

A Committee of the Whole was called to order at 8:35 a.m. in the Assembly Chambers by Chairman Bob Price. The purpose of the committee was to discuss the Assembly proposed tax package, AB 616.

Chairman Price began by stating that members of the Taxation Committee would present a brief overview of the bill and what the committee had been working on for the past 60 days.

A brief overview of the bill is attached to these minutes as Exhibit A. Mr. Bergevin explained the spending cap aspect of the bill, Mr. Tanner the removal of sales tax on food, Mr. Craddock explained the tax rate that accomplishes the tax reduction, Mr. Mann explained the limits on state spending and the trigger which reduces the tax rate to local government further and finally Mr. Weise explained the override that is built into the spending limitations.

Mr. Price explained that the committee had looked at various approaches to the problem, one of which was Question 6; however, they had discarded this as being unfair and possibly unconstitutional. Also discussed was the possibility of reducing the percentage of assessed valuation but decided that this would destroy bonding capacity. This final bill has three major parts, which are spending cap, reduction of rate and removal of sales tax on food.

Mr. Craddock explained briefly the process by which the committee had arrived at the tax rate of \$3.64 in lieu of the \$5.00 which presently exists. The \$5.00 is set constitutionally but the \$3.64 will be by statute. Mr. Craddock finished by stating that the committee does feel that the \$3.64 rate is adequate with plenty of room for even slight expansions of some services with some conservation measures.

Mr. Bergevin explained the local government "cap" on spending. He stated that in the Governor's State of the State message, he recommended that a cap be placed on the local governments based on the 1974-75 spending year. The committee had found this to cause tremendous inequities and regression of spending patterns. They also looked at some averaging of expenditures for various years and averaging CPI and none of these appeared to give the equities needed. The committee finally decided on the plan which is included in the bill and explained in the overview of the bill. There is a method in the bill whereby the people can appeal if they feel that the factors that have been attested to by the Governor or by the State Board of Education are wrong. Basically what the cap does for the various school districts, cities and counties is that it gives them a 12.1% increase from their present budget. It actually decreases from their proposed budget for the coming year.

Mr. Price pointed out that the committee has asked for a resolution to be drafted which would place the \$3.64 limit into the Constitution.

Mr. Price stated that he would like to stress that this bill would not cut back any money to the school districts on this year's budget but would only limit increases in the future. This would allow for an increase of 6.2% over last year's budget as opposed to a 6.8% increase proposed by the Senate bill. What the committee was attempting to do is not to go backwards but to level out.

Mr. Mann stated that one of the problems that the committee had to address was the California experience, where they passed Prop. 13 and ended up with a \$5,000,000,000 surplus. He added that they had been advised that they would destroy the bonding indebtedness if they try to move the net 1.7 down to a net 1.

Mr. Mann pointed that the trigger mechanism should address the issue without destroying the bonded indebtedness and will give the people the advantage of not having the ever increasing inflation factors. He explained that the committee had placed a trigger in the bill whereby once the budget surplus which the finance committees end up with was reached and was exceeded by 12%, it would automatically trigger those additional tax monies back through the Distributive Education Fund to lower the ad valorem tax within the local areas, involving the 50¢ that is still available. This would drive the property taxes lower, so that even if the people might be paying an inflated property tax because of housing values they would never have to pay the dollar amount in taxes.

Mr. Price pointed out that they feel that this is a "clean bill", which is easy to administer and will cause no additional employees to be hired. The bill also has no constitutional questions as the taxation is equally applied as is required under the constitution.

Mr. Dini stated that he had requested an opinion of legal counsel, Frank Daykin, concerning the constitutionality of the bill. This letter is attached to these minutes as Exhibit B.

Mr. Tanner then explained how the bill provides for the removal of sales tax on food for human consumption. This would be effective July 1, 1979 and would be accomplished by a special election to be held June 5, 1979, at which time the question would be put to the people. The original tax was approved by the people by referendum and can only be removed by a vote of the people. Mr. Tanner pointed out that the removal of sales tax on food is covered in the bill from page 13-36 and those foods exempt are tied to those foods covered by food stamp coupons as prescribed by the Department of Agriculture. He stated that the committee had determined that this was the simplest way to handle this from an administrative point.

Mr. Price stated that in answer to many questions regarding the impact of this on the stores, he would like to say that 23 states that have large metropolitan areas exempt tax on food. Therefore approximately 75% of the people in the United States do not pay any tax on food for human consumption. He added that they had written letters to the various companies that produced sales registers for stores and they had been advised that there were no problems with removal of tax on some things and not others.

