

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-third Session  
May 4, 2005**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 5:45 p.m. on Wednesday, May 4, 2005, in Room 2134 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4401, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator William J. Raggio, Chair  
Senator Bob Beers, Vice Chair  
Senator Dean A. Rhoads  
Senator Barbara K. Cegavske  
Senator Bob Coffin  
Senator Dina Titus  
Senator Bernice Mathews

**GUEST LEGISLATORS PRESENT:**

Assemblyman R. Garn Mabey Jr., Clark County Assembly District No. 2

**STAFF MEMBERS PRESENT:**

Gary L. Ghiggeri, Senate Fiscal Analyst  
Bob Guernsey, Principal Deputy Fiscal Analyst  
Sandra Small, Committee Secretary

**OTHERS PRESENT:**

Raymond Bacon, Nevada Manufacturers Association  
Carole Vilardo, Nevada Taxpayers Association  
Kara Kelley, President, Las Vegas Chamber of Commerce

**CHAIR RAGGIO:**

This is a special meeting of the Senate Committee on Finance for the purpose of hearing public testimony from legislators and citizens who wish to offer succinct detailed recommendations on potential reductions to spending plans included in the *Executive Budget* for fiscal years (FY) 2006 and FY 2007. Please provide your testimony in a brief manner that will enable this Committee to understand the financial impact of the recommended reductions as well as the resulting service delivery impact, if any, should the recommendation be adopted by the Committee. This Committee is interested in hearing constructive comments as to where reductions in the budget can be reasonably made. Our time is limited, but we want everyone to have an opportunity to present information. In previous sessions, many people felt they did not have the opportunity to present information. Let me assure you that the Senate Committee on Finance wants to hear your ideas.

The Committee has received a copy of an editorial, printed today, in the *Las Vegas Review-Journal* ([Exhibit C](#)) which has a list of budget cuts. The

editorial states that the Chair has announced a special meeting resembling a dare to hear from lawmakers and others on specific ways to cut spending. Let me assure you, this meeting was not scheduled in the form of a dare. This Chair, after 32 years in the legislature, does not issue dares. We are interested in offering the community an opportunity. Be mindful of our time. The Committee members have had a long day and the Chair will exercise its prerogative if you are being repetitive or if you are not adhering to the purpose of the meeting. Your constructive opinions are welcome. You are requested to submit detail in written form. Are there any legislators who wish to speak?

SENATOR BOB BEERS (Clark County Senate District No. 6):

I have provided the Committee with a copy of my presentation and a schedule of optional programs ([Exhibit D](#)). I have been frustrated for a long time about the growth in state government. I felt some of my colleagues consider our budget to be impenetrable Kevlar and that it cannot be cut. The *Executive Budget* is a 19-percent increase over the last biennium. The briefing and press conference the Governor gave this morning indicated additional commitments of both new money and one-shot spending bringing the budget increase to 24.4 percent as indicated in [Exhibit D](#). This in a two-year period where the Legislative Counsel Bureau estimates population growth and inflation is only going to be 12 percent. We are essentially doubling population growth and inflation in spending, including one-shots, but not refilling the Fund to Stabilize Operation of State Government, which is better known as the rainy day fund, or the rebate the Governor has planned.

Medicaid is a program for the disabled and people living in poverty. Nevada has a low per capita rate of poverty and disability. Medicaid statistics and additional information are included in [Exhibit D](#). If our rates of poverty and disability are low on a per capita basis, then should not our spending on Medicaid be low on a per capita basis? Early in the budgeting process of the legislature, we received a copy of page 4 of [Exhibit D](#) which was produced by the Medicaid management team. It has identified over \$210 million of optional services for optional groups in Nevada. Other states require co-payments from recipients which have two impacts. It increases the provider rate, because the provider keeps the co-payments, and it reduces service utilization because recipients have to help pay for services. Last biennium, the Temporary Assistance for Needy Families hired 140 new caseworkers. Caseload has fallen, but the *Executive Budget* requests more positions. There is an obscure account called the Indigent Automobile Accident Fund provided by a property tax that produces four times the amount of money we spend executing this statutory duty. The law dates back to the 1940s before we had modern, safe vehicles and before we had mandatory vehicle insurance. The rate of proceeds from this tax is so large we only charged half of it during the biennium that is about to end. The *Executive Budget* before us seeks to assess this tax at its full rate and change the law to use the funds to start four new optional services and/or optional groups on Medicaid.

