, it would take staff less hours to process fewer applications, which should produce a savings. If there were people who had not applied previously and believed that they would have a chance once the legislation passed, there would be an increase in applications and fees once again, and it might be a "wash" or at least not as much of a loss. Mr. Crawforth said the NDOW had contracted out the big game tag drawing, and the contract minimum was 113,000 applications. If there were only 100,000 applications, the NDOW would still be required to pay for 113,000 applications.

Mr. Crawforth remarked that there were a certain number of hunters in the State, irrespective of the amount of game tags available, and the Department believed it had covered the market at the present time. Mr. Denis asked why the NDOW would pay for 113,000 applicants even if that number of hunters did not apply. Mr. Crawforth explained the NDOW had a negotiated contract that

was reviewed every 2 years, with contract minimums adjusted at that time. In the past, the NDOW had not had problems meeting those minimums, but if 6,000 eligible applicants were removed from the pool, it would likely drop below the 113,000 minimum. Mr. Denis asked whether the NDOW actually issued 113,000 tags. Mr. Crawford said the total applications represented tags for all species, including turkeys, big horn sheep, et cetera.

Mr. Claborn said the problem was funding and there had never been sufficient funding for wildlife. His concern was with predator control which, beside the loss of habitat, was another reason the deer herds were being destroyed. Mr. Claborn said if something was not done immediately, there would be no deer left in Nevada, because the herds were dwindling fast. He stated if the brood stock were lost, that would be the end of the herds. Mr. Claborn advised that he had been dedicated in his efforts to secure additional funding for wildlife programs. He believed that the NDOW was spending money wisely, but the Department simply did not have sufficient funding. Mr. Claborn said he had attempted to generate funding with fees, but that had not materialized. He stated the situation was in a "catch-22" and something should be done to add funding.

Mr. Claborn said if the NDOW contracted for a certain number of applications and that number was not reached why not change the contract and simply pay for each application. He did not understand the reasoning for contracting out the application process, and he believed that the NDOW should spend its money wisely. Mr. Claborn said his only concern was bringing the mule deer herds back, and issuing 55,000 tags for deer alone required almost half of the funding for wildlife. In the future when the deer had disappeared, hunters would cease to apply for tags, and the NDOW would have even less money.

Chairman Arberry said he was not a hunter, but his neighbors were hunters and they got angry when they did not draw tags. He pointed out that applications from hunters generated funds and if hunters ceased to apply, it would cause a loss of revenue for the NDOW. Chairman Arberry said it was preferable for agencies to generate funding and, if the NDOW ceased to generate revenue, it would have to approach the Legislature for additional funding. Chairman Arberry said that was the reason A.B. 116 had been referred to the Committee on Ways and Means, because a loss of revenue by the NDOW would mean that the Department would be required to seek additional funding from the Legislature.

Mr. Claborn said he understood the situation, but the bottom line was that funds had not been available for wildlife in the past, but it was his understanding that there was money available for wildlife during the 2005 Session because of the surplus. Chairman Arberry said that might be true, but the fact that the NDOW generated its own revenue was preferable.

Mr. Crawforth explained that the Board of Wildlife Commissioners discussed the issue of eligibility for all tags on a regular basis with county wildlife advisory boards, and there were eligibility restrictions and waiting periods for some species. Hunters had regularly asked the Commission not to establish a waiting period for most species and, in particular, for deer. Mr. Crawforth said the issue had been discussed numerous times over the past 20 years. The Board of Wildlife Commissioners had denied requests to establish a waiting period based on an overwhelming number of hunters saying they did not favor such action. Mr. Crawforth said hunters wanted the opportunity to apply to hunt every year, regardless of the low odds of drawing a tag.

