

NEVADA LEGISLATURE - 54TH SESSION

SENATE COMMITTEE ON
FEDERAL, STATE, AND LOCAL GOVERNMENTSMinutes of Meeting Held
March 16, 1967

The 23d meeting of the Senate Committee on Federal, State, and Local Governments was called to order at 1:10 p.m. on Thursday, March 16, 1967, by Chairman Gibson.

All committee members were present except Senators Bunker and Young, who arrived at 1:15 and 1:20, respectively.

Also present were:

Senator M. J. Christensen
 Assemblyman Roy Torvinen
 Mr. Clark Russell, Director, Nevada Department
 of Economic Development
 Mr. Curtis Blyth, Nevada Municipal Association
 Mr. Jim Stewart, Sparks Industrial Council
 Mr. Wasser, Vice President-General Manager,
 Viking Metallurgical Company, Verdi
 Mr. Jack Oakes, Chairman, Washoe County
 Development Committee, Reno
 Mr. Chuck Thomas, Greater Reno Chamber of Commerce
 Mr. Edwin B. Brown, General Manager, Carson City
 Nevada Appeal
 Mr. Joe Jackson, Newsman
 Three other persons, who did not participate in
 the discussions

The Chairman announced that this meeting was being held to develop additional information on:

S.B. 170: Authorizes counties and cities to issue revenue bonds to finance industrial development. Introduced by Senator Alleman.

The first speaker was Mr. Jim Stewart of the Sparks Industrial Council. He said that that Council wished to go on record as supporting S.B. 170. He said that 33 states have approved this type of bonds, and only three states have rejected them. He said, further, that the revenue bonds are marketed on the basis of a company's credit rating; thus marginal or questionable firms are easily omitted. Mr. Stewart then gave the committee a two-page list entitled "Stern Brothers & Co. - Industrial Development Bond Issues" (copy attached hereto). Benefits which Mr. Stewart indicated as accruing from such bond issues included stimulation of local business, development of natural resources, attraction of new industries, expansion of existing tax bases. He said the

Council would favor a narrow definition of industry, to limit this term primarily to manufacturing plants. He said that, specifically, the Council did not feel any more warehousing business under the free port law should be encouraged, as this is a "shell" business that does not generate other business or employment.

Assemblyman Roy Torvinen of Reno spoke next, in support of the bill. His point was that Washoe County is dependent almost entirely on tourism and has a dire need to broaden its industrial base. He stated the only inducement to industry now is the free port law, which he, too, feels has been overworked. However, he did not favor limiting the bill to manufacturing. He felt the research and development wings of industry should definitely be included. He pointed out inducements which other states offer to industry, in addition to this type of legislation: Five-year moratoriums by constitutional amendment (no ad valorem tax for the first five years of operation in the state); industrial development commissions with revolving funds of up to \$50 million, which loan money to new industries at 1% to 2% interest; programs of insuring second mortgages (industry borrows as much as it can from banks, then the state industrial development commission insures whatever is needed, on a second mortgage, up to the value of the improvement). Mr. Torvinen stated: "We are not meeting our competition. This is the only method I know of that can be used without costing the taxpayers money. All these other methods that other states have WOULD cost the taxpayers money." He said, further, that Legislative Counsel Russ McDonald, at his request, had written a letter to bond counsel, who replied they have no major objections to S.B. 170. Minor amendments were suggested by bond counsel, but are not important. For example, the refunding provision needs some changing, but there is no need to worry about that at this session. Also, in some states property is assessed, and taxes paid, as any other property, rather than using the complicated formula in S.B. 170; but this is not too important, either. Mr. Torvinen mentioned that Mr. Richard Rhyno, former Executive Secretary of the Nevada Economic Development Department, had stated it was unconstitutional to pass this kind of law in Nevada. However, Mr. Torvinen had talked this over with Russ McDonald and had researched it himself (Assemblyman Torvinen is an attorney) and felt it would not be unconstitutional, but said it would be a simple matter to bring a test case to the Supreme Court of Nevada (through an original writ, to save time). He strongly urged the committee to give favorable consideration to the bill, saying this law is absolutely necessary to enable Nevada to just barely compete with other states in attracting industry.