Mr. Price pointed out that Don Peckham, Washoe County Assessor's Office, Gary Milliken, Clark County Assessor's Office, and Homer Rodriguez, Carson City Assessor, were seated in the chamber and asked these men if they would have any problems with administration of the bill. They all agreed by nodding their heads that there would be no additional impact, no additional costs, no additional staff that would have to be hired by the assessor's offices.

Roy Nickson, Department of Taxation, stated that he had reviewed AB 616 and found no additional administrative costs to the Department of Taxation. The auditing of food stores will remain the same. The clerks are already trained on taking food stamps and it will be very simple for management to instruct these clerks to now utilize the same criteria in determining which items are no longer subject to the sales tax. The equalization of taxes is not effected and the Department will still be able to conduct ratio studies and assure that the county assessors are maintaining property values at the same equal and uniform level as is required by the constitution. Mr. Nickson ended by stating that no additional personnel will be required.

Mr. Weise explained the override that is built into the spending limitations. He stated that one of the amendments being proposed by Mr. Bremner would change the override from a 2/3 vote of those voting to a simple majority to enact. The Chief Executive can also override the state budget, in the event that there is an emergency. The principal override, however, makes a provision whereby local government entity having financial problems or is desirous of expanding their budget, can take it to a vote of the people and if it is passed by a 2/3 vote can override the cap for 2 year period. He stated that this is similar to Question 6 and that he felt in order to make this bill a saleable product this 2/3 should be left in.

To Mr. Mello's question regarding whether the Committee of the Whole would act on the amendments proposed, Mr. Price stated that they would make recommendations to the Assembly on the amendments.

To Mr. Weise's suggestion that some of the problems of Question 6 be given, Mr. Price produced a chart that he had developed showing one of the biggest inequities of Question 6 as far as constitutionality goes. This chart is attached to these minutes as Exhibit C. He explained that under Question 6 all property would be assessed at 1% of true value. Some property in the state is presently rising at a rate of between 17-22% a year. On the chart, Mr. Price has taken the value of 17% as a means of showing what can happen. Question 6 states that from the time that it starts, the first year that it becomes effective, the assessed valuation will be 1% but that the tax could only increase 2% a year. This means that the first year, value has gone up 17% but taxes have only increased 2% and so on and so forth. The only way that this can change is if the property is sold and is once again taxed at 1% of true value. Mr. Price pointed out that corporations do not actually sell but rather transfer stock. They would always stay under the 2%. The final effect of this would be that on the first year they would be paying

1% of true value, on the second year it would be .9% as tax burden, and the third would be .8% and so and so forth. Down the road, property tax as far as big business is concerned becomes almost nothing and the burden is shifted to the homeowner or the new property builders. Mr. Price went on to state that also under Question 6, all homes would be assessed at whatever taxes they were paying in 1975. Testimony before the committee pointed out that parts of the state had not been assessed for at least 15 years before 1975.

Mr. Craddock stated that he would move during the regular session to withdraw his amendment to the bill which is amendment #513.

Mr. Mann addressed amendment 550, by stating that it had been the philosophy of the committee to reject any renter rebate program as having many problems. A copy of this amendment is attached to these minutes as Exhibit D. Mr. Mann continued by stating that it would set up another bureaucracy and would cost about 3/4 of a million dollars to administrate. He also stated that many felt that it was a form of "double dipping" in that both the property owner and the renter would be given tax relief.

Mrs. Wagner inquired whether a local governing body could place 3 or 4 items on the ballot at one time with the description of that program for the voters. Mr. Weise replied that there was no limitation to what number could be placed on the ballot. Basically it would be a description of what the specific element was that was going to drive the budget over the limit. It probably could be done in one question and have various elements for each district. This is normally general fund expenditures within a particular county or school district.

Mr. Wagner went on to inquire if the committee had looked at some type of legislation that would require the landlord to pass through any property tax savings to their renters. Mr. Mann explained that it had been discussed but had been rejected because of the vast problems that have occurred in making someone pass on a savings. Committee had decided that the tax relief should go back to the property owner, period.

Mr. Price asked Mr. Nickson to address the problems of trying to administer a tax rebate system. Mr. Price further stated that the committee had felt that if there was some pass through legislation it should be handled by Commerce and not be part of the tax package.

Mr. Nickson stated that the rental rebate program would be somewhat difficult to administer. It is estimated that there is approximately 104,000 renters in the state and that the average rental paid is \$300/month. This would mean approximate rebate of \$180 to each individual who resided in an apartment for a minimum of 6 months. This is under SB 204. This could amount to \$9,000,000. To administer the program, they estimate that it would cost \$37,440 as startup costs alone. This would include a computer system and programing

to list every renter by their social security number and to list every parcel number established by the assessor. The assessor's would have to assign a sub-parcel number for each and every rental unit. They estimated that they would require 9 additional employees at a total annual cost of approximately \$250,000 per year.