Assemblyman Hettrick said that in reading the bill, the new Section 3 indicated that a person who obtained a tag to hunt or a replacement tag, and who was successful in harvesting a deer, could not draw the following year. He asked whether it was clear that the stipulation would not apply to tags issued to ranchers for compensation for damages. Mr. Hettrick believed those tags should continue to be issued every year. He explained that deer often fed on a rancher's property in the rural areas, which meant that the ranchers were essentially feeding the deer. To compensate the rancher for the deer being allowed to remain on the property, they were given tags that they could sell to hunters who harvested the deer to minimize their numbers. Mr. Hettrick said that offset the rancher's loss in feed value, otherwise, the rancher would take steps to keep the deer off his property. Mr. Hettrick stated he wanted to ensure that existing language in the bill would not limit those tags because that was one of the ways the deer herd was helped. He noted that deer survived very well on an alfalfa field on private property where people could not hunt them.

Mr. Hettrick said that he did not hunt a great deal, but did enjoy hunting and going out with his family and he wanted to be able to continue that practice. Mr. Claborn said the bill only addressed the application process for deer tags, and would not cause a problem with the issuance of special tags. Mr. Hettrick noted that the bill stipulated, "...a person who obtained a tag," and it did not stipulate a person who applied for and drew a tag. Mr. Claborn said the intent was that if a person drew a tag and was successful, that person could not apply the following year. The stipulation did not apply to special tags.

With no further testimony forthcoming regarding A.B. 116, Chairman Arberry declared the hearing closed and opened the hearing on A.B. 167.

Assembly Bill 167 (1st Reprint): Authorizes acquisition of municipal securities issued by certain wastewater authorities. (BDR 20-799)

Assemblyman Joe Hardy, District Clark, No. 20, invited Douglas Karafa, Program Administrator, Clean Water Coalition, to join him at the witness table to field questions from the Committee. The good news, stated Mr. Hardy, was that he was not asking for money. He explained that the Clean Water Coalition in Clark County was basically attempting to access the County and State Bond Banks. Mr. Hardy noted that due to growth in population more and more water was used and there had been a decline in the water quality of Lake Mead. The water that was used from Lake Mead went through a treatment plant before being used by consumers, and then went down the drain again and, eventually, back to Lake Mead. Mr. Hardy said the proposal from the Clean Water Coalition was to place that semi-dirty water back into Lake Mead upstream from the site where water was removed for use by consumers.

Mr. Karafa referenced Exhibit C, a letter dated April 12, 2005, from Chuck Ethridge, Acting General Manager, Clark County Water Reclamation District, and Exhibit D, a publication entitled, "Clean Water Coalition, Legislative Briefing." Also presented for the Committee's perusal was written testimony from Jeff van Ee, member of the Clean Water Coalition's Citizen's Advisory Committee, Exhibit E.

Mr. Karafa explained that the Clean Water Coalition was formed in November 2002 as a Joint Powers Authority under NRS 277, and its purpose was to build a conveyance system to take wastewater effluent that had gone down the Las Vegas Wash into Lake Mead for the past 20 or 30 years, to a point upstream from the drinking water intakes. Because of growth and

environmental concerns, the Coalition believed it was time to change the system and the project proposed to build a series of pipelines and tunnels that would transfer the wastewater effluent to a location further out into Lake Mead, where there would be more dilution mixing. Mr. Karafa noted that there had been environmental problems in the Las Vegas Bay at Lake Mead over the past few years. That, essentially, was the purpose of the project.

Mr. Karafa stated that, unfortunately, the pipe would cost approximately $790 million over the period of construction, which would be from approximately 2007 to 2012. The project had been developed through extensive engineering, the input from a 28-member Citizen's Advisory Board, and the Coalition's Financial Task Force.

Because the Clean Water Coalition was a new agency, it did not have a credit history or bond rating, and its only source of financing would be through revenue bonds. Mr. Karafa stated that the interlocal agreement that formed the Clean Water Coalition also gave it the power to issue bonds and assess its member agencies for operation, maintenance, and capital costs according to the cost-sharing formula laid out in the agreement. The member agencies included the City of Henderson, the City of Las Vegas, and the Clark County Water Reclamation District.

Mr. Karafa noted that other newly formed Joint Powers Authorities had gained access to the State and County Bond Banks through previous amendments to NRS 244A and 350A. He indicated that, by allowing the Coalition to access the State and County Bond Banks, the savings in debt service over the life of the project could be as much as $466 million.