Senator Monroe asked if this was the bill the Washoe County Commissioners had voted against. Mr. Torvinen said it was, but that the Commissioners had done so on the representation of Mr. C. B. Kinnison that industrial revenue bonds would cause Congress to change the federal laws exempting municipal bonds from taxation.

Mr. Torvinen felt that Mr. Kinnison's objection was not valid. Mr. Torvinen left the meeting at this point (1:30 p.m.).

The next speaker in support of the bill was a Mr. Wasser, Vice President and General Manager of Viking Metallurgical Company, a new industry in Verdi, where they have 50 employees and expect to add 50 employees within six months. Mr. Wasser stated he is a businessman with wide experience (16 states) in relocating business plant; that he has been treated variously in various states, but that nowhere was he treated "as bad as in Nevada", where the company finally settled its plant, despite the lack of encouragement. He stated they came at no one's urging other than friends'; their reason for coming was that they needed room for expansion, for a new plant. He pointed out as the Reno area's good points, from his own experience: Good labor market, good access to markets, beautiful area, good living conditions, climate, and schools. He said, "You have an attractive area to bring people here, but nothing is being done to attract people."

Mr. Jack Oakes, Chairman, Washoe County Development Committee, the fourth speaker, stated his committee wished to go on record in support of S.B. 170. He said that industry has been looking at their area, but that competition is very rough, and we need this type of financing. He mentioned that in Carson City, because of the preponderance of State interests, there is a need to diversify the economy. He said the Ormsby County Commissioners appear to be in favor of the legislation, although no official resolution to that effect has been passed; also the Carson City Chamber of Commerce seem favorable, though they have no large knowledge of this type of financing. Mr. Oakes gave the committee a November 10, 1965 letter (copy attached hereto) from Stern Brothers & Co. (investment bankers of Denver, Colorado) to the Carson City Chamber of Commerce, expressing interest in financing industrial facilities for companies in Nevada by means of industrial bonds. Mr. Oakes said the key factor in this legislation is that it offers industry a cheap means of financing.

Mr. Edward B. Brown, General Manager, Carson City Nevada Appeal, in support of S.B. 170, then read to the committee an editorial he had written in the February 20, 1967, issue of the Appeal (copy attached hereto).

Senator Monroe asked what the record of default under these bonds is, nationwide. Mr. Stewart said there have been three in the country. Senator Monroe commented that Burrows, Smith & Co., Salt Lake City, Utah, a firm that "handles most of the bonding in the State of Nevada", has stated that this type of financing is not good.

Mr. Chuck Thomas of the Greater Reno Chamber of Commerce said the Chamber had given a dinner to which legislators were invited, at which a partner in Goodbody & Co. had spoken, a man who is "one of the best authorities available on industrial revenue bonds", and he had spoken favorably of the bonds. Mr. Thomas

said the three bond failures in the country had occurred at Chicago, New York, and New Orleans, and that in none of these failures was the city or county held liable; the matter went through proceedings, and the purchaser of the bonds was found to be liable, in each instance. He said the failure of such bonds does not reflect unfavorably toward the city or county that issued the bonds.

Mr. Clark Russell, new chief of the Nevada Department of Economic Development, said the State Advisory Board to his Department agreed in principal to support S.B. 170. Mr. Russell stated he feels this type of legislation is needed in Nevada if the State is to attract prospective industrial customers.

Mr. Curtis Blyth of the Nevada Municipal Association stated he had checked with Mr. Elia (spelling?) of the National League of Cities, who had informed him that, as of yesterday, the U.S. Treasury Department has removed its objection to these tax exempt bonds, that apparently the Treasury Department feels it is up against too heavy a current of popular support throughout the states.

Senator Farr read excerpts from a Burrows, Smith & Company report on this type of revenue bonds, wherein arguments for and against were set out, with the preponderance of arguments being against the bonds. Mr. Blyth stated that many of the objections revert back to bonds that are backed by the full faith and credit of the taxing jurisdiction. Bonds under this bill are not so backed, he stated.