Mr. Vergiels stated that he feels that any tax cut that does not allow all Nevadans a share of the proceeds is less than just. Renters comprise 35-40% of the population of Nevada. AB 616 completely ignores this group, many of whom are citizens who have helped build Nevada. Mr. Vergiels stated that he felt that they should rebate everyone or no one, and it is logical that renters should be considered in some way in this tax package. He stated that to this date there has been no formal opinion that a rebate for renters is unconstitutional. On the contrary, the legal counsel for the legislature has ruled in writing that this would not be unconstitutional and could be done. He stated that he would urge that support this amendment as it is the only avenue available to help the renter.

Mr. Mann stated that they were talking about a \$250,000 state cost and then every county will have additional costs. He added that Question 6 will not give any rebate to the renter. The Tax Committee did provide some tax rebates for renters in the form of the food tax and also in the form of household goods tax relief. He finished by stating that they do provide tax relief for everyone in the state and that they have done it on a constitutional level.

Mr. Weise stated that he would oppose amendment 550 and he pointed out some of the problems with it. He stated that he comes from a large rental district and in those districts he sees his voters lists purged by probably 75% each election because of transient nature of the people occupying them. He felt that what they were looking at was a horrendous problem of verifying these residencies. He added that there also were the problems of defeating fraud and that he could foresee having to have a police force to police this. He stated that if they believe at all in the free enterprise system, they would have to accept the fact that rebates to the property owner, being it the single family owner or the apartment owner, is going to have a large reduction in their property taxes, which if there is a competitive market at all, they are going to have to lower their rents in order to keep their tenants. He stated that if they start giving renter's rebates, they would perhaps see a mass increase in rents.

Mr. Weise stated that he felt that Mr. Tanner provided one of the most viable alternatives that does not require any statutory provisions. If you want to make rents a little bit more competitive, maybe these people should be looking at a slightly more sophisticated document and go to a triple net lease. This would have the rentor (the person paying the rent) be allowed to deduct that portion of the rent which is attributed to property tax on the income tax form. He stated that what they are looking at with this amendment is a million dollar administration, which means expanding government agencies at the state and local levels. They would be giving every person in the state a new number as far as the assessment rolls

go. Every piece of property in the state that is rented property a new number to go into the computers. They would have to keep track of what individual number is going on what parcel number and make sure that they have been there for six months. Mr. Weise stated that he felt that it would be a "nightmare that we just can't forecast". He continued that because of these problems and because of the relief that is available to the renters through the free enterprise system, he could see no need for it.

Mr. Craddock stated that he felt that as surely as the free enterprise works the renter will receive benefit from the tax package.

Mr. Tanner stated that in a renter's market, if he were an apartment house owner, he would use the triple net lease as a strong marketing tool, as described by Mr. Weise. He added that he was opposed to the amendment and that he personally was totally opposed to a rebate philosophy. He felt that it would only be a beginning of much larger problems down the road

Mr. Getto stated that he was opposed to the amendment as he felt it was a drastic step and deviation from property tax system and that it could "open up a can of worms". He cited the example of allowing a rent rebate to renters of household, then why not extend that concept to renters of equipment. He stated that the aim of the bill was to head off Question 6 and Question 6 does not allow any rebate to renters and he felt that this would be a "fool-hardy approach".

Mr. Vergiels stated that he had heard many different figures on the cost of the program. He also inquired what the committee had done with the senior citizen tax rebate as he would assume that with all the philosophical talk, that they were going to take that rebate away from the senior citizens in order to maintain consistency.

Mr. Price stated that the committee has a subcommittee working the senior citizen tax program and all of these bills will be following after this tax bill. He added that the committee had felt that it was prudent to get the tax package completed to see how far tax relief would go.

Mr. Vergiels inquired whether the subcommittee was going to come up with a formula other than the rebate to handle the senior citizen's problem. Mr. Price replied that the committee was working on several bills and would report back to the committee at a later date.

Dr. Robinson stated that he also objected to the amendment and that he felt that it was a form of double dipping in that the landlord receives a reduction as well as the renter getting the rebate. He added that the landlord would naturally be using the reduced property tax rate as part of their formula for establishing the rent. He stated that if this is passed on to the renter and the renter also gets a rebate then the renter has a real advantage over the property owner.

Mr. FitzPatrick stated that he had just done some figuring and had came up with the conclusion that the renter would get 8% more back on the tax rebate then if he owned the property.

