

MINUTES

WAYS AND MEANS COMMITTEE - NEVADA STATE LEGISLATURE - 58th SESSION

January 22, 1975

The meeting was called to order by Chairman Mello at 8:00 A.M. in the Ways and Means Committee Room.

PRESENT: Chairman Mello, Mr. Bremner, Mrs. Brookman, Mr. Dreyer, Mr. Glover, Mr. Howard, Mr. Robinson, Mr. Weise and Mr. Wittenberg.

ALSO PRESENT: Bill Bible and John Dolan

The Rules of the Ways and Means Committee were read. A Motion to adopt these Rules was made by Mr. Dreyer and seconded by Mr. Robinson. This was carried by unanimous vote. (copy attached.)

Chairman Mello introduced John Dolan, Chief Deputy Fiscal Analyst and Bill Bible, representative of the Governor's office and Deputy to Mr. Barrett. He also introduced Russ Neilsen, UPI and Norman Cordoza, Editorial Editor for the Reno Evening Gazette.

Chairman Mello passed to each Committee member a copy of a memo to all agencies wishing to testify before the Ways and Means Committee outlining the procedures to be followed. (copy attached.)

He then explained the Bill Explanation Notebook and suggested to the Committee that they keep this notebook with them at all times for reference. The Minute Book was also explained and Chairman Mello stated that each Committee member should read the minutes so they can be approved at each meeting.

Opening remarks were made by Chairman Mello to the Committee stating their responsibility this session is to protect the taxpayer's interest. The expenditure demands will be greater than the revenue structure can afford and it is the responsibility of the Committee to carefully review these demands. Because of uncertain economic conditions, the Committee was urged to listen and question the revenue projections, utilize the staff and remember their responsibility to the taxpayers. (The remarks are attached.)

Mr. Weise requested that Mr. Dolan's position be explained. Chairman Mello explained that this staff attended all budget hearings and then came up with their projections. Last year the Committee had to take the word of the Governor's appointee. This year we will have someone tell us where they are not giving us all the information. This is the beginning of a check and balance between the Executive Branch of Government and the Legislative Branch of Government.

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Bill Bible then explained the Governor's budget. The heart of the budget is both the projection and recommended side of the budget which begins on Page A-1. This ties the entire budget together for the income projection and expenditure recommendations. Reversions are unspent portions of appropriations returned to the General Fund. In fiscal 1976 the Governor's Budget estimated the General Fund income to be \$172 million and the estimated reversions from this fiscal year to be \$6.6 million and they are recommending an appropriation level of \$178 million. This would leave a cash balance of \$19.9 million. The estimated income for fiscal 1977 is \$188.3 million, reversions of \$3.5 million and appropriation of \$190.3 million and cost of the 1977 Legislature of \$1.5 million leaving a cash balance of \$19.9 million. This is a substantial cash balance and the Governor is requesting the State maintain a healthy cash balance because of economic uncertainty.

Mr. Robinson asked that in view of inflation and the Governor asking for a 15% across the board increase in salaries, isn't it unrealistic that the Legislative cost be set at \$1.5 million as it was in 1973 for the 1975 session and the 1977 session. Mr. Dolan, in response to Mr. Robinson's question, stated that he actually shows the appropriations of Legislative cost to be \$1.2 million because only \$1 million, 48 was spent on the Legislature which put a lot of money back into the fund and there is about \$600,000 free money over and above what we need to take care of the session. There is a need for only \$1.2 million new money for the session this time.

The General Fund revenue sources are classified into six major categories: Taxes, Licenses, Fees and Fines, Charges For Services, Use of Money and Property, and Other. Taxes account for the bulk of the revenue collections. Historically, Taxes produce approximately 93% of the General Fund collections.

