

Senate

COMMITTEE ON FEDERAL, STATE AND LOCAL GOVERNMENTS

Minutes of Meeting -- February 19, 1973

The thirteenth meeting of the Committee on Federal, State and Local Governments was held on February 19, 1973, at 2:10 P.M.

Committee members present: Chairman James Gibson
 Stan Drakulich
 John Foley
 Lee Walker
 Carl F. Dodge
 Chic Hecht

Also present were:

Clinton Wooster, Legislative Counsel Bureau
Ernest Newton, Nevada Taxpayers Association
Bob Warren, Nevada Municipal Association
Anne Roberts, League of Women Voters
Howard Barrett, Budget Director
Senator Close
Senator Monroe
Senator Raggio
Press

Chairman Gibson called the meeting to order. The first bill to be considered was SB-162.

SB-162 Limits campaign expenditures of state
 senators and assemblymen.

Senator Close testified before the committee as one of the introducers of this bill. He submitted a composite listing of those states that have a limitation on campaign expenditures in some manner, a copy of which is attached hereto as Exhibit "A". There are only three states that have no law restricting campaign expense, which are Illinois, Louisiana and Nevada. This bill pertains to campaign expenditures in four categories -- radio, billboards, newspapers, and television, which would cover the greatest amount of expenditures. This legislation would apply only to the general election as presently written. Extensive discussion followed Senator Close's presentation.

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SJR-7 Proposes to increase state debt limit.

Mr. Barrett, Budget Director, testified that the state is presently limited to 1% of its assessed valuation. The assessed valuation for this Spring is not yet a final figure, but will be close to \$2,617,649,000. The state's limitation on its general obligation bonded indebtedness will be about \$26,176,000. We presently have outstanding in bonded indebtedness (and this excludes those that are issued under the natural resources exemption) \$13,977,000, which leaves about a \$12,000,000 unused general obligation cash balance of unobligated monies (as of July 2, 1973). This does not include the lease purchase for the employment security building.

Anne Roberts, representing the League of Women Voters presented testimony on the position of the League concerning SJR-7, a copy of which is attached hereto as Exhibit "B".

Chairman Gibson noted that if this bill successfully passes this session of the legislature, it will be on the ballot in the next general election.

AB-4 Amends the new charter of the City of Wells, enacting changes, additions and transitional provisions.

Mr. Wooster of the Legislative Counsel Bureau testified as to the need for this legislation. He stated that it was written as the result of a meeting between a legislative subcommittee and the city council of the City of Wells, and does essentially four things:

(1) Deletes the requirement of being a taxpayer on real property as a requirement for the qualification of a councilman of the City of Wells, which will go into effect July 1, 1973;

(2) Section 2, provides for an "assent to action taken by the city council." (This was taken from a provision that now exists in the Elko Charter.);

(3) Clarification of power of the city to make a state misdemeanor, a city misdemeanor by the act of an ordinance; and

(4) Transitional provisions that were lacking in the charter to be effective on July 1st.

AB-5 Amends new charter of the City of Elko, removing mayor's power of veto and making technical changes.

Mr. Wooster presented the background information for this bill. This also was written as the result of the legislative subcommittee meeting with the city council of the City of Elko. The changes are not very substantial. They did provide for certain officers in Section 1, but felt more flexibility was needed. The other provision was with regard to the Mayor's right of veto. This was discussed at great length at the hearing with the Elko City Council, and they felt that this should be deleted.

AB-208 Corrects obsolete reference to temporary emergency loans.

Mr. Wooster testified that this is a "housekeeping" bill. In 1971 the legislature deleted the reference to the Local Budget Government Act to Temporary Emergency Loans, and this has been changed to "short-term financing." This bill deletes a reference to the obsolete terminology.

The committee then discussed and took action on bills before them as follows:

SB-162 Wait for further information.

SJR-7 Senator Foley moved "Do Pass," seconded by Senator Walker. Motion carried.

AB-4 Wait for further information.

AB-5 Senator Drakulich moved "Do Pass," seconded by Senator Foley. Motion carried.

AB-208 Senator Walker moved "Do Pass," seconded by Senator Dodge. Motion carried.

The committee then turned to the bills which were heard in a previous meeting on February 16th, and took action as follows:

- SB-120 Wait for further information and amendments.
- SB-123 Senator Drakulich moved "Amend and Do Pass," seconded by Senator Dodge. Motion carried.
- SB-124 Wait for further information.
- SB-126 Wait for amendments.
- SB-127 Wait for further information -- Senator Foley.
- SB-128 Wait for completion of Land Use Act.
- SB-129 Senator Drakulich moved to "Hold," seconded by Senator Walker. Motion carried.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Mary Jean Fondi,
Committee Secretary

LIMITATIONS ON CAMPAIGN EXPENDITURES IN THE STATES

State or other jurisdiction	Applies to		Filing of statements required				Required times for filing statements	Contributions by corporations prohibited	Contributions by unions prohibited	Contributions from other sources prohibited or limited‡	Restrictions on character of expenditures	Total expenditures by candidate limited	Amount spent in behalf of candidate limited
	Elections*	Candidates†	Campaign receipts by parties	Campaign receipts by candidates	Campaign disbursements by parties	Campaign disbursements by candidates							
Alabama.....	P, G	1,2,3,4,5	No	Yes	No	Yes	Within 15 days after a primary and within 30 days after a general election	Yes	No	Solicitation from state employees and candidates is prohibited	Yes	Yes(a)	No
Alaska.....	(b)	(b)	Yes	Yes	Yes	Yes	Receipts and expenditures within 10 days after primary and within 30 days after general or special election	Yes	No	No	No	Yes(d)	Yes(d)
Arizona.....	P, G	1,2,3,4(c),5(c)	Yes	Yes	Yes	Yes	Receipts and expenditures within 10 days after primary and within 30 days after general or special election	Yes	No	No	No	Yes(d)	Yes(d)
Arkansas.....	P, G	1,2,3,4,5	No	No	No	Yes(e)	Political practice pledge before election; within 60 days after both primary and general election	No	No	Solicitation from state employees is prohibited	No	No	No
California.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Within 35 days after general or primary election, or not later than the day preceding the day the candidate takes office	No	No	Campaign contributions solicited or received from a licensee by an elective state officer issuing licenses	Yes	No	No
Colorado.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	For a candidate within 10 days after a primary and within 30 days after a general or special election; for a committee within 30 days after general election only	No	No	No	No	No	No
Connecticut....	P, G	1,2,3,4,5	Yes	Yes(f)	Yes	Yes(f)	Within 30 days after election	Yes	No	Contributions by person under an assumed name and solicitation of candidates are prohibited	Yes	No	No
Delaware.....	(b)	(b)	Yes	Yes	Yes	Yes	All statewide offices file weekly, all others 1st and 3rd Monday of month	Yes	No	Limit of \$3,000 contribution from any one person for statewide office and \$2,000 for congressional office. In addition solicitation from candidates is prohibited; contributions prohibited from holders of horse or dog racing permits or jal alai fronton permits and by persons under an assumed name	Yes	Yes	Yes
Florida.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	All statewide offices file weekly, all others 1st and 3rd Monday of month	Yes	No	Limit of \$3,000 contribution from any one person for statewide office and \$2,000 for congressional office. In addition solicitation from candidates is prohibited; contributions prohibited from holders of horse or dog racing permits or jal alai fronton permits and by persons under an assumed name	Yes	Yes	Yes
Georgia.....	P, G	1,2,3,4,5	No	No	No	No	None	No	No	No	No	No	No

Exhibit "A"