Mr. Glover inquired whether the cap would effect local government capital expenditures, if a city were prudent enough to save enough money to build a public building or something like that. In one year they could spend millions of dollars on this.

Mr. Bergevin stated that they had not really addressed capital expenditures from the operating budget. He continued that the cap does not exclude capital expenditures that are voted upon by bond issue. He stated that he would guess that if they were able to generate that kind of money, which he didn't feel that they would be able to do under the spending limitations, they could handle it.

Mr. Glover continued by asking if the committee had information on what has happened in the State of California on the suspension of their bond sales.

Mr. Bergevin stated that the committee had no information on this. He continued by stated that \$3.64 tax that is being proposed as the limitations is exactly the same as the present \$5.00 limit. The \$1.36 limit that they are taking off is being picked up from the state general fund so the various districts have exactly the same leeway as they did under the \$5.00 rate.

Mr. Glover stated that reason he asked is that they are considering AB 616 to be an alternative to Question 6. It has been pointed out that Question 6 has inequities in the area of bonding.

Mr. Bergevin stated that the difference between Question 6 and this is that Question 6 will decrease the assessed value. The bonding capacity of various districts is based upon a percentage of the assessed value. AB 616 does not destroy or even bother the assessed value or assessment procedures. Therefore the bonding capacity of the various districts will remain in tact and will grow as the assessment grows.

Mr. Vergiels stated that senior citizens who are renters, who presently can qualify, can receive a 17% reduction based upon their income. He stated that he felt that as they get down to the end of the session that they will probably come up with alternative where senior citizens may be able to have a tax deferral program in lieu of or replacing the present program on rebates. He could see no place where they were actually going to do away with the present break for senior citizens who are renters or homeowners. He stated that he would like to see some consistency because he has heard a lot of why this bill is philosophically correct. He stated that he would hate to see senior citizens who are renting receive a rebate and yet defeat this amendment on the basis of some philosophical platform.

Mr. Price interjected that the committee was addressing the senior citizens at this point but that should this pass the senior citizens will get this property tax break as well as the additional tax break that the presently get. The only rebate in the statutes is the existing rebate for senior citizens and the committee has not seen fit to extend that rebate to all citizens.

Mr. Tanner stated that this amendment would require an additional \$15,000,000 tax reduction over the next biennium.

Mr. Vergiels stated that he was not sure what the cost was but that he felt that all Nevadans should be treated equally. He felt that perhaps there may be attempts in conference to place other special categories into the bill. He added that he wished that the committee had some provisions for renters.

Mr. Tanner continued by stating on the second page of the amendment which refers to page 36 of AB 616, the amendment calls for a change from \$57,800,000 to \$84,000,000 about a \$25,000,000 increase. The third page of the amendment then changes \$79,900,000 to \$110,000,000. This would total about a \$55,000,000 increase in the cost of the relief and would totally destroy the whole concept of the bill.

Mr. Vergiels replied that the bills makes sure that 55-65% of the people share in the tax relief but that he felt that it should be to all of the people. The total costs for all of the people should have been included in the original figuring of costs.

Mr. Weise stated that he felt that they were not being unfair to the renter in that they are not the ones who pay the property tax. Rents are determined on operating expenses and one of the elements of this is indeed property tax. However, Mr. Weise stated that he believes that vacancy factor is one of the most important factors in rental costs. He added that in order to remain competitive he felt that they will have to reduce their rates to keep their renter from going someplace else. The people who are paying property taxes, people in single family homes, people who own real estate of any type, are the people who are generating the tax dollar. He continued that the people who are renting are one of the largest consumers of the services in comparison to the people who are paying the taxes. He added that approximately 51% of the county government comes from the property tax. He stated that there are a lot of the people paying this tax in the state and that it is one of the "lousiest taxes that ever was around". Both sales and income taxes are a fair tax, although Mr. Weise stated that he was not advocating an income tax. In these taxes you pay for what you get. According to Mr. Weise the relief should go to those who are paying it.

Mr. Weise continued by commenting on the California experience, where the property taxes went down and immediately all license fees and other fees went up. Landlords got stuck with auxiliary taxes which did away with the tax relief. San Francisco, within 6 months after Prop. 13, was generating just as much revenue as they did before because they went to other fees and other sources to get that money.



Mr. Weise continued that the committee was attempting to get away from the property tax by building in a provision with a trigger mechanism which would make it go down an additional 18¢. If the economy continues at it has, perhaps they will be able to get away from the property tax and provide some real relief to everybody.

