

MINUTES

JOINT MEETING WAYS AND MEANS COMMITTEE  
AND STATE FINANCE

NEVADA STATE LEGISLATURE - 59th SESSION

January 19, 1977

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

PRESENT: Chairman Mello, Mrs. Brookman, Mr. Bremner, Mr. Glover, Mr. Hickey, Mr. Howard, Mr. Kosinski, Mr. Serpa, Mr. Vergiels, Chairman Lamb, Senator Gibson, Senator Echols, Senator Glaser, Senator Hilbrecht, Senator Wilson and Senator Young.

ALSO PRESENT: Howard Barrett, Director of Administration; Ron Sparks, Senate Fiscal Analyst; John Dolan, Assembly Fiscal Analyst; and Bill Bible, Deputy Budget Administrator.

Chairman Mello introduced Howard Barrett, Director of Administration.

Mr. Barrett explained the General Fund Balance Statement on Page A-1. The General Fund unappropriated cash balance on July 1, 1976 was \$35.3 million dollars. The Executive Budget projects that prior to legislative action and deducting only the estimated costs of the 1977 Session, the July 1, 1977 unappropriated cash balance will be \$56.5 million dollars. From this unappropriated balance, the Governor recommends appropriations of slightly over \$34 million. (\$2.6 million for supplemental appropriations, nearly \$7 million for "one-shot" appropriations, \$1.5 million for State Park improvements and almost \$23 million for Public Works Board capital improvements.) For 1977-78 the Governor recommends General Fund operating appropriations of \$218.8 million balanced with income and reversions of \$218.8 million. For 1978-1979 the recommended General Fund appropriations are \$240 million balanced with the income and reversions of \$240 million. The Governor's recommendations for spending and his projected income will leave the General Fund with an estimated unappropriated cash balance of \$22.6 million on July 1, 1979.

ONE SHOTS APPROPRIATIONS FOR 1976-77.

Reserve for Statutory Contingency Fund \$272,187. The reserve for Statutory Contingency Fund is the fund used for certain purposes established by statute. We started with a cash balance of \$46,000 last Session. You appropriated \$103,000 and Interim Finance allocated \$75,000. There is \$224,000 to be accounted for. There is a balance remaining of \$25,000 so we are recommending money to bring it up to the \$200,000 level and then we are asking you for an additional \$100,000 to bring it up to a \$300,000 level.

BOARD OF EXAMINERS' EMERGENCY FUND - \$57,516. We are asking for \$57,516 to replenish that fund to bring it back to the \$100,000. This is a very strict emergency fund. It can be used only for epidemics and natural disasters. About the only thing that is ever paid out of here is fire suppression. Victims of crime are also paid out of this fund.

INTERIM FINANCE COMMITTEE - \$2,370,941. We are asking that you appropriate to the Interim Finance Committee \$2,370,941. This will bring the fund back to the 2 1/2 million dollar level and then add on another \$500,000 to bring it to a 3 million dollar level for the next biennium.

STALE CLAIMS FUND - \$81,453. We are asking for \$81,453 to bring that account back to \$100,000. This fund is made to pay claims presented by an agency after the account from which the claim should have paid has reverted.

CLASSIFIED SALARIES - \$1,122,016. \$1,052,563 is recommended to support a classified salary increase of five and one-half percent effective January 1, 1977 and extending through June 30, 1977.

\$69,453 is recommended to provide an additional five percent salary increase for correctional officers effective January 1, 1977 and extending through June 30, 1977.

A Highway Fund appropriation of \$169,049 is also recommended to support the increase for classified employees in the Department of Motor Vehicles and Public Service Commission.

UNIVERSITY CLASSIFIED SALARIES - \$310,948. \$310,948 would be necessary to provide University Classified employees with a five and one-half percent salary increase effective January 1, 1977 and extending through June 30, 1977.

UNCLASSIFIED SALARIES. \$114,885 is the amount that would be necessary to pay for the unclassified salary increase for the same period, for the same amount.

OFFICE OF THE SECRETARY OF STATE. \$66,560 is recommended for the implementation of a microfilm program to film corporate records and documents in the Secretary of State's office.

COMPUTER FACILITY. \$212,275 is requested to be added to the balance in the Computer Acquisition Sinking Fund to be used to purchase an attached processor to increase the capacity of the computer from 50% to 75%.