Hawaii.....	P, G	1,2,3,4,5	Yes	Yes	Yes(g)	Yes	Within 20 days after primary if loser; if winner then 20 days after general election	Yes	No	Anonymous contributions	No	No	No
Idaho.....	(b)	(b)	...	...	...	...	.....	.....	.....	.....	.....	.....	.....
Illinois.....	P, G	1,2,3,4,5	No	No	No	No	None	(h)	No	Solicitation from certain classes of state employees prohibited if done during working hours	No	No	No
Indiana.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Within 45 days after election	Yes	Yes	Solicitation from state employees and candidates and contributions by persons under an assumed name	Yes	Yes	Yes
Iowa.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Candidates: within 30 days after election; parties: within 30 days after general election	Yes	No(i)	Funds donated by a nonresident person, firm or corporation may not be used by any person or political organization for the purpose of conducting a campaign for political office, and solicitation from state employees prohibited	No	Yes	No
Kansas.....	P, G	1,2,3	Yes	Yes	Yes	Yes	30 days after election	Yes	No	No	Yes	Yes	No
Kentucky.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Candidates for state office: 30 days and 10 days prior to election and 30 days after; candidates for local office: 10 days before and 30 days after; parties: 30 days after primary and general elections	Yes	No	Solicitation from state employees prohibited and also anonymous contributions	No	No	No
Louisiana.....	P, G	1,2,3,4,5	No	No	No	No	None	Yes	No	All state and city classified employees; members of state and city civil service commissions; registrars of voters and employees; certain classified police and firemen; all municipal officers and employees operating under commission form of government	No	No	No
Maine.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Report within 30 days after election	No	No	By persons under a fictitious name	Yes	Yes	Yes
Maryland.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	7 days preceding an election and a number of times following an election	No	No	Limit of \$2,500 contribution by any one source not a candidate in any election and contributions by persons under a fictitious name prohibited	Yes	Yes(j)	Yes

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LIMITATIONS ON CAMPAIGN EXPENDITURES IN THE STATES—Continued

State or other jurisdiction	Applies to		Filing of statements required				Required times for filing statements	Contributions by corporations prohibited	Contributions by unions prohibited	Contributions from other sources prohibited or limited‡	Restrictions on character of expenditures	Total expenditures by candidate limited	Amount spent in behalf of candidate limited
	Elections*	Candidates†	Campaign receipts by parties	Campaign receipts by candidates	Campaign disbursements by parties	Campaign disbursements by candidates							
Massachusetts..	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Candidate and committee 14 days after primary and general elections; depository the 5th and 20th of each month	Yes	No	Individual contributions during year are limited to \$3,000 to one candidate, \$3,000 to one party, and \$3,000 to non-elected political committees not organized in behalf of any candidate. Also solicitations from public officers or employees and candidates and contributions by persons under a fictitious name are prohibited	Yes	No	No
Michigan.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	10 days after primary election, caucus or convention; 20 days after general election	Yes	No	Contributions may not be received from an anonymous source and solicitation from candidates is prohibited	Yes	Yes	Yes
Minnesota.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	8 days before and within 10 days following primary; 8 days before and 10 days following general election	Yes	No	Solicitation from candidates is prohibited	Yes	Yes	Yes
Mississippi.....	P	1,2,3,4,5	No	Yes	No	Yes	Contribution statements filed on 1st and 15th each month of campaign and on Saturday preceding the primary. Expenditure statements required 30 days after the primary election	No	No	Solicitation from candidates is illegal	No	Yes	No
Missouri.....	P, G	1,2,3,4,5	Yes	No	Yes	Yes	Within 30 days after election	Yes	No	Solicitation from candidates is illegal	No	Yes	Yes
Montana.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Candidates: within 15 days after election; parties: within 10 days after election	Yes	No	Solicitation from state employees and candidates and contributions from persons under a fictitious name are prohibited	No	Yes(k)	Yes
Nebraska.....	P, G	1,2,4,5	Yes	No	Yes	Yes	Candidates: 10 days before, 10 days after election; committees: 15 days before, 20 days after election	No	No	Individual contributions are limited to \$1,000 to a treasurer of a committee for any one campaign	Yes	No	No
Nevada.....	(b)	(b)	...	...	...	...	.....	...	...	.....	...	...	...

New Hampshire	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	1st statement Wednesday (6 days) before; 2nd, second Friday (10 days) after election (m)	Yes	Yes	Any partnership as such or any partner acting in behalf of such partnership; any person employed in the classified service of the State; a personal contribution in excess of \$5,000 except by candidate himself; or a contribution if made anonymously, or in guise of a loan, or concealed, or without knowledge of candidate or his agents or political committee	Yes	Yes(n)	Yes
New Jersey	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Friday or Saturday before and 20 days after election	Yes(h)	No	Solicitation from state employees and candidates and contributions by persons under a fictitious name are prohibited	Yes	No	No
New Mexico	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Candidates: within 10 days after election; parties: within 30 days after election	No	No	No money of political party may be spent on behalf of primary candidate	No	No	No
New York	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	1st report 10 days before election; 2nd, 20 days after election; final Jan. 2	Yes	No	Contributions by owners of polling places barred, solicitation from candidates and state employees and contributions from persons under fictitious names are prohibited	No	Yes	Yes
North Carolina	P, G	1,2,3,4,5	Yes	Yes(c)	Yes	Yes(c)	1st report 10 days before election; final, 20 days after election	Yes	No	No	No	No	No
North Dakota	P, G	1,2,3,4,5	No	No	No	No	None	Yes	No	A contribution made or received under other than the donor's own name and solicitation from candidates	Yes	Yes	Yes
Ohio	P, G	1,2,3,5	Yes	Yes	Yes	Yes	By 4:00 p.m. 45th day after election	Yes	No	Solicitation from state employees and candidates	Yes	Yes	No
Oklahoma	G	1,2,3,4,5	Yes	Yes	Yes	Yes	Candidates: within 15 days after any general election; party campaign committees: within 15 days after any general election	Yes	No	Individual contributions are limited to \$5,000 and those by persons under a fictitious name are prohibited	No	No	No
Oregon	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	15 days after election	(o)	No	Solicitations from state employees and contributions under a fictitious name prohibited	Yes	Yes(k,p)	No

LIMITATIONS ON CAMPAIGN EXPENDITURES IN THE STATES—Continued

State or other jurisdiction	Applies to		Filing of statements required				Required times for filing statements	Contributions by corporations prohibited	Contributions by unions prohibited	Contributions from other sources prohibited or limited‡	Restrictions on character of expenditures	Total expenditures by candidate limited	Amount spent in behalf of candidate limited
	Elections*	Candidates†	Campaign receipts by parties	Campaign receipts by candidates	Campaign disbursements by parties	Campaign disbursements by candidates							
Pennsylvania...	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	30 days after the primary and general elections	Yes	Yes	Contributions may not be solicited from civil service employees and those employed by the Game Commission and Board of Parole and be given by persons under a fictitious name	Yes	No	No
Rhode Island...	(b)	(b)	...	...	...	...	...	...	...	...	...	...	...
South Carolina...	P, G	1,2,3,4,5	No	No	No	Yes	Before elections and after elections	No	No	No	Yes	No	No
South Dakota...	P, G	1,2,3,4,5	Yes	No	Yes	Yes	Within 30 days after elections	Yes	No	No	Yes	Yes(q)	Yes
Tennessee.....	P, G	1,2,3,4,5	No	No	Yes	Yes	Candidate's and manager's statements: within 30 days after election	Yes	No	No	No	No	No
Utah.....	P, G	1,2,3,4,5	No	Yes	No	Yes	7-10 days before; 10 days after elections	Yes	Yes	Solicitation from state employees prohibited	Yes	No	No
Utah.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	14 days prior to any primary or general election and on the second Friday following any primary or elections	Yes	No	Solicitation from candidates illegal	Yes	No	No
Vermont.....	P	1,4,5	No	Yes	No	Yes	Within 10 days after primary election	No	No	No	Yes	Yes	Yes
Virginia.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Candidates and committees: 7th day prior to election, 30 days after election or prior to taking office, whichever is first; if any unpaid bills or deficits remain—60 days after election; if any unpaid bills or deficits remain when 60 day report is filed—6 months after election; if any unpaid bills or deficits remain when 6 month report is filed—1 year after election	No	No	No	No	No	No