Mr. Weise finished by stating that the senior citizen rebate does not go to everybody over 65 but to just those who are making a very minimal income. He added that the two are not compatible at all (renter and senior citizen rebate).

Mr. Price stated that he felt that they had thoroughly discussed amendment 550 and asked that discussion now move to amendment 514. A copy of this amendment is attached to these minutes as Exhibit D.

Mr. Bremner stated that the amendment merely amends section 11, line 17 of page 6, by removing the 2/3 and inserting majority. He stated that the reasoning for this is that any expanded service that is approved by a vote is sunsetted in two years so it would have to be reapproved by the voters in a subsequent election. The other reason is that by imposing a 2/3 vote they are creating legislation by the minority and giving extra weight on the "no" vote as compared with the "yes" vote. It would take twice as many yes votes as no votes to expand the service. Over 60% of the people could approve of the expansion but it would not go into effect because it was not a 2/3 majority. Mr. Bremner stated that he felt that this was negative thinking.

Mr. Dini stated that he also would support this amendment. He stated the example that a majority of the voters could approve a bond issue for a school but it would take 2/3 majority to open the school, to override the cap on spending. He added that he would like to comment on the whole cap concept. He stated that the cap on spending assumes that all local governments are doing a bad job and spending too much money. He continued that he had seen no documentation that proved that local government were indeed doing a bad job. Mr. Dini commented that he felt that there already are some caps put on local government spending by the legislature, where it sets local government salaries and there also is the 95% rule. The legislature also approves the Distributive School Fund based on student allocations. This is a cap in that the legislature tells each school district how much money they can spend for each student in their district. The cap would have disastrous effect on those counties that have "low wealth" and there are 5 counties that are in this category. If the cap goes on those school districts, those districts could not utilize all their funds because they are not in total tentative budget that was proposed.

Mr. Dini continued by stated that he felt that special fire districts and improvement districts needed to be addressed. He cited the example of Lyon County which has been behind in reassessments. Because of heavy population increase it is necessary there to provide additional fire protection. However, with the cap they will not be able to pay the one paid fireman that they were ready to hire.

Mr. Dini cited other examples of what the cap on spending could do to small isolated areas of the state, such as Fernley where there have been poor reassessment periods caused by fast growth.

Mr. Dini referred to the sheets provided by the Fiscal Analysis Division which shows various effects this cap and the tax relief will have on local government. This is attached to these minutes as Exhibit F. He pointed out that there are at least 15 local governments in the state that are going to be tremendously impacted by the cap on spending.

Mr. Dini stated that he had earlier proposed to have a graduated cap. The first year have a 90% of CPI and the second year to have 80% CPI. This would allow the legislature to oversee these local governments to be sure that none of them get into trouble. He continued by stating that the state cap is merely window dressing as the legislature can change it.

Mr. Dini stated that the Local Government Budget Act, which is NRS 354, allows the federal government to give areas that have large amounts of public lands funds in lieu of taxes and under this cap they couldn't spend it. He added that it would be impossible to take care of all these local problems as the legislature only meets every two years. The local level must be allowed to take care of them. Mr. Dini went on to state that the Dodge Act allows for binding arbitration. He stated that the cap does not treat all local governments the same. They are not all coming out of the "same starting gate onto the same track". There is a great deal of disparity between local governments and what this cap will do. He finished that he is opposed to the concept of caps on local governments at this time without doing it gradually.

Mr. Craddock stated that he had some problems with the minority rule question. However, when contrasting it with Question 6 he could find some justification for it. He added that he felt that local jurisdictions have set our tax bill under the constitutional limits. He stated that he felt that the tax problem on the whole was created, on the local level, by a majority vote of either the people or their local governing boards. Without the large majority vote he feels that they may have more of the same happen. As far as the inequities of effects on various local governments, Mr. Craddock stated that the committee did realize that it existed. They have attempted to come up with the best possible method which will hurt the least amount of people. He finished by stating that he feels that the local autonomy is what has brought them to where they are today. The committee had to start from somewhere and they feel that this is equitable as possible.

Mr. Hickey stated that he also would support this amendment. He felt that a simple majority should be able to decide the answer to problems.

Mr. Horn stated that it was true that with the 2/3 voter approval nothing bad could be approved but at the same time 1/3 plus 1 vote would actually decide any issue. He stated that he would

support the concept of the amendment as the 2/3 vote was negative thinking.

Mr. Mann stated the Question 6 addresses itself to the fact that the people are tired of spending patterns of local governments. People want a change. California passed their Prop. 13 without a spending cap and thus there was no relief in that other fees were raised. They have now just qualified for the next election a spending cap initiative. Education gets the main source of dollars in the budget. If spending isn't reduced they might as well not give any tax relief, because Question 6 will definitely be passed by the people. The people want tight budget and the legislature must make local government address themselves to this fact.