Senator Alleman stated that the Legislative Counsel Bureau had researched this area thoroughly before drafting the bill and had assured him that the way the bill is drafted it is within the provisions of the Nevada Constitution.

Mr. Blyth stated that Mr. Nick Smith of Burrows, Smith & Co. would be in Carson City tomorrow to attend an Assembly Ways and Means Committee meeting. Senator Gibson said, "Perhaps we can have a chance to talk to him."


Senator Hecht questioned Mr. Stewart as to his wish to limit the bill to cover only manufacturing plants. Mr. Stewart said it didn't need to be this narrow, but that his main objection was to the free port situation--that he was trying to get away from a plain shell with no people. Mr. Blyth stated that local governments have found, with regard to the free port situation, that from the point of view of tax support, "we lose money every time."

Senator Monroe commented that there was no provision in the law for a tax. Mr. Blyth said that Sec. 53, subsec. 3, page 14, provides for rentals to take the place of a tax. Senator Monroe said there was no place in the bill that said the (rental) money should go in the general fund. Senator Gibson said, and Mr. Stewart

agreed, that it was the intent that the money should go in the general fund, and if the provision to do this isn't in the bill, "we must put it in."

Senator Hecht felt mining, an important industry in Nevada, should be included in the bill. Mr. Stewart admitted to a lack of knowledge of the mining industry, but "certainly would not want to exclude mining." Mr. Brown of the Eappeal commented that mining is highly speculative. Senator Alleman felt mining should be included, since it is an industry. Senator Gibson commented: "I would advise you to stay clear of mining--as an old miner."

The meeting adjourned at 2:00 p.m.



Louise Glover, Secretary

I certify that the foregoing minutes are correct.

Senator James I. Gibson
Chairman

STERN BROTHERS & CO.

INDUSTRIAL DEVELOPMENT BOND ISSUESUnderwritten Alone or Account Manager

<u>Amount</u>	<u>Location</u>	<u>Company</u>
\$1,500,000	Shawnee, Kansas	Cutter Laboratories
3,400,000	Grand Island, Nebraska	Swift & Company
375,000	Boonville, Missouri	Ripley Industries
705,000	Excelsior Springs, Missouri	Whitaker Cable
2,545,000	Clovis, New Mexico	Swift & Company
1,325,000	Lenexa, Kansas	Rigby Printing Company
525,000	Lenexa, Kansas	Truog-Nichols
1,100,000	Kansas City, Kansas	H. D. Lee Company
550,000	Lebanon, Missouri	H. D. Lee Company
5,500,000	Jefferson City, Missouri	Chesebrough-Pond's
4,200,000	Guymon, Oklahoma	Swift & Company
1,500,000	Kansas City, Kansas	Colgate-Palmolive
425,000	Topeka, Kansas	Volume Distributors
8,500,000	Jefferson City, Missouri	Interco, Inc.
800,000	Nashville and Davidson County, Tennessee	H. D. Lee Company
6,000,000	Springfield, Missouri	Minnesota Mining
150,000	St. James, Missouri	Page Sportswear
1,800,000	Springfield, Missouri	Fasco
550,000	Joplin, Missouri	Aurotronics, Inc.
2,000,000	Harrison County, Mississippi	Reichhold Chemical
900,000	Clinton, Oklahoma	Kellwood Co.

Major Underwriting Participant

50,000,000	Lewisport, Kentucky	Harvey Aluminum
60,000,000	Clinton, Iowa	American Can Company and Skelly Oil Company
46,000,000	Ashdown, Arkansas	Nekoosa-Edwards Paper Company

(Continued)

Presented to Sen. Comm. on
 Fed. St. & Local Gov. v.
 @ 3/14/67 mtg. by
 Mr. Jim Stewart of
 Spokes Industrial
 Council.

Major Underwriting Participant - Continued

<u>Amount</u>	<u>Location</u>	<u>Company</u>
\$38,000,000	Winchester, Kentucky	Rockwell-Standard
34,400,000	Ashland, Kentrucky	Armco Steel
54,000,000	Camden, Alabama	Harmac

*Presented to Com. Comm. on
Fed. St. & Local Gov. @
3/10/67 mtg., by Jack Ormsbee.*

CHICAGO
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INVESTMENT
BANKERS



STERN BROTHERS & CO.