NEVADA STATE PRISON SYSTEM - SOUTHERN NEVADA CORRECTIONAL CENTER. \$294,000 is requested for the start-up equipment for the prison in Jean. The recommendation provides for an automobile. That has been deleted from the recommendation. The cost of the automobile was \$5,000.00.

Mr. Barrett then discussed the recommendation for the Printing Division in the sum of \$434,000.

This would allow the Printing Division to go from their current hot metal composition to an automated composition system.

UNIVERSITY OF NEVADA SYSTEM. \$876,208 is recommended for the various units of the University for equipment. This was approved by the Regents at their meeting on Friday.

GOVERNOR'S PORTRAIT. \$5,000 to be appropriated to select an artist to do the portrait of Governor O'Callaghan.

DESERT DEVELOPMENT CENTER. \$199,850 is recommended for early opening including \$40,000 for start-up equipment that could not come from the appropriation for construction.

DEPARTMENT OF TAXATION. \$100,000 is required for the Department of Taxation to set up a revolving fund to assist the county in computer appraisal and mapping.

STATE PLANNING COORDINATOR - \$12,750. This is an appropriation to develop a consolidated bi-annual report for all state agencies and a short statistical abstract. If successful the project would become an operating budget request.

WATER RESOURCES - \$300,000. This would be to represent and defend the State's position on the water rights on the Truckee River. I believe the Legislature appropriated \$500,000 last Session, much of which has been spent and the case is not resolved and is continuing. \$398,394 of the \$500,000 has been spent.

STATE PARKS. \$103,000 is recommended for restoration of V & T Railroad cars south of Carson.

BOARD OF EXAMINERS - \$40,000. This is to pay the legal costs and the financial costs of a bond issue of \$5,000,000 which would be half of the ten million dollar park land acquisition bond approved by the voters at the last Session. "That item may be high, but the costs are changing so rapidly that I would like to see the item left at \$40,000."

Chairman Mello stated that when the agencies come in the Committee on Ways and Means, the Committee will go back to the appropriations and ask them more questions on them.

#### SUPPLEMENTAL APPROPRIATIONS FOR 1976-77.

TITLE XIX - MEDICAL CARE - \$1,451,372. This was discussed with Interim Finance early last April. "At that time I think we were talking to you about needing a supplemental of \$5,000,000. Actually the supplemental has been reduced. We are asking to reduce it further with countercyclical funds." The total cost needed is \$2,469,916 less \$1,018,544 countercyclical money to bring it down to \$1,451,000. The countercyclical money is the money that President Ford vetoed last fall and then his veto was overridden. It comes from the local government Public Works Bill and it is Part 2. Part 2 cannot be used for public works. It can be used only for continuation of essential services. The rules and regulations are not very clear on how it can be used, but a letter was written on December 13 asking if it could be used to pay the State's share of Title XIX and the office of the Secretary of the Treasury that gives us countercyclical monies indicated "yes" it can be used for the Title XIX supplemental.

The 1,018,544 is an estimate as to what is going to come in. On November 24th, two payments were received. The first one was \$322,192 and the second one on November 24th was \$232,352. A third one on January 10th was \$287,770. "The reason I am emphasizing the date they were received is that we must have them spent within six months after we receive them or they revert to the Federal Government. On the first two we will need action very soon because we will have to have the money spent before six months after November 24th."

HEALTH DIVISION - \$720,000. This is for the Crippled Children's Program and only medical costs in the Crippled Children's Program. The Crippled Children's Program is a program whereby the State provides a portion of the medical costs for children with hapdicapping conditions and the big increase is the increase in hospital costs and the increase in doctor's fees that was not anticipated.

DEPARTMENT OF EDUCATION. \$20,108 is a supplemental for the program which pays for the out-of-state placement of blind and deaf children in training facilities in other cities. This has been a long standing State program and we pay the cost set by these other institutions.

NEVADA STATE PRISON - \$400,481. This is for additional costs for the prison for the current year. This item was put in as a maximum. It now appears the figure can be reduced and new figures will be supplied.

PAYROLL PERSONNEL SYSTEM - \$48,400. This is to implement the new payroll personnel system.