Carole Vilardo, representing the Clean Water Coalition's Financial Task Force, pointed out that the Task Force had extensively discussed projects, such as the Southern Nevada Water Authority, up to and including the current issue. One of the things the Task Force had discovered was that, because the Coalition was a new agency with no bonding history, bonds issued through cooperative agreements would add additional costs. One of the bonding "schemes" would have added an additional $120 million to the purchase of the bonds.

Ms. Vilardo said that A.B. 167 was a tool that might or might not be used when bonds were issued. The NRS had been expanded with the creation of the Southern Nevada Water Authority when the Legislature had allowed the same type of financing mechanisms to be utilized as a tool that could be used very efficiently to save money. Ms. Vilardo stated that, from her perspective, the most effective use of taxpayer dollars was an important part of making determinations. Ms. Vilardo opined that A.B. 167 was basically a simple bill and she urged the Committee to give the tool to the new agency.

Assemblyman Seale assumed that the Clean Water Coalition wanted access to the State's Bond Bank because that would ensure the full faith and credit of the state of Nevada. He also assumed that those would be revenue bonds, but because the Coalition was relatively new, it had no experience with the Bond Bank. If the bonds had the full faith and credit of the State, Mr. Seale asked how many basis points would be charged. Kendra Follett from Swendseid and Stern stated that she could not quantify the basis point impact of selling through the Bond Bank with the State credit rating, versus an authority that had no credit history and no entry into the capital market.

Mr. Seale believed it would be huge, and he also believed there would be some impact because the revenue stream would be new and relatively unknown. Ms. Follett said the Coalition had a cooperative agreement with its member agencies, and each of those entities had agreed in their Joint Powers Authority agreement to contribute certain percentages to the issuance of bonds. Mr. Seale said the bill did not necessarily stipulate that the bonds would go through the State Bond Bank and the bonds could go through the county. He noted that the Southern Nevada Water Authority was utilizing the Clark County Bond Bank because the State was charging too much money. Mr. Karafa referenced Exhibit D and noted that it contained the calculations upon which the difference had been based, and that was 25 basis points.

Chairman Arberry asked whether there was further testimony to come before the Committee regarding A.B. 167.

Leo Drozdoff, Administrator, Nevada Division of Environmental Protection (NDEP), said the Division had worked with the Clean Water Coalition regarding their project for the past 2 years and with its member agencies for almost a decade. He stated that it was a needed project and, while he was not an expert on fiscal issues, the NDEP wanted to lend its support to any action that would help the project move forward.

Andy Belanger, representing the Southern Nevada Water Authority, stated that the Legislature had granted that entity the same authority a few years ago, and it had been very successful. That action had helped the Southern Nevada Water Authority save a considerable amount of money for the rate-payers in southern Nevada. Mr. Belanger explained that the Southern Nevada Water Authority had constructed a $2.1 billion capital improvement project over the past 2 years. He believed action that would allow the Clean Water Coalition to access the State and County Bond Banks would be positive, and would assist the Coalition in saving money over the course of the project construction.

Ted Olivas, Director of Government and Community Affairs, City of Las Vegas, voiced support for A.B. 167.

Steve Walker, representing Truckee Meadows Water Authority (TMWA), indicated that identical legislation had been passed by the 2003 Legislature for the TMWA, which stipulated that as an agency developed through cooperative agreement it could access the State Bond Bank. Mr. Walker stated that the TMWA was moving forward and utilizing that authority, which had saved it a significant amount of money.

Kaitlin Backlund, representing the Nevada Conservation League, stated that the League would like to go on record in support of the bill.

Chairman Arberry asked whether there were further questions or testimony to come before the Committee regarding A.B. 167 and, there being none, declared the hearing closed. The Chair announced that the Committee would be in recess.

Chairman Arberry called the Committee back to order and opened the hearing on A.B. 28.

Assembly Bill 28 (First Reprint): Makes various changes regarding administration of Rehabilitation Division of Department of Employment, Training and Rehabilitation. (BDR 18-386)

Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), explained that a number of the bills which would be considered by the Committee were not exempt and, therefore, were subject to the deadlines and would have to be out of Committee before April 15, 2005.