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Washington....	P	1(r),2,3,4,5	No	No	No	Yes	Within 10 days after primary election	No	No	No	No	No	No
West Virginia...	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Not less than 7 nor more than 15 days before, 30 days after all elections	Yes	No	Limitation on individual contributions and prohibition on soliciting contributions from state employees and candidates	Yes	Yes	Yes
Wisconsin.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Candidates: Tuesday preceding election; parties: Tuesday after election	Yes	No	Contributions by cooperative associations and solicitation from state employees and candidates	Yes	Yes	Yes
Wyoming.....	P, G	1,2,3,4,5	Yes	Yes	Yes	Yes	Within 20 days after election	Yes	No	Solicitation from state employees prohibited	Yes	Yes(s)	Yes
Dist. of Columbia	P, G	5	Yes	Yes	Yes	Yes	Within 30 days after election	No	No	Limit of \$5,000 from any one person; no independent committee shall receive contributions aggregating more than \$100,000	No	Yes	No
Guam.....	P, G	2	Yes	Yes	Yes	Yes	Within 15 days after election	No	No	No	...	...	...
43 Puerto Rico.....	G	1,2,3	Yes	Yes	Yes	Yes	Quarterly: within 30 days after expiration of each quarter	Yes	No	Individual contributions are restricted up to the amount of \$600 in an election year and \$400 in other years	(t)	No	No
TTPI.....	(b)	(b)	...	...	...	...	.....	...	...	.....	...	...	...
Virgin Islands..	(b)	(b)	...	...	...	...	.....	...	...	.....	...	...	...

*P—primary election; G—general election.

†The following numbers are used as codes for the following offices: 1, statewide; 2, State Senator; 3, State Representative; 4, United States Senator; 5, United States Representative.

‡This column only shows prohibitions and restrictions on sources and limitations on amounts of contributions. It does not include procedural limitations such as prohibitions on making gifts directly to candidates shortly before elections.

- (a) Newspaper, television and radio advertising exempt.
- (b) No limitation.
- (c) Only in primary election.
- (d) Expenditures limited at primary election only, exclusive of money expended for stationery, postage, printing and advertisements in newspapers, motion pictures, radio and television broadcasts, outdoor advertising signs, and necessary personal, traveling or subsistence expenses.
- (e) Statements must contain all disbursements greater than \$25.00.
- (f) Only if candidate incurred personal expense; but if he is required to file, he must include everything including receipts.
- (g) By agent or committee acting on behalf of any candidate.
- (h) Illinois: by insurance corporations only; New Jersey: by public utilities, banks and insurance corporations.
- (i) State statute prohibits contribution only if union is a corporation.

- (j) Personal funds only.
- (k) Expenditures of relatives and associates deemed to be those of candidate himself.
- (l) Excludes presidential preference and delegate primaries.
- (m) Candidates for State Senator or Representative to the General Court, Councilor or county officers who have expended a sum in excess of \$200 are required to file second statement only (if not later than second Friday after primary or election).
- (n) Candidates' contribution to the state committee, his filing fee, personal travel and subsistence expenses, or services of his regular employees in discharging duties of a public office are exempt.
- (o) Certain corporations only.
- (p) Primary election: 15 percent of 1 year's compensation or salary of office for which he is a candidate; general election: 10 percent of 1 year's compensation or salary for which he is a candidate. Not restricted to less than \$250.
- (q) Printing or circulation of written or printed matter exempted.
- (r) Partisan primaries only.
- (s) Traveling expenses exempted.
- (t) Act No. 11, 1957, created an electoral fund against which each principal political party in the Commonwealth can draw up to \$75,000 annually, or up to \$150,000 in election years. The act enumerates the character of the expenditures which can be paid from the fund.

VOTING STATISTICS ON PERSONS REGISTERED AND VOTING,
BY STATE, IN GUBERNATORIAL ELECTIONS, 1970*

State or other jurisdiction	Registered prior to general election	Numbers voting for Governor—primary			Numbers voting for Governor—general election			
		Repub- licans	Democ- rats	Total	Repub- licans	Democ- rats	Other	Total
Alabama.....	1,625,912	(a)	1,019,680	1,019,680	(b)	637,046	217,906	854,952
Alaska.....	104,642	35,844	35,323	71,167	37,264	42,309	1,206	80,779
Arizona.....	618,411	77,259	121,749	199,008	209,356	202,053	...	411,409
Arkansas.....	845,759	60,130(c)	430,633(c)	490,763	197,418	375,648	36,132	609,198
California.....	8,706,347	1,906,568	2,502,861	4,442,108(d)	3,439,664	2,938,607	131,801	6,510,072
Colorado.....	968,982	104,642	103,239	207,881	350,690	302,432	15,374	668,496
Connecticut.....	1,388,184	131,595	(a)	131,595	582,160	500,561	76	1,082,797
Delaware§§.....	262,032	(e)	(e)	(e)	104,474	102,360	...	206,834
Florida.....	2,797,000	352,270(f)	775,063(f)	1,127,333(f)	746,243	984,305	265	1,730,813
Georgia.....	1,961,013	107,555	798,660	906,215	424,983	620,419	1,261	1,046,663
Hawaii.....	291,681	41,803	154,882	196,685	101,249	137,812	...	239,061
Idaho.....	364,992	80,058	63,069	143,127	117,108	128,004	...	245,112
Illinois§§.....	5,676,131	706,600	646,232	1,352,832	2,307,295	2,179,501	19,204	4,506,000
Indiana§§.....	3,044,186	(a)	(a)	(a)	1,080,271	965,816	2,985	2,049,072
Iowa.....	594,957(g)	144,668	103,787	248,455	403,394	368,911	18,937	791,242
Kansas.....	233,561	105,077	105,077	338,658	333,227	404,611	7,352	745,190
Kentucky†.....	1,461,435	100,945	448,667	549,612	412,653	470,720	47,417	930,790
Louisiana†.....	1,667,143	10,571	1,174,043(h)	1,184,614(h)	480,424	641,146	...	1,121,570
Maine.....	522,044	81,658	52,308	133,966	162,248	163,138	...	325,386
Maryland.....	1,596,916	124,525	465,070	589,595	314,336	639,579	19,184	973,099
Massachusetts... ..	2,684,636	207,107	703,105	910,212	1,058,623	799,269	10,014	1,867,906
Michigan.....	3,969,807	535,631	562,562	1,098,193	1,338,711	1,294,600	21,982	2,655,293
Minnesota.....	(g)	240,694	352,867	593,361	621,780	737,921	4,781	1,364,482
Mississippi†.....	1,100,000(g)	(a)	719,188(i)	719,188(i)	(b)	601,222	179,415	780,637
Missouri§§.....	(g)	222,971	581,533	804,504	688,300	1,063,495	...	1,751,795
Montana§§.....	331,078	91,419	101,821	193,240	116,432	150,481	11,199	278,112
Nebraska.....	707,558	193,256	122,950	316,206	201,994	248,552	11,073	461,619
Nevada.....	192,933	36,212	59,889	96,101	64,400	70,697	11,894	146,991
New Hampshire... ..	386,894	85,833	35,994	121,827	102,298	98,098	22,045	222,441
New Jersey§.....	3,239,374	425,547	414,256	839,803	1,411,905	911,003	43,698	2,366,606
New Mexico.....	406,275	56,278	128,159	184,437	134,640	148,835	6,889	290,364
New York.....	7,930,798	944,988	944,988	944,988	3,105,220	2,158,355	749,286	6,012,861
North Carolina§§	2,077,538	156,067	701,100	857,167	737,075	821,232	...	1,558,307
North Dakota§§.....	(j)	90,169	32,830	122,999	108,382	135,955	3,663	248,000
Ohio.....	3,879,300(g)	928,131	927,572	1,855,703	1,382,749	1,752,560	75,914	3,211,223
Oklahoma.....	1,162,527	(a)	402,283	402,283	336,157	338,338	24,295	698,790
Oregon.....	955,459	246,517	277,339	523,856	369,964	298,892	2,538	666,394
Pennsylvania.....	5,419,551	730,170	1,056,298	1,786,468	2,680,411	2,627,130	104,941	5,412,482
Rhode Island.....	466,878	12,320	(a)	12,320	171,549	173,420	1,372	346,341
South Carolina... ..	802,587	(a)	254,889	254,889	221,233	250,551	13,073	484,857
South Dakota... ..	351,305	83,413	(a)	83,413	108,347	131,616	...	239,963
Tennessee.....	1,709,433	244,999	590,109	835,108	575,777	509,521	22,949	1,108,247
Texas.....	4,149,250	106,730	1,011,300	1,118,030	1,037,723	1,197,726	398	2,235,847
Utah§§.....	542,793	(a)	(a)	(a)	131,792	289,283	...	421,012
Vermont.....	230,148	39,772	33,000	72,772	87,458	66,028	42	153,528
Virginia§.....	1,736,420	(a)	408,630	408,630	480,869	415,695	19,200	915,764
Washington§§.....	1,566,723	342,212	362,506	704,718	692,378	560,262	12,717	1,265,355
West Virginia§§... ..	993,024	186,479	327,523	514,002	378,315	365,530	...	743,845
Wisconsin.....	1,255,075(g)	222,595	292,745	518,069(k)	602,617	728,403	11,838	1,342,858
Wyoming.....	134,875	44,284	33,914	78,198	74,249	44,008	...	118,257
Guam.....	23,483	N.A.	N.A.	17,494	N.A.	N.A.	N.A.	20,720