1127-37 AMERICAN NATIONAL BANK BUILDING · DENVER, COLORADO 80202

November 10, 1965

Chamber of Commerce
Carson City, Nevada

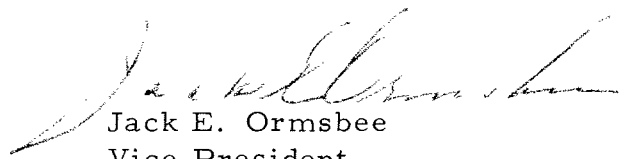
Gentlemen:

We are interested in financing industrial facilities for companies that may be considering expanding or re-locating operations in your state by means of industrial revenue bonds. If you have contacted any industrial concerns in an attempt to have them construct facilities in your community, this type of financing may further influence their decision in your favor.

We shall be glad to discuss this matter with you in greater detail or contact any industrial firms with whom you have had conversations concerning this matter.

Very truly yours,

STERN BROTHERS & CO.


Jack E. Ormsbee
Vice President

JEO:deh

Bring Them Here!

Carson City Nevada Appeal, 2/20/67, p. 4.

Let us hope that Governor Laxalt's plans to bring new industries to Nevada does not bog down in the mire of north-south factions....which in the past has injected sectional views into proposals which would benefit the entire state.

The idea is to bring about a means of financing the establishment of new or expanded industries within the state. The continued growth and prosperity of Nevada can not forever be tied to the apron string of gaming... no matter how long-lived or valuable it is to our economy.

There are two strong arguments in favor of such a measure.

The first is the phenomenal success of Nevada's industrial development project - the Freeport law, which has already brought many new corporations to Nevada and created hundreds of new jobs. The economic boost this has given to the state has exceeded all expectations.

Another argument in favor of this newest industrial development project is that similar programs have worked with astonishing success in other states to attract new industry. It is sufficient to cite recent experience in just three states. Iowa last year attracted two huge chemicle industries, each representing about 60 million dollar plant investment. Alabama in 1965 brought in three industries with a total plant investment of 135 million, and Arkansas' 1966 new industry financing exceeded 200 million dollars.

Nearly a billion dollars worth of plant investment was reportedly financed in such fashion in 1965.

Here's how the financing plan would work:

Such a law would authorize any county or municipality to issue revenue bonds for the purpose of buying land, and building enlarging or equipping facilities to aid industrial development. The bonds would not be in any way an obligation against a county's or a municipality's general credit or taxing powers. Nor could any facility be operated directly by a county or municipality. Nor could they acquire any by through payments made under long term leases by the industrial user of the facility. The operating industry would pay all regular taxes, including a use tax equal to the amount of property taxes which would otherwise be applicable.

The advantage to the corporation which contracts with the county or city for the facility is cheaper financing. Income from the bonds is exempt from all federal, state or local taxes. This makes them attractive investments for those in higher income brackets who would have to receive approximately double the interest return on taxable bonds to have the same net income. Thus the revenue bonds regularly sell at an interest rate one or more percentage points below comparable private corporation bonds.

Over the 25-year life of a Clinton, Iowa, 60 million dollar revenue bond issue the saving of one per cent was estimated to be more than nine million dollars.

This is quite a lure to a company -- and more and more large, well established corporations are taking advantage of this kind of financing. In the last few years dozens of major American corporations, such as American Can, Safeway, Revere Copper, U.S. Rubber, Armour, Standard of California, have established new operations under such financing.

To be fully competitive in the bid for new industry, Nevada needs the benefit of such financing. It is another instrument among many which Nevada can use to further its development program. It should be emphasized that it presents no risk of financial loss to any county or city. It will not put any government into private business. It offers no inducements (such as free land, plant or property tax exemption) save only the advantage of lower cost financing.

We believe legislators should study such a proposal with care, and that if they do they will be convinced that it is decidedly in the public interest.