A.B. 28 was one of the bills that had not been exempted, and Mr. Stevens explained that the Committee had heard testimony regarding the bill on March 29, 2005. The bill involved the Rehabilitation Division of the Department of Employment, Training and Rehabilitation (DETR). Mr. Stevens indicated that the bill would eliminate the Bureau Chief positions for the Bureau of Vocational Rehabilitation and the Bureau of Services to the Blind and Visually Impaired, and would transfer those responsibilities to the Administrator of the Rehabilitation Division. Mr. Stevens stated that the positions would actually be retained, not as Bureau Chief positions, but as assistants to the Director in administering the DETR.

The bill had also been briefly discussed during the meeting of the Joint Subcommittee on General Government on April 12, 2005. Mr. Stevens reiterated that A.B. 28 was not exempt and, therefore, if the bill was to remain alive, the Committee had to take some type of action prior to April 15, 2005.

> ASSEMBLYWOMAN GIUNCHIGLIANI MOVED TO DO PASS A.B. 28.
> ASSEMBLYMAN HOGAN SECONDED THE MOTION.
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> THE MOTION CARRIED. (Speaker Perkins was not present for the vote.)

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Chairman Arberry opened the hearing on A.B. 49.

Assembly Bill 49: Authorizes the issuance of revenue or general obligation bonds to finance capital costs of improving Marlette Lake Water System. (BDR 27-309)

Mr. Stevens stated that he had provided written information to Committee members regarding A.B. 49. He explained that the bill authorized issuance of general obligation bonds to finance capital costs of improving the Marlette Lake Water System. It appeared that sufficient safeguards had been built into the bill and the bonds would be repaid through water fees. Mr. Stevens said that by selling general obligation bonds, a lower interest rate would be realized.

Assemblyman Seale indicated that he had spoken to Robin Reedy, Deputy of Debt Management, Treasurer's Office, and because it would be a new revenue stream, a lower rate would be realized by issuing general obligation bonds rather than revenue bonds.

Assemblywoman Giunchigliani referenced the language in Section 1, subsection 6, which stated, "...to issue general obligation bonds of the State or revenue bonds...," and she asked whether revenue bonds would be issued at the general obligation bond rate. Mr. Seale stated that the Treasurer's Office

would not issue revenue bonds, and that language could be removed, but he did not believe that the Committee should bother, as the language would provide additional flexibility. Mr. Seale pointed out that at the time the bonds were sold, the Treasurer's Office would pick the best route to take.

Chairman Arberry opined that if general obligation bonds were issued and there was not sufficient revenue available in the Marlette Lake Water System Fund to repay the bonds, the State would be responsible for repayment, but if revenue bonds were issued, the State would be "out of the game." Mr. Seale explained that the revenue stream was more than adequate to pay for the bonds, and the Legislature would have access to those revenue streams. The State was not at risk by issuing general obligation bonds, which would be State bonds regardless of which type were issued. Since the Legislature would have access to the revenue stream, Mr. Seale did not believe the State would be at risk. He pointed out that the reason for the legislation was to renew the system, and he was perfectly comfortable with the issuance of general obligation bonds, particularly since the rate could be as much as 10 to 15 basis points less, which would be significant.

Mr. Stevens noted that Section 1, subsection 6, read in part "...the State Board of Finance must determine that sufficient revenue will be available in the Marlette Lake Water System Fund to pay the interest and installments of principal as they become due." Mr. Stevens indicated that the State Board of Finance would be required to review the revenue and make a determination regarding sufficient funding prior to the sale of the bonds. Mr. Seale said that was standard language and the coverage regarding the Marlette Lake Water System Fund was much greater than the norm.

ASSEMBLYMAN SEALE MOVED TO DO PASS A.B. 49.

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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The Chair opened the hearing on A.B. 426.