GENERAL FUND REVENUES. Pages A2 and A3 are a detailed listing of the State's revenues. The top group of taxes we will discuss in some detail further on. Licenses, fees, charges for services and other receipts are minor and no major changes are projected. Page A4 is a list of the county assessed valuations. In December we made a telephone survey of all the counties' Assessor's offices and they told us that what they felt their assessed valuations were going to be. These averaged out at 9.5%. We used that figure knowing full well that that was not going to be the final figure and that it was simply an estimate. We felt it could go up or down. However we have used 9.5% when estimating the property tax that comes into the State's general fund and the property tax that comes into Title XIX and the Distributive School Fund. Yesterday we had another telephone survey completed by the Tax Department and the County Assessors' preliminary roll is 11.2%. The assessments will come to the State on February 1st and go to the State Board of Equalization during the month of February. They will be finalized around March 1st. There appears there will be slightly more money in the property tax than we originally anticipated.

A5 SALES TAX. Last year 1975-76 the 2¢ sales tax income to the general fund was \$65,365,964 or an increase of 12.7%. This year we are estimating \$73,200,000, or an increase of 12%. You will see the uncompleted column for 76-77 and the amounts that have been received to date. That is an accumulated percentage so the last printed figure you have is the monies received through November of \$33,390,000. Through November there had been an increase of 12.7%. A few days ago we received the December figure which you do not have printed in your

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budget. It came in after the budget was printed. The December figure should be \$37,021,466 for an increase of 13.7%. Again this is a greater increase than we had anticipated. I would not, however, change my recommendations at this point on the sales tax. December is only a month's collection and is not a quarterly collection. The next quarter collection will be collected in January and we'll have the figure about the 9th or 10th of February. I think that will give us a better indication of whether it is really going up that much or not.

Senator Lamb then asked Ron Sparks and John Dolan if they disagreed with the percentage figure projected by the Budget Division. Mr. Sparks said they were about .4 of 1% higher. Senator Lamb asked what this was as a dollar difference and Mr. Sparks answered \$300,000. Both offices are projecting .2% for 1977-79.

Mr. Barrett went on to A7. A7 is the taxes collected by the Gaming Commission. The big tax is the Quarterly State License Fees or the gross percentage tax. You will see that for 75-76 the income was \$60,607,130 for a 13.3% increase. This year we are estimating \$66,959,000 or a 10 1/2% increase. We have two quarters in so far. These are percents of increase over the previous quarter. These are not accumulated percents of increase. The first quarter had a 6 1/2% increase this year, the second one shows an 11.3% increase. We have a final figure on that which will be 11.6%. The \$18,279,000 figure if you want to correct it should be \$18,330,692. Again that came in after the budget was printed.

The accumulated increase year to date is 9.2%. We are anticipating or suggesting that will increase to 10 1/2 or maybe a little bit more during the rest of this year. In 1975 we were estimating the 75-76 increase would be 12%. It turned out to be 13.3%. We were estimating in 1975 that the 76-77 would be 12%. We are now estimating 10 1/2%. The other taxes on A7 are smaller amounts. I do have updated figures on those. The restricted Slot Flat Tax for the second quarter for December 31st is \$149,050. The second quarter on the non-restricted Slot Flat Tax is \$449,040 and the second quarter on the quarterly Flat Fee on games is \$910,993.

Page A8 REAL ESTATE TRANSFER TAX. This shows the increase in the insurance premium taxes in the middle of the page. Last yearly increase 9.9, the previous year 8.7, 11.6 and so on. We are saying that this year about 9 and the next two years about 7. You'll see this increasing at decreasing rates.

Casino entertainment on the bottom of A8 shows that for the year 75-76 the net amount that came in was \$11,212,410 or a .6% increase, less than a 1% increase. So far this year in the first quarter there has been an 18% increase and the second quarter a 7.7% increase and that figure does not need revising. That was the final figure. We are saying that in the future maybe a 6% increase. Part of the problem with this is there appears to be a start of a trend to have more non-taxable entertainment. The entertainment where neither food nor beverages were served would not be taxable, and if it is not taxable of course this will decrease the entertainment tax.

A9 LIQUOR TAX. For 75-76 the percent of increase was 9.3. For 76-77 we are estimating 7.6% and 7.7% and 7.8% next biennium. I have later figures on the gallons that were used or consumed or purchased in October, November and December, which would indicate that our figures may be slightly high. I can give you those figures later if you want but I don't think they are important enough to give them to you now. But the big liquor tax on the hard liquor was increased at only 5% rather than the 8% that we had anticipated.