We have no political reason to keep the University of Nevada, Las Vegas School of Dental Medicine. The dental school operates at a substantial cost to the taxpayers. Few states have a dental school; certainly no small states do.

General restructuring of the higher-education system has an opportunity to save the state a significant amount of money. The Nevada State College at Henderson has not generated the community support that was promised. It is in

a growing area and would probably make a fine community college campus. Restructuring college and university practices, as indicated in [Exhibit D](#), would reduce the size and expense of the higher-education system.

The Millennium Scholarship process should be tightened up considerably in ways I have indicated in [Exhibit D](#). Currently, university students pay approximately 20 percent of the cost of providing that education. The Millennium Scholarship funds the student's 20 percent. The policy goal of keeping Nevada's brightest high school graduates in Nevada should be retained.

University merit pay was designed to gradually erase a deficit in the compensation levels of our university professors and bring them to parity with surrounding states. We have achieved that. Eliminate merit pay and free tuition for families of university employees.

The legislature has before it a proposal to compare and adjust the salaries of Nevada's state employees to local governments. I have received a schedule comparing Nevada numbers against private and public sectors. This schedule shows, for the most part, that state salaries are being compared to local government salaries.

The Public Employees' Retirement System (PERS) accrual could be reduced. Local governments and school districts pay both the employer's and employee's portion of the PERS contribution. At the state level, employees and employers split the cost of the contribution.

We need to share health-care costs with state employees. It is unusual, in the private sector, for an employer to pay all or a portion of the cost of health insurance.

Every indicator we have, regarding Yucca Mountain, says that battle was won three or four years ago, yet we continue to spend millions of dollars in General Funds.

The Washington, D.C., Office, under the Office of the Governor, should be eliminated as stated in [Exhibit D](#).

The Department of Motor Vehicles (DMV) is proud and has made a significant managerial accomplishment in reducing wait times to under one hour. That is an expensive achievement. Nevada has the second-highest gas taxes in America which pays for road needs and DMV administration. I suggest the reductions listed in [Exhibit D](#).

ASSEMBLYMAN R. GARN MABEY JR. (Clark County Assembly District No. 2):

I would like to follow up on what Senator Beers said about Medicaid patients. It is estimated that there would be a savings of 2 to 4 percent of the Medicaid budget if co-pays are required.

CHAIR RAGGIO:

So we can be specific, which Medicaid program? Senator Beers called them the optional-services programs. Which Medicaid programs would you suggest for co-payments?

ASSEMBLYMAN MABEY:

I would suggest all of them.

Last session we appropriated \$34 million to PERS. The PERS spent \$34 million in transaction fees. The PERS investments should all be in indexed funds. Studies have shown that, over time, an indexed fund performs better than any other investment.

RAYMOND BACON (Nevada Manufacturers Association):

I have provided a copy of a letter dated May 4, 2005, from the Nevada Manufacturers Association ([Exhibit E](#)). [Exhibit E](#) is focused on improving the productivity of the K-12 system.

CHAIR RAGGIO:

If you have specifics, let us know what they are.

MR. BACON:

There is a program, approved by the U.S. Department of Education, called the American Board Certification for Teaching Excellence. It looks like we could bring in new teachers who are Nevada citizens, run them through a test, which has been developed by the national board, and bring those people on board for a trial period at a cost of \$1,000 each. The state currently pays \$32,000 to educate a teacher, unless they are Millennium Scholarship recipients, then the state pays \$42,000. Only 60 percent of the education graduates become teachers in this state. If we bring teachers in from outside of Nevada, including moving expenses, bonus money and recruiting expenses, we pay from \$10,000 to \$15,000 for each new teacher. We could take seasoned Nevada citizens and, for \$1,000, turn them into teachers.

CHAIR RAGGIO:

What would be the reduction to the current budget if we adopted your suggestion?

MR. BACON:

It would be a substantial improvement in the effectiveness and cost of bringing on new teachers. The suggestion would not have a direct impact on this budget but over time would save a lot of money.

CHAIR RAGGIO:

I appreciate that. We want to hear specific recommendations for reductions in the *Executive Budget*.

MR. BACON:

The second item in [Exhibit E](#) refers to [S.B. 404](#). If we can focus on at-risk students rather than at-risk schools, we can close the gap.