Mr. Price explained that the committee is having a bill drafted which would allocate \$1,500,000 to Interim Finance so that an entity could come and plead their case, should they get into a real bind, and receive some funds. They also have an amendment coming that would enact constitutionally a state spending cap.

Mr. FitzPatrick stated that he would support the points put forth by Mr. Dini. He added that they have a problem in Clark County with the police department, which claims that they don't have enough money. The problem with the bill is the spending cap and the fact that it uses only 80% of CPI. The override will mean that they will have to go to the people and ask for an election before the bill even gets on its feet. Also they will never be able to keep up with inflation under this concept.

Mr. Jeffrey stated that he would support the amendment. He stated that very few people actually understood Question 6 and that he feels they are not any better educated at this time. He stated that he has no doubts that Question 6 will pass again. As far as the spending caps are concerned, if the people want this type of thing they can put them on themselves. He stated that he felt that this was not a responsible way to run government. There are some caps already on local government and there will continue to be. The main item of Question 6 that the people want is to have it in the constitution.

Mr. Malone presented some prepared comments on the expenditure cap and its effect on education. These comments are attached to these minutes as Exhibit G.

Mr. Craddock pointed out that the cap on spending is not limited to 80% of CPI but does have other factors such as population and enrollment. In addition to that there is the public safety override, where local boards can take problems should life or property be endangered.

Mrs. Cavnar stated that appears that there are just as many concerns over the Assembly package as over Question 6. She would suggest that they take Question 6 and ask for an emergency court decision as to its constitutionality. This would give further time for them to debate and consider this package.

Mr. Weise stated that he felt that they really needed to look at political reality with this amendment. The district that Mr. Dini represents will be hurt no matter what the committee came up with. The committee will have to do something that will help that district by itself. The amendment however, would move the bill away from Question 6 principal. If they are going to develop a tax package that is saleable, they have to stay somewhat along the guidelines of Question 6. He added that he feels that the people do not want Question 6 in its pure form. However, the people do want a large number of people to be required to vote in order to go over budget.

Mr. Weise added that the committee is also drafting an constitutional amendment to place the \$3.64 into the constitution to sell the people that there will be some limits which the legislature can not come back in and change. Mr. Weise continued by stating that Question 6 would be "pure hell" for local governments and so there has to be something that they can sell to the people as being better then Question 6.

Mr. Rusk stated that he does feel that local governments have done a rather good job from what he has heard in the committee. However, in the recent years when the assessed values were rising at a very high rate, he stated that he could assure everyone that the local governments were trying to spend every nickel that they received. Every expenditure could probably be defended but the whole reason for tax reform is to come up with caps on spending. There is going to be an increase in revenue for local and state governments to continue to utilize. There is built in to what is being considered, safeguards to have the flexibility to answer any problems that get out of hand.

Mr. Rusk finished by stating that he was opposed to amendment 514 even though he feels that a majority vote would be fair. This would move the package further away from Question 6 and make it harder to defeat.

Mr. Hickey stated that in his travels around the state that he has found that many of the people who originally voted for Question 6 are reconsidering their actions. He still would like to see a simple majority be placed in the bill.

Mr. Tanner stated that in his opinion the tax cap was the foundation of the tax package and without it there would be no meaningful tax relief. He added that he felt that the situation must be drastic to override and that would be why he felt the 2/3 majority should be left in.

Mr. Mann moved that the committee of the whole recommend that the Assembly not approve amendment 550. Mr. Tanner seconded the motion. Mr. Malone stated that he had a conflict of interest. Mr. Vergiels stated that he felt that the motion should be amended to reflect the affirmative. It was pointed out that all those present would be voting, not just members of the Taxation Committee.

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Mr. Weise called for a roll call vote. Mr. May pointed out that a Committee of the Whole could not order a roll call vote. He read from Mason's Manual 462 Section 665, Limitations on Committee of the Whole. Mr. Price stated that he would allow a standing vote if the members so desired.

The motion on #550 carried. The committee will recommend to the body of the Assembly that they not accept amendment 550.

Mr. Bremner moved that the committee recommend that the Assembly do adopt amendment 514. Mr. Hickey seconded the motion. The motion was defeated with a standing vote of 16-22.

Mr. Mann moved that they recess the Committee of Whole and report back to the Assembly. A copy of this report is attached to these minutes as Exhibit H.