*Figures are for 1970 except where indicated: †1972, †1971, †1969, †1968.

N.A.—Not available.

(a) No primary held. Alabama, Connecticut, Indiana, Mississippi, South Carolina, Utah, Virginia: candidates nominated in party convention; New York, Oklahoma, Rhode Island, South Dakota: candidates nominated without opposition; Louisiana: no primary unless contest for office.

(b) No Republican candidate.

(c) Runoff primary: Republicans, no runoff; Democrats, 442,512.

(d) Includes scattered votes. California, 32,679.

(e) Primaries for Governor will be held in 1972. Candidates

were nominated in party conventions in 1972.

(f) First primary: Republicans, 358,997; Democrats, 759,183; total, 1,118,180.

(g) Registration required. Iowa, Ohio, Wisconsin: in cities and counties over a specified size; Mississippi: no central records maintained; Kansas, Minnesota, Missouri: in cities and counties over a specified size, no central records maintained.

(h) Figures shown are for first primary. Second primary, Democrats only: 1,164,036.

(i) First primary: 762,987.

(j) Registration not required.

(k) Includes other votes. Wisconsin: American Party, 2,729.



League of Women Voters of Nevada

19 February 1973

STATEMENT TO THE NEVADA STATE SENATE COMMITTEE ON FEDERAL/STATE/LOCAL GOVERNMENTS

Re: Constitutional Amendment proposing to increase the public debt limitation--
SJR 7 of the 56th Session

I am Anne Roberts, representing the League of Women Voters of Nevada. As some of you on this committee are well aware, the League has appeared before this and other Legislative Committees supporting this Amendment in the 1969 and 1971 sessions as a compromise measure, a step toward our position of making the Legislature fully responsible for public borrowing by the State. Our full position reads as follows:

"We support public borrowing by the State for capital improvements, defined emergencies or disasters. However, we believe the State Legislature should be made fully responsible for structuring state public debt in the best interests of the State, issuing of full-faith and credit or revenue bonds as best serves the purpose, controlling borrowing by statutes designating the amount, purpose, and means for repayment. In order to accomplish this, the LWV recommends the following constitutional amendments:

- a) Remove constitutional debt limitations, and make debt limitation statutory.
- b) Remove constitutional specific tax requirement for funding debt repayment and authorize legislature to name the sources for repayment of debt.
- c) Change the constitutional requirement for repayment of public debt in 20 years from passage of law to a more liberal period.
- d) Add a statement denying the State the power to repudiate any legitimate debt.

The League will support selected interim steps toward the above goals."

We recognize that the people of Nevada voted down this amendment in 1960 and 1968, due, we believe, to a lack of understanding by many. We urge you to join us between sessions in educating the public to the effect that in order to do your job properly, you must have complete fiscal authority and responsibility. It is necessary to point out that

- 1) this proposal will NOT increase the State's share of the property tax--its present share of the \$5 limit is enough to guarantee a 3% indebtedness;
- 2) This proposal will permit the State Legislature greater capacity for financing capital improvement by the thriftiest means--borrowing by other methods costs more in interest and added debt service;
- 3) the present limitation is unrealistic--Nevada counties and school districts may finance 10% to 15% of assessed valuation. Nevada certainly needs more than 1% to finance state-wide capital improvements;
- 4) the Legislature may, by using various devices, borrow ANY amount at high interest rates and expensive debt service. We are happy that it has wisely not resorted to such financing, but Nevada lacks desperately needed facilities. General obligation bonding, backed by full-faith and credit of the State, is the economical way to finance needed capital improvements such as those requested by the Governor in his State of the State message.

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(MORE)

Exhibit "B"

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Statement to Fed/State/Loc. Govt Committee
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5) borrowing is a sound and legitimate method of finance for long-range permanent improvement projects. Future citizens will use and receive the benefits--it is only fair that future budgets include a share of the costs. (The Constitution presently places a 20-year limit on repayment of state debt.)

A study regarding State Public Debt in Nevada by the League in 1967-68 is attached to this statement. We ask you to make it a part of your record and to advise the Assembly Committee which will consider SJR 7 (after your Committee and the Senate pass on it favorably!) of this statement and its attachment.

Thank you very much.

Attachment

"Financing Nevada State Government-Evaluation of Revenue Sources in Relation to Budget Needs"

Everymember Pamphlet #2, February 1968

1-105



FINANCING NEVADA STATE GOVERNMENT

Evaluation of Revenue Sources in Relation to Budget Needs

League of Women Voters of Nevada
State Current Agenda Item, 1967-69
Everymember Pamphlet #2, February 1968

Pamphlet #1, January 1968, presented you with discussion material about state public debt in general. You were asked to arrive at some basic principles (ideals, perhaps?) for dealing with public debt.

Material offered here concerns Nevada in particular, and you are being asked to consider Nevada debt finance, applying the principles arrived at, and perhaps reach some conclusions. Your answers to questions at the close of this pamphlet will be the basis for recommendations to your State Board regarding state debt in Nevada.