Page A10 FEDERAL SLOT TAX CREDIT. This does not go into the General Fund. The first \$5,000,000 goes into the higher education capital construction fund - the fund from which the Public Works Board builds buildings for higher education. The remainder over \$5,000,000 goes into the Distributive School Fund.

Senator Lamb asked Mr. Barrett that as long as the monies went to education, could they be funneled into any area of education? Mr. Barrett replied that he thought legally it did not have to go to any particular area, education or anything. It could go to prisons or education or to welfare. It's maybe a moral obligation to Congress that it would be spent for education, but I don't think there's any legal restriction on how to use the monies. But it benefits everybody because it leaves more money in the General Fund for other agencies.

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The meeting was then turned over to Mr. Sparks who stated that the only areas he wanted to cover are areas in which there is some sort of a major disagreement or difference. Please refer to Page 2 in the Legislative Fiscal Report. The first area of difference would be in the estimated unappropriated balance before Legislative action. The Budget Division estimates \$56.5 million and our projection is \$57.7 million. This difference results mainly from the Fiscal Analysis estimate of what the current fiscal year's total general fund increase will be. The Budget Division estimates that total income will be \$195.9 million and we estimate \$196.8 million. The other area of difference on that schedule is in the estimated reversions for this fiscal year. There is a difference of a little less than \$200,000 in regular reversions and about \$140,000 in distributive school fund reversions.

Mr. Dolan stated that the distributive school fund reversions are mainly the result of Fiscal Analysis having a higher sales tax estimate than Budget Division so less State dollars are needed in the distributive school fund.

Mr. Sparks stated that in the current fiscal year the first differences between Fiscal Analysis and the Budget Division is in sales and use taxes and we project a current year increase of 12.4% while the Budget Division is projecting 12%. As Mr. Barrett indicated the current year to date (through December) increase is 13.7%. The next area in the current fiscal year where we have a difference in projections is in the State Gaming Taxes. There is a 9/10ths of 1% difference in the projection between our office and the Budget Division. In dollar difference it is \$634,000. Our projection for this year is strengthened by the information we have been able to gather for the last business quarter, which would be October, November and December. We have information and hope and think that it is reliable that it was a very strong quarter. For example we see where Harrah's earnings have increased 16% and MGM in Las Vegas has reported record earnings. We are projecting two strong quarters

for the balance of this fiscal year and therefore are projecting 10.7% for the full year while the Budget Office is projecting 9.8%. Both offices are close for 1977-78, but we are 1% higher in 1978-79. I think that the main reason is that we are projecting receipt of advance fees from the MGM Hotel in Reno to be received from the first quarter of the 1979 Fiscal year. We are estimating advance fees for that year of a million dollars, whereas I think the Executive Budget is estimating \$500,000 or \$600,000, so this accounts for the difference between projections.

Mr. Barrett stated that his office has the same increase, not in the amount of money, but for the same reason, but the increase is in the first year. We are expecting it to come in the last quarter of the first year of the biennium. They have it coming in the first quarter of the last year of the biennium.

Mr. Dolan stated that the information his office has is that the MGM Hotel will open in May of 1978. If we understand the advance fee procedure, those fees would be paid in October of the 79 fiscal year.

Mr. Dolan stated that both offices are projecting a 12% increase in the largest fee, which is the quarterly state license fee.

Mr. Sparks stated that the only other area of major difference is in the Casino Entertainment Tax and for the current fiscal year his office's projection is 13.3%, compared to 11.5% by the Budget Division. For the next fiscal year, the 1978 fiscal year, his office does project a little bit higher in Casino Entertainment Tax, 7.9% compared to 7%. This is based on new hotels and the fact that even though some of the casinos have discontinued dinner shows, there are now cocktail shows and an admission price, which is subject to the Casino Entertainment Tax. His office feels that that should somewhat offset the loss of the casino entertainment revenue from not providing the dinner show.

Mr. Sparks stated that the 1979 fiscal year, Fiscal Analysis projects a 9.5% increase in casino entertainment compared to 6% for Budget. This is based on the new hotels opening.