Mr. Bible reviewed in detail the General Fund tax projections made by the Budget Division. Particular emphasis was stressed on the Sales and Use tax, State Gaming Taxes and Casino Entertainment tax, since these three taxes provide almost 80% of the total General Fund collections. The Budget Division projects a deepening recession with the major impact being felt in the Sales tax. The Sales tax is projected to increase by 5.1% in fiscal 1975, 4% in fiscal 1976 and 9% in fiscal 1977. Mr. Bible thinks that the Gaming revenues are less affected by the national economy and, therefore, the Budget Division in projecting increases in State Gaming taxes of 10.4% in 1975, 11.4% in 1976 and 11.2% in 1977. Chairman Mello, noting the larger projected increases in Gaming as compared to Sales, pointed out that historically, Sales and Gaming increases had been much more closely related. Chairman Mello also questioned Mr. Bible about the impact of the energy crisis on the Gaming revenues. Mr. Bible responded by stating the Gaming collections seemed to be stabilized, "right in the heart of the energy crisis last winter." Chairman Mello responded, "I don't think we've even touched the energy crisis. If gasoline goes up 10 or 12 cents a gallon, that's hitting the people."

Mr. Bible closed his presentation by discussing the "track-record" for the Budget Division projections on page A-12. The projection for 1972-73 was under \$12.9 million, for 1973-74 under by \$15.5 million, and the revised projection for 1974-75 under the original estimate by \$15.9 million.

Chairman Mello then asked Mr. Dolan to present the General Fund revenue projections prepared by the Office of Fiscal Analysis. Mr. Dolan began his presentation by explaining the duties and responsibilities of the Office of Fiscal Analysis. This office is an arm of the Legislative Counsel Bureau, staffed with four professionals, and charged with the responsibility to independently review the revenue and expenditure recommendations in the Executive Budget and report their findings to the Legislature, particularly the Money Committees.

The Office is currently preparing a general Legislative Fiscal Report which will contain the independent revenue projections and the highlights of the Governor's spending recommendations. This report will emphasize pie charts, graphes, and narrative statements and is an attempt to particularly inform the non-money committee member of the Legislature, what is in the 670 plus page Executive Budget. In addition to the general report, the staff will prepare several indepth analysis of programs such as the Distributive School Fund, University of Nevada System, Prison, and Department of Human Resources.

Mr. Dolan presented a handout which compared the General Fund projections and cash balances prepared by the Budget Division and Office of Fiscal Analysis. The total estimated collections by fiscal 1977 are fairly close, but the assumptions on Gaming and Sales taxes were different. Mr. Dolan presented statistics from two previous national recessions to demonstrate a closer correlation between national economic conditions and the Nevada tax collections. The Office of Fiscal Analysis does project that the Gaming collections will be effected by the recession and energy crisis as well as the sales tax collections.

Upon the conclusion of Mr. Dolan's presentation, Chairman Mello adjourned the meeting at 10:00 A.M.

WAYS AND MEANS COMMITTEERULES1975 SESSION

1. The secretary of the Committee shall call the roll at each meeting and record in the minutes the members present and the members not present. Excused absences will be so recorded.
2. A quorum consists of at least five (5) Committee members.
3. It will require at least a quorum to hear a bill, budget or resolution.
4. It will require a simple majority of the entire committee to pass or reject a bill, budget or resolution.
5. It will require a two-thirds majority of all committee members to reconsider an action on a bill, budget or resolution.
6. Committee members, at all times, shall address the chair for permission to be heard. Witnesses before the Committee will address requests to testify to the chair and will be recognized only by the chair.
7. There will be no Committee action on bills, budgets or resolutions during a hearing.
8. The secretary shall record the definite action of the Committee by roll call vote.
- 9.. A minority report can be filed with the Chief Clerk at the same time the Committee action is reported. A minority report must be signed by all members of the Committee disagreeing with the Committee action who are present when the vote is taken. The members who desire to submit a minority report must so indicate in advance, to the entire Committee.

January 6, 75

MEMORANDUM

TO: Agencies and Organizations Wishing to Testify Before
the Assembly Ways and Means Committee During the 1975
Legislative Session

FROM: Don Mello, Chairman
Assembly Ways and Means Committee

SUBJECT: Appearances Before and Materials Prepared for the
Ways and Means Committee

PURPOSE

The purpose of this memorandum is to outline the procedures to be followed in appearances before the Ways and Means Committee and to describe the size, format and numbers of copies of materials distributed to the Committee.