I. HISTORY OF STATE DEBT IN NEVADA

The history of debt and debt limitation in Nevada has been similar to the history of state debt nationally. Since Nevada did not attain statehood until 1864, it was not a part of the general debacle of 1837 when many states defaulted on their obligations. Nevada, like many other states however, took cognizance and wrote debt limitations into its constitution. Transportation was evidently of great importance. Nearly 100 of the 829 pages recording constitutional debate in 1864 are about providing a subsidy for a railroad through Nevada. Two proposals received extensive attention. The first provided that the State could lend its credit to the Central Pacific Railroad to an amount not exceeding \$3 million when tracks had been laid to 80 miles east of the Sacramento River. The second said that the State could issue bonds to an amount not exceeding \$1.5 million at a rate of interest not exceeding 7% to the company which first completed a railroad connecting Virginia City with the Sierra Nevada Mountains. Much rancor was exhibited and even the president of the CPR appeared and spoke. After many exchanges, the delegates decided that "The State shall not donate or loan money or its credit except to corporations formed for educational or charitable purposes." It is interesting to note, however, that counties and municipal corporations cannot lend credit in aid to any company, corporation or association except railroad companies.

II. WHAT DEBT HAS NEVADA INCURRED?

Upon attaining statehood, Nevada assumed its territorial debts amounting to \$380,000. These were exempted from the limitation and were paid by 1929.

In 1872 the debt was 93% of the applicable limitation, fell to 27% by 1912, but by 1916 had risen to 100% of the limitation. There was need for road building at that time, and with the "good roads" amendment the amount increased but the percentage fell to 19%. Between 1918 and 1942 percentages of limitation varied from 17% to 70%. By 1943 the State had no debt and actually had a surplus in the treasury. This was the case in many states. Due to the war there was a lack of materials; therefore treasuries were fat. With the end of the war and a backlog of capital improvements, the State used its reserves and by 1953 had once again acquired a debt of 21.77% of applicable limitation and by 1965 had reached 65.3%.

In January of 1966 there was about \$4,400,000 borrowing power available plus whatever could be added through increases in assessed valuation.

The 1967 Legislature appropriated \$4.9 million from the General Fund for capital improvements and at the same time authorized general obligation bonds for \$4,135,000 for University construction, mental health centers, etc. This has very generally been the pattern of the past two or three sessions, with about 50% of capital improvements coming from general obligation bonds. The State, as such, has not issued any revenue bonds though the University has made use of revenue bonds for dormitories and dining rooms, and at the last session was authorized to

assess student fees to redeem revenue bonds issued for the construction of classrooms. The State has no revenue bonds within the debt limitation at this time.

III. WHAT ARE NEVADA'S CONSTITUTIONAL DEBT LIMITATIONS?

The original constitution carried a provision for a debt limitation of \$300,000.

In 1916 an amendment changed the limit to 1% of the State's assessed valuation. This was proposed to enable the state to match federal funds for highway construction, and was presented to the people as the "good roads" amendment. A flat limit of \$1 million was first proposed but, according to the Legislative Counsel Bureau, a percentage of assessed valuation was recommended so that the amount available would increase with the growth of the State. The choice of 1% was made at the time because it resulted in the amount needed, \$1 million.

In 1934 a second amendment, known as the "natural resources" exception, was adopted. It was designed to permit Nevada to take advantage of its allotted share of the power from Hoover Dam. However, no debt was ever contracted for this purpose. (This amendment is discussed in proposed changes in the constitution, VII.)

In 1960 an amendment proposing a change from 1% to 2% was defeated by the people.

In 1968 an amendment proposing a change from 1% to 3% and restricting the contracts permissible outside the limit will be voted upon at the November election.

IV. WHAT OTHER NEVADA CONSTITUTIONAL PROVISIONS RELATE TO DEBT?

1. (Art. 8, Sec. 8) Debt limitations for local government units are authorized to be established by the Legislature. Though this has always been in the constitution, it was not until the 1967 session that certain county limitations were set by statute. Certain municipal corporations have a 10% limitation and school districts have 15%. Most public finance authorities consider it good constitutional practice to allow legislatures to set local limitations by statute as it gives the flexibility needed to adjust overlapping debt to meet changing situations.

2. (Art. 9, Sec. 2) An annual tax shall be levied to cover estimated expenses of the state for each fiscal year. Whenever a deficit occurs in any one year, the legislature must levy a tax sufficient to cover the deficit as well as the estimated expenses of such years or ensuing two years. This has the effect of requiring a balanced budget plus establishing a procedure for covering temporary deficits. It would prohibit long-term borrowing for regularly recurring operating costs, which is considered good procedure by students of finance.

3. (Art. 9, Sec. 3) Every debt must be authorized by law for some purpose or purposes, to be distinctly specified therein. This prevents borrowing by any agency or official of the government without authorization by the legislature. It also prevents borrowing except for a specified purpose. Constitutional authorities recommend this provision.

4. (Art. 9, Sec. 3) Every law authorizing debt must provide for levying an annual tax sufficient to pay the interest semi-annually, and the principal within twenty years from passage, and must specially appropriate the proceeds of said taxes to payment of principal and interest. Prof. Ryan points to the need for a specified maximum period of repayment; others recommend a maximum period but do not specify that it be constitutionally set. In Nevada bonds are retired within 18-18½ years in order to meet the 20 years from passage requirement. It takes 1-1½ years to prepare and float a bond issue.

5. (Art. 9, Sec. 3) The appropriation cannot be repealed nor the taxes postponed or diminished until the debt is wholly paid. This requires that a tax be earmarked for payment of the debt. Though this may be any tax named in the law, Nevada has used the ad valorem tax for this purpose, and since passage of S.B. 331 (Sec. 29 & 46, Ch. 267, NRS) in the 1967 session, the ad val tax must be used. The purpose of the constitutional provision is to prevent repudiation of debt by the legislature. Many state constitutions contain a similar provision. In contrast to the specific tax requirement, all New Jersey taxes are paid into one general fund and a portion is appropriated each year to debt payment. As Nevada's share of the ad val tax

also goes into the General Fund, it is not used directly to redeem bonds, although the bonds do, of course, have first call upon that tax. It is understood in Carson City that the language in the law making the general obligation bond a first obligation against the State's property tax is intended to make the bonds more saleable and at a better interest.

6. (Art. 9, Sec. 3) Every contract of indebtedness entered into or assumed by or on behalf of the State in excess of the constitutional limit shall be null and of no effect, except in cases of money borrowed to repel invasion, suppress insurrection, defend the state in time of war, or, if hostilities be threatened, provide for the public defense. What would happen if revenue bonds issued outside the limitation were declared by a court to be within, thereby creating a debt above the limitation? Even though the State felt morally obligated to pay, it could not legally do so. Such a debt would be null. The purpose of this provision, of course, is to ensure that the Legislature does not contract debt in excess of the limit. Ordinarily revenue bonding would not fall within the limit unless tax guarantees included in the issuance were subject to adverse court interpretation.

(Exceptions to the above provisions in Art. 9, Sec. 3 are omitted here as they are discussed in proposed changes to this section--VII.)

7. (Art. 9, Sec. 4) The State may not assume the debts of any county, town, city, or other corporation unless those debts have been created to repel invasion, suppress insurrection, etc. This prevents the State from assuming local debt. Remember that the State has the responsibility of controlling local debt limits. It should be noted that if any unit in the State should repudiate its debt, there would be an adverse effect upon the credit rating of the entire state, with certainly higher interest rates. By statute Nevada requires that debt service have first claim on the property tax, and while this has the effect of insuring the debt payment, most authorities consider this to be unrealistic as the property tax is a small portion of a government's revenue. Does the State have a moral obligation to help a local unit in difficulty? It is the State that sets the debt limit; it is the State that allows special districts to be set up in order to increase borrowing power outside constitutional limits; it is the State that receives the first portion of the property tax; it is the State that set assessments at 35% of real value, and it is the State equalization program that is finally responsible for the total assessed valuation.