Respectfully submitted,

*Sandra Gagnier*  
Sandra Gagnier  
Assembly Attache

STATE OF NEVADA  
LEGISLATIVE COUSEL BUREAU

LEGISLATIVE BUILDING  
CAPITOL COMPLEX  
CARSON CITY, NEVADA 89710



EXHIBIT A  
LEGISLATIVE COMMISSION (702) 885-5627  
DONALD R. MELLO, *Assemblyman, Chairman*  
Arthur J. Palmer, *Director, Secretary*

INTERIM FINANCE COMMITTEE (702) 885-5640  
FLOYD R. LAMB, *Senator, Chairman*  
Ronald W. Sparks, *Senate Fiscal Analyst*  
William A. Bible, *Assembly Fiscal Analyst*

ARTHUR J. PALMER, *Director*  
(702) 885-5627

FRANK W. DAYKIN, *Legislative Counsel* (702) 885-5627  
JOHN R. CROSSLEY, *Legislative Auditor* (702) 885-5620  
ANDREW P. GROSE, *Research Director* (702) 885-5637

A.B. 616  
April 5, 1979

MEMORANDUM

TO: Assembly Taxation Committee

FROM: Fiscal Analysis Division

SUBJECT: A.B. 616--Fixes statutory limits on state and local expenditures, the general tax rate and provides major tax relief.

A.B. 616 is a comprehensive tax reform bill that provides for substantial tax relief for Nevadan's through the property tax and sales tax and places limitations on future growth of state and local expenditures. This bill provides for across-the-board property tax relief for all property owners by lowering the maximum combined tax rate, providing state funding to replace the taxes lost, exempting sales tax on food, triggering additional property tax relief if state revenues exceed expectations, limiting requested state expenditures and limiting local government expenditures.

Across-the-Board Tax Relief. (Section 2, Page 1)

The bill statutorily reduces the maximum constitutional \$5.00 property tax rate to \$3.64 on each \$100 of assessed valuation. This new rate is the maximum for all public purposes and cannot be exceeded. This tax rate cut is accomplished by the state giving up its 25¢ levy, repealing the requirement that counties contribute 11¢ for the state's Title XIX (Medicaid) program and state funding \$1.00 of the current \$1.50 school levy through the Distributive School Fund. This will save the taxpayers approximately \$169,651,000 during the next biennium and amounts to a 27.2 percent property tax reduction. A companion bill, A.B. 58, exempts household personal property which would save the taxpayers an additional \$7,500,000 over the biennium. Bonded indebtedness (Section 3, Page 1) will enjoy the same privileges under the \$3.64 rate as it now does under the \$5.00 rate. No local government will lose any portion of their tax rate because of the \$3.64 limit since the state would fund the entire amount.

Assembly Taxation Committee  
April 5, 1979  
Page 2

The \$1.00 share of the current school levy would be accomplished by eliminating the current 70¢ mandatory levy and reducing the current 80¢ levy for schools to 50¢. In addition, the bill would make this remaining 50¢ levy wholly optional, placing schools on the same basis as other local governments when setting property tax rates (Section 16, Page 9).

Trigger Additional Tax Relief (Section 159, Page 36)

The bill provides that even greater property tax relief may be granted if state sales and gaming revenues exceed expectations next year. The first three quarters of FY 1979-80 would be compared with the first three quarters of FY 1978-79 and if these two taxes exceed their 1978-79 levels at that point by 12 percent or more additional relief would be triggered in 1980-81 through the Distributive School Fund. This relief is accomplished by cutting the allowable school rate of 50¢ even further and providing equivalent funding through the school fund.

Sales Tax on Food (Section 30 through 153, Page 13 through 36)

The bill provides for the removal of the sales tax on food for human consumption effective July 1, 1979. To accomplish this, a special election is ordered on June 5, at which time the question would be put to the people. Since the original state sales tax was approved by the voters in a referendum, the tax on food can only be removed by a similar vote. The removal of the tax on food would save Nevada consumers an estimated \$44,500,000 over the next two years.

Included in the ballot question on the food tax are provisions which, if approved by the voters, would make all the administrative provisions of the Sales Tax Law statutory and subject to change by the legislature. Currently, provisions of the law can only be changed by the voters. Tax rates and exemptions from the tax, however, would be left in the control of the voters.

Growth of State Government (Section 9, Page 4)

The bill provides that the Executive Budget submitted for approval to future legislatures must be limited by growth in state population and inflation. Under this proposal, the 1975-77 biennium becomes the expenditure base and increases are allowed from July 1, 1974, for both population growth of the state and inflation. Since one legislature cannot bind another, this limitation acts only on the budget that may be recommended to the legislature and not on what future legislatures may approve.