In summary, last year's total general fund increase was 9.9%. The Budget Division projects that this year it will increase by 9.6% and Fiscal Analysis projects 10.1%. For the next year the Budget Division projects 10.5% and Fiscal Analysis projects 10.6%, and for the 79 fiscal year the Budget Division projects 10.1 while Fiscal Analysis projects 10.9%. As you can see, each percent difference now produces almost 2 million dollars so that, for example, if we differ by one-half of one percent, this is approximately a million dollars.

Fiscal Analysis revenue projections exceed the Budget Office Projection in total for the next three years by \$4.9 million. In addition Fiscal Analysis reversion projections exceed the Budget Division by \$4.4 million, for a total of \$9.4 million difference between 1977 and 1979.

Chairman Mello asked how Fiscal Analysis faired in comparison with the Budget Division on projected revenues for this present

biennium. Mr. Dolan stated that both offices were not very close and by the second year Fiscal Analysis about \$600,000 to \$700,000 lower than the Budget Division. Mr. Dolan stated that Fiscal Analysis was close with the sales tax, but missed in gaming tax. Budget was closer with the gaming tax and missed by more than Fiscal Analysis in the sales tax. Fiscal Analysis had projected more in reversions than the Budget Division. In retrospect I say neither office was really that sharp because of the uncertain economic conditions we were experiencing.

Commenting on the differences in projections, Mr. Dolan stated that on the Sales and Use Tax, Fiscal Analysis was higher, but in deference to Mr. Barrett, had the advantage of the December figure since Fiscal Analysis went to print after the Budget Division. On the Gross Receipts Tax in the gaming, what scares people is the first quarter 1976-77 where we only had a 6.6% increase. As I recall that was really business done in April, May and June (on a cash basis these taxes were paid in July and August). This reflected the strike that we had in Las Vegas at that time and that is one reason why we had only a 6.6% increase in that tax. By the second quarter (business done in July, August and September) and received by the end of December, the taxes came back strong 11.6%. So even with the strike producing a bad low first quarter, to date we are 9.2%. We will have third quarter figures in February or March and we can come back to you at that time. Mr. Dolan stated that an area where Fiscal Analysis was a little lower than the Budget Office was in the liquor tax, and as Mr. Barrett indicated the latest figures show that these are running lower. Again, Fiscal Analysis had the advantage of later data.

Mr. Dolan stated that if the estimates on property tax and sales tax are increased, there is not only an impact on the General Fund, but it will have a pretty good impact on the Distributive School Fund budget. We will have to take a look at that and bring these figures back to your attention later.

Senator Young asked if anyone wanted to hazard a guess about the long range implications of Atlantic City.

Mr. Sparks stated that his office had asked the State Gaming Commission and the Gaming Commission's answer is that they do not expect any major ramifications, but nobody is willing to make much of a judgment at this time.

Senator Lamb stated that he did not think that Atlantic City was going to hurt Nevada so much, but if Florida passes a gaming law, there may be some implications.

The meeting was then recessed at 9:05 a.m.

The meeting reconvened at 9:55 a.m. Chairman Mello introduced the following bills:

BDR S -625. Makes an appropriation from the state general fund to the Secretary of State for microfilming. These are bills relating to those appropriations that we just went through. This one is for \$66,560. Chairman Mello asked for a motion for introduction by Ways and Means. Motion by Mrs. Brookman, seconded by Mr. Bremner. Motion approved.

BDR S-595 General Fund appropriation to the reserve for statutory contingency fund. This one the Committee went through and is in the sum of \$272,187. Motion for introduction by Mr. Bremner, seconded by Mrs. Brookman. Motion approved.



BDR S-594. Appropriation from the State General Fund to Stale Claims Fund account - \$81,453. Motion for introduction by Mr. Glover, seconded by Mr. Howard. Motion approved.

BDR S-593. Appropriation for the State General Fund to Emergency Account - \$57,516. Motion for introduction by Mr. Bremner, seconded by Mr. Vergiels. Motion approved.

BDR S-527. Additional and supplemental appropriation for the support of Health Division of Department of Human Resources for \$720,000. Motion for introduction by Mr. Hickey, seconded by Mrs. Brookman. Motion approved.

Chairman Mello said these bills will be introduced by Ways and Means and referred to Ways and Means.

The meeting was adjourned at 10:00 a.m.

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