8. (Art 10, Sec. 2) The total tax levy for all public purposes including levies for bonds, within the state, or any subdivision thereof, shall not exceed five cents on one dollar of assessed valuation. By law, the state portion is established first, then the county, school district, and debt service, including special districts. Whatever is left is divided among the cities.. By law, assessment is set at 35% of real value and county assessors have the responsibility of making the assessments. The State, through its equalization board, has been trying to establish uniformity of assessing and a re-assessment is now supposed to be in process. Uniformity is still far from achievement.

The above tax limitation has created rivalries among the various government entities for the property tax, and has restricted the power of local units to solve their financial problems. The argument is used that such limitation forces economy in government. As assessors have considerable freedom of judgment as to real values, and as the 35% rate could be raised by statute at any time, one wonders whether the limitation is as real as it seems.

James A. Maxwell, in his Financing State and Local Governments (1965), says: "The Advisory Commission on Intergovernmental Relations has recommended a complete revision of 'the present maze of constitutional and statutory restrictions upon local government borrowing.' Authority to issue bonds 'should be legally vested in the governing bodies of local governments, subject to a permissive referendum only, on petition, and with participation in any such referendum available to all eligible local voters and the results determined--except under unusual circumstances--by a simple majority vote on the question.' Limitations that tie local debt or debt service to the local base for property taxation should be repealed. The Commission implies that the states might find a substitute control 'by reference to the net interest cost of prospective bond issues in relation to the currently prevailing interest rate on high quality municipal securities.' In any case, state provisions concerning

local indebtedness should 'take cognizance of all forms of local borrowing and debt.'.....While limitations on the state legislative power to borrow have, it appears, had some effect in restraining borrowing, they had a bad effect on the form of debt. Borrowing by nonguaranteed debt has been stimulated, and, except for limited purposes, this is an imprudent instrumentality. State constitutions should be overhauled to limit the use of nonguaranteed debt to specified self-financing purposes, and to repeal constitutional and statutory limitations on legislative borrowing power." (Review Debt Limitations in other States, Pamphlet #1, page 5.)

V. HOW DOES NEVADA'S DEBT COMPARE WITH THAT OF OTHER STATES?

It is difficult to compare states' indebtedness because figures do not tell the true story. How does one compare Nevada with Utah, for instance? Nevada, in 1959, had \$2.9 million in full-faith-and-credit debt within its constitutional limitation, and no non-guaranteed debt. Statistics say that Utah at that time had no debt (according to its constitutional limit of 1 $\frac{1}{2}$ % of assessed valuation); yet Utah had \$9.7 million in nonguaranteed debt (outside its constitutional limit). California then had \$1.595 billion in full-faith-and-credit and \$116.9 million in non-guaranteed debt. The comparison to note is not the difference in amount but in the kind of debt.

Nevada's present debt (Dec 1967), under its 1 $\frac{1}{2}$ % limitation, is \$10,702,000, all in general obligation bonds. Its total present debt is \$12,024,000, the amount outside the debt limitation being the Marlett Lake project. The Marlett bonds, however, are also general obligation bonds, issued under the "natural resources exception." The University has revenue bonds and the Colorado River Commission has interim debentures over and beyond this.

Georgia, Florida, Wyoming, Colorado, Utah, Nebraska, North Dakota and Wisconsin statistically had no full-faith-and-credit debt in 1963, but their nonguaranteed was many times higher than Nevada's constitutional debt. The record for Nevada is generally pretty good, but pressures are mounting to use the devices popular in other states for by-passing constitutional restrictions. The classrooms already authorized at the University to be paid by special student assesment is one such "gimmick."

VI. WHAT IS NEVADA'S FUTURE DEBT PICTURE?

Requests pile up at the Planning Board and go on to the Governor and Legislative Finance Committee. For instance, the Department of Conservation requested \$9,748,740 for FY 1967-68, much of which (\$7.5 million) was for Parks Capital Improvements. The Governor recommended \$1,394,347 in his budget. Actual authorizations and appropriations received totaled \$1,438,914. Information from this department says that for 1968-2000 it may be reasonable to assume \$100 million will be needed for water projects on a statewide basis; funding would be either partly or wholly by local entities. These projects include the Humboldt, Truckee, Walker and Carson River systems. As the Colorado River administration falls under the Colorado River Commission, it is not included in this estimate. The State's bonding program of the total \$100 million cost may be approximately \$50 million. This is one part of one department's program. Is future water for Nevada important? What about the 100-year-old prison? Should it be replaced? What about State Hospital needs? The Mental Health facility? School for Retarded Children? University Law and Medical Schools? Can these capital improvements be carried out with current revenues?

Will the Legislature be forced, under present limitations, to resort more and more to devices which make borrowing possible outside constitutional limitations? The question is already with us in the lease-purchase agreement for the Employment Security Building at Carson City. The State contract with a private corporation to "rent" the building but calling for State ownership at the end of the lease constitutes a State debt within the limitation requirement according to some, and a contract outside the limitation according to the Attorney General. Only a court decision can clarify this. There are other buildings used by the State, Motor Vehicle for one, which are strictly rental agreements and thus are not in the debt picture at all. The question arises, however, is the State following an uneconomical fiscal practice in renting many

spaces instead of being free to make capital improvements if that seems most wise?
Most future projections for Nevada show an exploding population and growth. (Clark County is the fastest growing county in the U.S.) Will the current revenues of that growth meet the current needs or will the demand for increased state institutions and services be in excess of state revenues at the time of need?

We face the future in this condition: (1) Under the present 1% limitation the State is very near its authorized general obligation borrowing power. What is available is the amount of debt retired during a fiscal period and any increase in assessed valuation. (2) Applying the special fund doctrine, as reasonably limited by a majority of courts, there are many capital projects which cannot be financed by revenue bonds outside the debt limit.

VII. WHAT IS THE PROPOSED AMENDMENT TO THE NEVADA STATE CONSTITUTION?

A.J.R. 21 of the 53d Session:--Messrs. Gibson, Bunker, Bailey, and Gray
8 February 1965

Referred to Committee on Taxation

SUMMARY: Proposes to amend Nevada constitution by increasing maximum allowance for state public debt to 3 per cent of the state's assessed valuation and by restricting contracts permissible outside the debt limit. (BDR C-687)

Explanation:

Matter underlined is new; matter in parentheses () is material to be omitted.

ASSEMBLY JOINT RESOLUTION--Proposing to amend section 3 of article 9 of the constitution of the State of Nevada, relating to state indebtedness, by increasing the maximum allowance for the state public debt to 3 per cent of the state's assessed valuation, by providing a flexible method of determining such valuation, and by restricting the contracts permissible outside the debt limit.

1 Resolved by the Assembly and Senate of the State of Nevada, jointly.
2 That section 3 of article 9 of the Constitution of the State of Nevada be
3 amended to read as follows:
4 SEC. 3 The state may contract public debts; but such debts shall
5 never, in the aggregate, exclusive of interest, exceed the sum of (one)
6 three percent of the assessed valuation of the state, as (shown by the
7 reports of the county assessors to the state controller,) determined by the
8 state controller in the manner provided by law, except for the purpose of
9 defraying extraordinary expenses, as hereinafter mentioned. Every such
10 debt shall be authorized by law for some purpose or purposes, to be
11 distinctly specified therein; and every such law shall provide for levying
12 an annual tax sufficient to pay the interest semiannually, and the principal
13 within twenty years from the passage of such law, and shall specially
14 appropriate the proceeds of said taxes to the payment of said principal
15 and interest; and such appropriation shall not be ~~repealed nor the taxes~~
16 ~~postponed~~ or diminished until the principal and interest of said debts
17 shall have been wholly paid. Every contract of indebtedness entered into
18 or assumed by or on behalf of the state, when all its debts and liabilities
19 amount to said sum before mentioned, shall be void and of no effect,
20 except in cases of money borrowed to repel invasion, suppress insurrection,
21 defend the state in time of war, or, if hostilities be threatened, provide
22 for the public defense.
23 The state, notwithstanding the foregoing limitations, may, pursuant to
24 authority of the legislature, make and enter into any and all contracts

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1 necessary, expedient or advisable for the protection and preservation of
2 any of its property, (or natural resources,) or for the purposes of obtaining
3 the benefits thereof, however arising and whether arising by or through
4 any undertaking or project of the United States or by or through any
5 treaty or compact between the states, or otherwise. The legislature may

6 from time to time make such appropriations as may be necessary to carry
7 out the obligations of the state under such contracts, and shall levy such
8 tax as may be necessary to pay the same or carry them into effect. All
9 contracts made under former provisions of this section shall remain valid
10 and enforceable.