BUDGET AND BILL HEARINGS

The Committee will prepare a schedule and agendas for the budget and bill hearings and representatives will be notified in advance of the date and time of the hearings. John Dolan will assist the Chairman in hearing scheduling. Should you have any questions concerning the schedule, please contact John in Room 341 of the Legislative Building, phone number 885-5640.

The Chairman will recognize representatives and ask them to move to the witness table, introduce themselves and their associates for the record and deliver any remarks they wish to the Committee. The Committee, upon recognition of the Chairman, will address questions to the representatives. Remarks on the budgets should include a general statement on the purposes of the budget, what objectives it supports and the activities to achieve those objectives.

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MATERIALS PREPARED FOR DISTRIBUTION TO THE COMMITTEE

Each session, the Committee receives a large number of handouts. These materials come in a variety of sizes and shapes, many times they are not identified by source and date, and frequently there are insufficient copies for the Committee members. To prevent some of the problems with handouts, please observe the guidelines listed below:

1. Prepare budget handouts on 14" X 8½" paper in the format similar to the Executive Budget narratives and the format of this memo. Committee members can then insert your handout in their budget binders with the appropriate budget. Holes should be punched as on this memo to fit the budget binders.
2. Always identify the source of the handout and the date it was prepared. If a handout revises an earlier handout, please so indicate so the previous handout can be discarded. If possible, identify the corresponding page number in the Executive Budget.
3. Make at least 15 copies of the handout for distribution to the Committee and staff. Please try to deliver your handouts to John Dolan or the Committee secretary at least a day prior to your hearing. The materials can then be placed before the Committee and save time and confusion during the hearings.

REMARKS OF CHAIRMAN MELLO AT
FIRST MEETING OF THE WAYS AND
MEANS COMMITTEE
January 22, 1975

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The Ways and Means Committee has a great responsibility this Session as in previous Sessions, to protect the taxpayer's investments.

The expenditure demands will be greater than the revenue structure can afford and it is the responsibility of the Committee to carefully review these demands and to set priorities that will insure the most effective utilization of the taxpayer's dollars.

Our fiscal responsibility is more urgent this Session because of the clouded and uncertain national economic conditions and the impact of the energy crisis on our tourist based economy. Because of these uncertain economic conditions, I urge you to listen carefully and be prepared to question the revenue projections and economic assumptions we will hear today from the Budget Division and the Office of Fiscal Analysis.

As we listen to the request for public funds, always keep in mind that our Constitution requires us to appropriate a balanced budget - our appropriations for annual on-going programs must equal our annual incomes. It would be easy to submit to the temptation to use our record General Fund surplus (projected at over \$66 million before Legislative action) to avoid our responsibilities and appropriate some of the surplus for on-going programs. This is a temptation we must resist. It is analagous to using our personal accumulated savings to meet our everyday food bills and house payments. The day would soon arrive when our savings would run out and we would have to drastically reduce our standard of living or scramble to increase our income. This is the epitome of poor planning and fiscal irresponsibility.

The Governor has recommended that we maintain a General Fund balance of approximately \$20 million as a hedge against worsening economic conditions. I suggest to you that this is a minimum balance which must be maintained and, if anything, we must add to his recommendation rather than subtract from it.

We must carefully review each and every spending request and be prepared to justify and explain with facts every decision that we make. Last Session our Committee earned a reputation for being hard but fair with spending requests and this is a reputation I hope we can maintain.

This Session we will depart from the traditional procedure of reviewing the Budget by beginning with the ^{FIRST} budget in the book. We have tried to develop a schedule which will allow us to first hear presentations on Capitol improvement projects and salary and benefit recommendations which have an impact on all of the other budgets. This way we can understand the relationships of the Capitol Improvement Projects and salary package to the operating budgets.

I am again going to utilize subcommittees to review in more depth some of the larger and more complex budgets. Our plan is to first hear testimony in Committee from these programs and then to go into the field to meet with agency representatives to study their requests more fully. I have requested the Speaker to excuse us for three full days (February 26, 27, and 28) from floor action and devote these days to our subcommittee work. In our subcommittee assignments, I have requested staff from the Office of Fiscal Analysis to assist us in our study.

There is no substitute for hard work on this Committee. Study

the budgets and handouts thoroughly, ask questions, utilize the staff, and always remember your responsibility to the taxpayers of this State.