Assembly Bill 426: Revises provision governing litigation expenses of Attorney General. (BDR 18-121)

Mr. Stevens indicated that testimony regarding A.B. 426 had been heard by the Committee on April 5, 2005, and the bill included cleanup language. The Attorney General's Office had been audited by Executive Branch auditors, who noted that the Special Litigation Account was the only fund from which litigation expenses could be paid for the Attorney General. Mr. Stevens stated that was how the current law was structured, however, the Attorney General currently paid litigation expenses not only from the Special Litigation Account, but also from a number of Fraud Unit Budget Accounts that were administered through the Attorney General's Office. The NRS had never been changed and required reimbursement of appropriations into the revolving account for those litigation expenses that had been paid from other accounts.

Mr. Stevens advised that the Attorney General had requested the bill to address the Executive Branch audit recommendation to clean up the language in the NRS. The bill would allow for litigation expenses to be paid not only from the

Special Litigation Account, but also from other accounts under the control of the Attorney General.

One of the areas of the bill that had been questioned by the Committee was addressed in Section 1, subsection 4, which read, "Payments made for litigation expenses from the Revolving Account must be promptly reimbursed from the legislative appropriation...," and Mr. Stevens pointed out that the Special Litigation Account contained appropriated funds, but the Fraud Unit Accounts were not necessarily appropriated funds. He said the language should be amended to include "...from legislative appropriation *or authorization*...," which would address the needed cleanup language.

> ASSEMBLYWOMAN McCLAIN MOVED TO AMEND AND DO PASS A.B. 426, TO INCLUDE LANGUAGE RECOMMENDED BY STAFF.
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> ASSEMBLYMAN HETTRICK SECONDED THE MOTION.
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> THE MOTION CARRIED UNANIMOUSLY.

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Chairman Arberry opened the hearing on A.B. 521.

Assembly Bill 521: Revises provisions governing allocation of money from Fund for a Healthy Nevada. (BDR 40-713)

Mr. Stevens said that the Committee had heard testimony regarding A.B. 521 on April 11, 2005, and the language would clean up provisions within the Task Force for the Fund for a Healthy Nevada and clarify its duties involving the granting of funds from tobacco settlement monies within the Division of Aging Services. He noted that current law required that the Division approach the Interim Finance Committee (IFC) if new State programs were recommended for funding. There had been some controversy regarding interpretation of the language and the programs that had to be reviewed by the IFC. Mr. Stevens indicated there had been a question of whether the language actually addressed the concerns of the Task Force, and it was his understanding that the Task Force wanted to eliminate the need to approach the IFC for continued funding of existing grants.

According to Mr. Stevens, LCB Fiscal Analysis Division staff had devised language that might better replace the proposed language in Section 1, subsection 5, which currently read "...other than a state program which was established with money allocated from the Fund for a Healthy Nevada...." LCB staff suggested language that read *"...other than a state program which has previously received a grant with monies allocated from the Fund for a Healthy Nevada and whose grant is continued at a level that maintains, but does not increase, the current level of services."* Mr. Stevens said if the grant was increased, the Task Force would have to approach the IFC, but if the grant was increased in order to maintain the current level of services, the Task Force would not need IFC approval. That was language the Committee might consider if it chose to amend the bill.

Assemblywoman McClain concurred with the suggested language and believed that the Committee should amend the bill.

> ASSEMBLYWOMAN LESLIE MOVED TO AMEND AND DO PASS A.B. 521, TO INCLUDE LANGUAGE SUGGESTED BY STAFF.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Speaker Perkins was not present for the vote.)

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With no further business to come before the Committee, Chairman Arberry adjourned the hearing at 9:54 a.m.

RESPECTFULLY SUBMITTED:

_____
Carol Thomsen
Committee Attaché

APPROVED BY:

_____
Assemblyman Morse Arberry Jr., Chairman

DATE:_____

EXHIBITS

Committee Name: Committee on Ways and Means

Date: April 13, 2005 **Time of Meeting: 8:00 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B	Bruce Scott, Board for Financing Water Projects	Map
	C	Chuck Ethridge, Clark County Water Reclamation District	Letter of April 12, 2005
	D	Douglas Karafa, Clean Water Coalition	Publication, "Clean Water Coalition, Legislative Briefing"
	E	Jeff van Ee, member, Clean Water Coalition, Citizen's Advisory Committee	Written testimony