#

(Review Items 3,4,5 and 6 in Section IV of this pamphlet which discuss present provisions of Art. 9, Sec. 3 which remain unchanged in the proposed amendment.)

1. The first change appears in lines 5 and 6 (2d Paragraph). One percent is raised to three percent. The present assessed valuation is about \$1.4 billion and seems to be increasing about 6% to 7% per year. The present dollar debt limit is about \$14 million. The State will receive approximately \$3.7 million in ad val taxes this fiscal year (1967-68). This year present bonds will cost the State \$1,135,000. If the bond indebtedness were raised to 3%, it would mean that the State could at any one time have outstanding \$42 million in bonds. Based upon a 20-year prepayment at 3½% interest, it would mean principal and interest payments of \$3,570,000 each year. Since the present 25¢ State property tax share will bring in \$3.7 million, it would seem that the State property tax share would not have to be increased and could still bring more than the amount needed to pay interest on and redeem the full amount of bonds that could be issued under a 3% bonded indebtedness limitation (figures from Office of Budget Director). It should be noted that all general obligation bonds are tied to the ad val tax for repayment. However, the ad val tax is deposited into the General Fund and an appropriation in a smaller amount is made from the General Fund to the Bond Interest and Redemption Fund, and repayment of bonds actually comes from the Bond Interest and Redemption Fund.

2. The second change, on lines 6 and 7 (2d paragraph), makes the state controller responsible for determining the assessed valuation. As the county assessors make assessment only on property within their own counties and make their reports to the state tax commission, which in turn compiles those and all other assessed valuations and reports to the controller, the present wording could not result in a true assessed valuation. There are those who say the present wording is also incorrect because it is the tax commission which actually "determines" the State's total assessed valuation.

It is interesting to note that exceptions listed in lines 20, 21 and 22 (2d paragraph) make no reference to natural or man-made disaster. The question arises whether we are to be totally dependent upon the Federal Government in case of earthquake or a flood which may have been natural or caused by inadequate planning.

3. Line 2 (3d paragraph) makes a change in the debt allowed outside the limitations set in the 2d paragraph; "or natural resources," is deleted. What is a "natural resource" under this constitution? Webster says natural resources are "capacities, such as native wit; or materials, such as mineral deposits or water power, supplied by nature." Our definition must depend upon legal interpretation by the courts. In Nevada the Supreme Court held, in the case of Marlette Lake Co. v. Sawyer, that purchase of a water supply and distribution system was expedient to protect and preserve the State's natural resources and was not subject to the debt limitation. This defines water, including its distribution, as coming under the natural resources exception, but this is the only court case our state has had. Courts in other states have defined oil, gas, subterranean water, timber, and gravel as natural resources. An Ohio case held that "to the extent to which a given area (land) possesses elements or features which supply a human need and contribute to the health, welfare, and benefit of the community and the proper enjoyment of its property devoted to park and recreational purposes, the same constitute natural resources." No case has been found that excluded park land. A Nevada attorney general's opinion stated that development of parks would be outside the debt limitation. We have had no test case, however, to establish land as a natural resource.

Since the amendment in 1934, no bonds have been issued under the natural resources exception except the tested Marlette Lake project. Legislatures have been curiously unsympathetic toward any real park or recreational area development, and the small amounts appropriated or authorized have always come out of regular annual

budgets or other funds. Though there is information that discussions have been held between Department of Conservation members and State officials, there is no record of any official request under this constitutional exception for acquisition or development of the State's park lands. Inquiry of both legislative and administrative sources as to why this phrase is being deleted gives the impression that this was a compromise decision. There were originally two proposals regarding the percentage increase--one for 2%, the other for 3%. In order to get the 3% figure it was agreed to include natural resources within the debt limitation. Referring back to the water projects planned for 1963-2000, what happens if this large expenditure must be included within the debt limitation? Will 3% be adequate?

4. Lines 9 and 10 (3d paragraph) make an addition, stating that all contracts made under former provisions shall remain valid and enforceable. That was added, we are told, to cover any contracts made under the natural resources or other exceptions. For instance, the Southern Nevada Water Project contracts are being let with the understanding they will come outside the debt limitation. If some are let before passage of this amendment, will later ones also be exempt? Will those let now continue to be exempt? The wording says they will be valid and enforceable, but will they then be within or outside the debt limitation?

5. Let us look again at lines 1, 2 and 3 of paragraph 3. The new wording would read, "necessary, expedient or advisable for the protection and preservation of any of its property, or for the purposes of obtaining the benefits thereof, . . ." Does this now mean that debt outside the limitation is possible for "obtaining the benefits" of any of the State's property? Could it mean that providing a recreation area on land the State already owns is "obtaining the benefits thereof?" We are told that this is not the intent of the authors, but isn't that the grammar of the statement? The only noun to which "thereof" can refer is "property." Further, recalling the question raised regarding the State's power to authorize debt outside the limit for disaster, would these lines (1, 2 and 3) provide that authority? What does "its property" mean? State-owned only? Any property within the State? Your resource people are trying to get answers to some of these questions of interpretation in time for unit discussions. In the meantime, consult some constitutional lawyers on your own!

We must ask ourselves whether, in spite of all the questions raised, the proposed changes meet a present need. You are going to be asked in November, not whether the State of Nevada should borrow, but whether the Legislature needs authority to borrow more. As you ponder this and the questions that follow, these statistics may help you. In 1967 the Planning Board received requests from the agencies for capital improvements in the amount of \$57,214,600. The Legislature appropriated \$4,933,150 (General Fund) & authorized bond issues of \$4,135,000 for capital improvements. It also authorized the expenditure of certain Federal funds and certain student funds by the University for additional capital improvements. There were, therefore, a large number of capital improvements requested by the agencies which were unable to be programmed within the funds and general obligation bonds available.

VIII. WHAT DEBT POLICY FOR NEVADA?

In order to help arrive at some conclusions about borrowing procedures and policy, the following proposals are offered. The first proposes a policy like that in the Federal constitution. Proposals 2 through 6 all contain certain restrictions. Number 7 offers some compromise steps that could lead to full legislative freedom and responsibility as proposed in number 1.