**[SENATE BILL 404](#)**: Creates Commission on Educational Excellence. (BDR 34-1365)

CHAIR RAGGIO:

Are you suggesting a reduction of \$100 million as proposed in the Governor's Budget?

MR. BACON:

Yes, I am. I do not know the amount to be eliminated. It must consider the number of at-risk students. In most cases, you would end up with a full-day kindergarten program and a part-day kindergarten at most schools.

There are five items in [Exhibit E](#). The fourth item is the Millennium Scholarship. The scholastic criteria should be based on college entrance examinations or high school proficiency test scores. If we make that change, we will have fewer, but better, college students.

CHAIR RAGGIO:

Are you saying not to use the Millennium Scholarship funding?

MR. BACON:

You will need less money in the fund since there would be fewer recipients.

CHAIR RAGGIO:

Can you be more specific? What are you suggesting would be the new requirements for the Millennium Scholarship that would result in a reduction in the budget?

MR. BACON:

Instead of basing the program on a grade point-average, base the program on college-entrance scores as I have indicated in [Exhibit E](#). The college entrance examination scores could eliminate people who need remedial education.

CAROLE VILARDO (Nevada Taxpayers Association):

A copy of my notes, Testimony Before Senate Finance Committee on May 4, 2005, ([Exhibit F](#)), will be provided to you. The details for the following recommendations are in [Exhibit F](#):

1. Eliminate all positions which have been vacant for over 12 months.
2. Sweep all salary savings into a technology and equipment account.
3. Prioritize the use of the Economic Forum's \$83 million projected additional revenue for FY 2005.
4. Consider other uses for the \$300 million the Governor has suggested to be used as a motor-vehicle rebate, such as a credit or to reduce business taxes and fees.

I have other recommendations which would work better in the second year of the biennium. The Committee has received a copy of the Nevada Taxpayers Association letter dated March 9, 2005, ([Exhibit G](#)), with recommendations to make the budget process more transparent.

CHAIR RAGGIO:

Salary savings in the budget represent the absence of dollars.

MS. VILARDO:

Most agencies have absences not filled by other employees. In that case, if the position is not covered by the use of overtime, those savings could be swept into a set-aside account for technology and equipment needs.

SENATOR BEERS:

As I understand your definition of vacancy savings, we budget a certain amount to be spent for personnel costs for salaries and benefits. Are you referring to subtracting the actual costs from the budgeted amounts?

Ms. VILARDO:

That is correct.

SENATOR BEERS:

I had staff work on getting the list of positions that have been vacant for 18 months. I will make that list available to the Committee members.

KARA KELLEY (President, Las Vegas Chamber of Commerce):

We support changes in the Millennium Scholarship. We believe there is value in limiting payment for 12 credits per semester rather than 15 credits per semester. We are in favor of eliminating payment for summer semesters and remedial classes. We suggest that if grades drop below a 2.6 grade-point average, the student would no longer be eligible for the scholarship until the grades improve. We also believe eligibility should be linked to standardized test scores rather than grades. I also want to reiterate the Chamber's support for the elimination of the Public Employees' Benefits Program (PEBP) for new hires.

CHAIR RAGGIO:

The PEBP proposal is in the *Executive Budget* in S.B. 484. That bill has passed out of this Committee and is now on the floor of the Senate. There are amendments proposed to S.B. 484.

**SENATE BILL 484 (1st Reprint)**: Revises provisions governing Public Employees' Benefits Program. (BDR 23-1364)

Ms. KELLEY:

The Las Vegas Chamber also supports many of the items brought forth by the Taxpayers Association with two exceptions. We would like to see \$50 million of the anticipated surplus for FY 2005 placed in the rainy day fund.

CHAIR RAGGIO:

Are you saying we should put a total of \$250 million into the rainy day fund?

Ms. KELLEY:

Yes, I am.

CHAIR RAGGIO:

The Committee has received a letter from Ms. Elsie Dupree dated May 4, 2005, ([Exhibit H](#)) regarding the Medicaid budget. It will be made part of the record.

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Is there anyone else, in either Carson City or Las Vegas, who wishes to testify?  
There being no further business to come before this Committee, we are  
adjourned at 6:29 p.m.

RESPECTFULLY SUBMITTED:

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Sandra Small,  
Committee Secretary

APPROVED BY:

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Senator William J. Raggio, Chair

DATE: \_\_\_\_\_