1. A proposal that full borrowing power be restored to state legislatures, with no referendum requirements, nor any other restriction currently found in state constitutions. This would not give legislatures more power to incur excessive state debts than they already possess, but it would improve the options available to states in the planning of a sound debt policy. Those who agree with this policy say:

a. Constitutions do not effectively restrict state legislatures as to amount or purpose of state borrowing. Only real restrictions are the moral and political obligations of state legislators which exist in the absence of constitutional provisions.

b. Present restrictions reduce the number of options available to state legislatures in the planning of a sound debt policy. If borrowing is to be done in restricted states without costly referendums or constitutional amendments, it must be done via one of the nonguaranteed methods.

c. This policy does not condemn the use of nonguaranteed borrowing techniques, but only the constitutional restrictions which force their use. Nonguaranteed borrowing involves higher interest costs because of the greater risk lenders assume; but when states intend to repay these loans regardless of the project's outcome and cannot make this intention known to the lender because of constitutional restrictions, the lender is actually taking no risk and the public is paying the higher cost of risk borrowing.

d. Administrative procedures required to satisfy the courts that nonguaranteed borrowing is not a state debt, and other administrative costs, are often more costly than comparable administration of full-faith-and-credit debt.

e. Debt restrictions lead to the practice of interagency lending of state funds to finance nonguaranteed projects at lower rates than would be obtainable in the market and result in an understatement of project costs and an inequitable use of state trust funds.

2. State debt should be restricted by some measure of a state's prosperity--personal income of state residents, assessed valuation of state property, average revenue of the state government, or any other reasonable measure of well-being. B. U. Ratchford suggests that the best measure would be average revenue of the state government. This policy would enable legislatures to refund nonguaranteed debts into general obligations, reaping some saving in interest and administrative expense. Such a constitutional provision would prevent states from incurring excessive debt.

(A. J. Heins says of this that (1) there is no means of estimating reasonableness of future debt; (2) if future legislatures desired to exceed the rate permitted by constitutional provisions, present loopholes or new ones, if required, could be used in evasion; (3) this provision would be extremely permissive in character and debt management would be difficult under these circumstances.)

3. States generally should adopt the referendum requirement now in 20 state constitutions. This would permit assumption of present nonguaranteed debt in those states where a pledge of the state's credit is now impossible without constitutional amendment. It would also permit future borrowing with general obligations, but keep the reins in the hands of the electorate, hopefully forestalling the possibility of runaway state debt.

(Heins says this would improve the options available in some states, but would not help those already having this provision. He states this latter group of states has relatively as large a debt as states currently unrestricted in borrowing; the referendum does not forestall rapid increases in state debt because nonguaranteed borrowing is still available without resort to referendum, but it does forestall increases in full-faith-and-credit debt because of the difficulty and cost of holding a referendum.)

4. Borrowing power should be restored to the legislatures with the requirement that a special legislative majority support any borrowing act, as is done in Massachusetts and Delaware. This would increase options available as borrowing could be accomplished with general obligation or revenue bonds as the majority desired.

(Heins says this leaves a gray area where a majority smaller than the required special majority favors a debt proposal. They could bypass constitutional requirements by use of revenue bonds. In Massachusetts and Delaware this provision has not significantly deterred the borrowing activities of these states.)

5. Opposition to any state borrowing at all proposes that present nonguaranteed debts be refunded into general obligations, and that constitutional restrictions against future debt be made more complete, thereby closing any loopholes that currently exist. Proponents of this policy say that mistakes were made in state finance. This policy will rectify as much as possible by outrightly assuming nonguaranteed obligations, and then prevent future mistakes by closing the loopholes which made the mistakes possible.

(Heins believes this policy to be unworkable because (1) legislatures would be unlikely to close the very loopholes they are currently using; (2) even if this happened, there is no guarantee that future legislatures would obey because when they wanted to borrow they would find or make new loopholes, and the states would be in the same position as at present; (3) it is not established that states have made mistakes by borrowing funds for public improvements.)

6. Retain present constitutional debt restrictions. The Tax Foundation and Taxpayers Associations are foremost exponents of this policy. They believe that states occasionally borrow, and nonguaranteed methods and referendums make that possible, but constitutional restrictions provide a sufficient obstacle to widespread borrowing. They claim that debt in restricted states tends to be less than in unrestricted states.

(Heins states that he doubts this claim on the basis of analyses he and others have made. He also says that even if one accepts the claim it seems likely, with continuing development of nonguaranteed methods of borrowing in the restricted states, that the force of constitutional restrictions as obstacles against state borrowing will eventually wither away.)

The basic criticism of the proposals in 2 through 6 by students of public finance is that they involve only relocation or change in the nature of barriers against state borrowing. They ask why establish barriers at all when the means of penetration are available. These proposals reflect the fear that legislatures will resort to the "easy" method of financing public projects--borrowing--if they have half a chance. States with full borrowing power might incur excessive debt; nonguaranteed methods afford equal opportunity to get into the same extended position. They think the best approach to the problem is the removal of barriers against state borrowing which merely restrict the form of the debt and not the amount or the purpose of the debt. These students say that restrictions may temporarily stymie legislatures, but if they have a true desire to borrow they will find the techniques. In the absence of desire, restrictions are not needed.

7. Some possible compromise steps toward liberalizing Nevada's debt policy:

a. The adoption of referendum provisions would increase the options available to the Legislature in borrowing matters.

b. Legislative borrowing power subject to limitation by some measure of state prosperity would give greater leeway than limitation based on assessed property valuation.

c. Free borrowing power subject to special legislative majority would increase the options available in borrowing matters by allowing the legislature some discretion in the selection of borrowing methods and by allowing the legislature to determine the amount and purpose of the debt, as well as the debt ceiling.

IX. WHAT IS YOUR POSITION ON STATE PUBLIC DEBT?

Your Unit replies to the following questions will be the basis for recommendations to the State Board for a League position on State Debt in Nevada.

- ↑ possible
1. Is borrowing justified by the State of Nevada? If so, for what purposes? Capital Improvements? Emergencies? Disaster? Temporary Deficits? Recurring Operating Expenditures?
 2. As a long-range goal, should the Nevada State Legislature be made fully responsible for structuring overall state finance in the best possible interests of the State? For instance:
 - a. Control all state revenues through one General Fund?
 - b. Control all state expenditures, including borrowing, through statutes designating the amount and purpose, and through a master budget?
 - c. Issue full-faith-and-credit bonds as deemed necessary?
 - d. Issue revenue bonds if it best serves the purpose?
 3. If debt limitation is presently advisable, what kind and how much should there be?
 - a. Restriction on the amount? A fixed sum? How much? A percentage? How much?
 - b. Restriction on the amount allowed to be borrowed in any one year?
 - c. Restriction by a special majority vote of the Legislature?
 - d. Requirement for a public referendum? Always? In what instances?
 - e. Specific exceptions to the limitation? Temporary Deficit? Disaster? Insurrection? Protection & Preservation of Property? Operating and Development Costs for Natural Resources?
 - f. Specific time limit for repayment of bonds?
 - g. Requirement for debt authorization by law as to amount and purpose?
 4. If debt limitations are necessary, should they be constitutional? Statutory?
 5. The proposed amendment is an attempt to give the Legislature more leeway in full-faith-and-credit borrowing. Is it a proper step? Is it an acceptable compromise? Should we be concerned about the exact wording at this time?
 6. (An optional question addressed to every member):
How would YOU word Article 9, Section 3, of Nevada's Constitution? Have a ball! Write your version and send it to Jan MacEachern, 1300 Denver St., Boulder City, Nevada 89005, signed or unsigned.

Dear Member:

Public Debt is but one facet of State Finance. What direction should our study now take? The scope of the item is so broad we have many choices. What comes next? Should we delve further into the entire Finance section of the constitution? Should we get all the facts about Nevada's revenues and how they are spent? Are we being fairly taxed? How do we compare with other states? In order to make an evaluation do we first need to learn more about our legislative procedures? Are changes necessary in the structure of the Legislature to assure a fully responsible body? (The Nevada LWV already has some positions in this area.)

Your state chairman asks that you think about the state item and make suggestions in your unit or to her directly regarding next steps in this study. A collection of thoughts from the membership would be of great assistance to her at the April Council meeting when she must make recommendations for next year's program.

SPEAK UP!