Growth of Local Government (Section 11, 12 and 13, Page 5 to 8)

The bill provides for an expenditure "cap" on all levels of local governments that receive property taxes. These limitations are tied to the local entities' current year budget as a base and are allowed to increase for population or enrollment increases and a modified inflation factor. Population increases are those from before the base year to the year in which the new budget is being prepared as certified by the Governor. If a local government disputes its estimated population, they may appeal to the Nevada Tax Commission, whose decision is final. Enrollment increases for schools are those certified by the State Board of Education in the base year to those projected for the budget year. If actual enrollments during the year for which the budget was prepared are more than .5 percent from the projected, the school district must adjust its budget accordingly. The inflation factor is 80 percent of the last five years average increase or decrease. This factor will change each year as the oldest year is dropped off and the newest year added to the Consumer Price Index. This provision has the effect of smoothing out increases caused by rapid inflation and more closely resembles the Gross National Product implicit deflator which had been recommended to the committee as an appropriate inflation indicator.

The bill provides that the "cap" may be overridden by the governing body of the local government to meet situations that threaten life or property, with the approval of the Nevada Tax Commission. In addition, an override may be obtained for new programs or increased spending by a two-thirds vote of the people. Such an approval expires after two years.

Appropriations (Section 157 and 158, Page 36)

The bill contains appropriations to the Distributive School Fund to fund the cost to the state of the tax relief program. These appropriations include the trigger amounts.

	<u>1979-80</u>	<u>1980-81</u>
Schools \$1.00	\$57,816,000	\$67,731,000
Trigger		12,200,000
Loss from Food Tax	6,900,000	8,000,000
	<u>\$64,716,000</u>	<u>\$87,931,000</u>



Assembly Taxation Committee  
April 5, 1979  
Page 4

Self-Destruct Provision (Section 161, Page 38) (Section 56.2,  
Page 14)

The bill provides that the property tax relief, expenditure limitations and exemption of sales tax on food shall expire by limitation should Question 6 pass in 1980.

Recap

Under this proposal, taxpayers in Nevada will realize tax savings estimated at \$105,730,000 in 1979-80 and up to \$135,521,000 in 1980-81, depending on state revenues. In addition, expenditure limitations may produce additional savings to Nevada taxpayers in many areas of the state.

ca

STATE OF NEVADA  
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING  
CAPITOL COMPLEX  
CARSON CITY, NEVADA 89710



LEGISLATIVE COMMISSION (702) 885-5627

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Arthur J. Palmer, *Director, Secretary*

INTERIM FINANCE COMMITTEE (702) 885-5640

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March 29, 1979

Assemblyman Joseph E. Dini, Jr.  
Assembly Chamber

Dear Joe:

You have requested my opinion whether Assembly Bill No. 616, which limits expenditures by school districts as well as other local governments to those of the current fiscal year adjusted for inflation and population and which changes the tax rates which may be levied for schools, would violate the provisions of the Nevada constitution. The principal provisions with which you are concerned are Nev. Art. 11, §§ 2 and 6, which respectively provide:

Section 2. Uniform system of common schools. The legislature shall provide for a uniform system of common schools, by which a school shall be established and maintained in each school district at least six months in every year, and any school district which shall allow instruction of a sectarian character therein may be deprived of its proportion of the interest of the public school fund during such neglect or infraction, and the legislature may pass such laws as will tend to secure a general attendance of the children in each school district upon said public schools.

Section 6. Support of university, common schools by direct legislative appropriation. In addition to other means provided for the support and maintenance of said university and common schools, the legislature shall provide for their support and maintenance by direct legislative appropriation from the general fund, upon the presentation of budgets in the manner required by law.

Section 6 has been construed only by saying that it is intended to support the system established in part by section 2: State ex rel. Keith v. Westerfield, 23 Nev. 468 (1897).

Assemblyman Joseph E. Dini, Jr.  
March 29, 1979  
Page 2

Section 2 has been construed to permit the legislature to go beyond its requirement by prescribing a school year longer than 6 months--State ex rel. Cutting v. Westerfield, 24 Nev. 29 (1897)--and to make school districts the instruments of the legislature in providing for "the education of children." Hard v. Depaoli, 56 Nev. 19 (1935), at page 30. The phrase "uniform system of common schools" seems to require that schools be provided in each county, for the number of days required by the legislature and giving whatever courses of study the legislature directly or through the state department of education requires.

The effect of the provisions of A.B. 616 concerning the rate of property tax for schools simply have the effect of shifting some of the cost from local property taxes to the state distributive school fund. Thus section 16 abolishes the 70-cent mandatory level while section 15 removes it from the calculation of local resources, and section 16 reduces the 80-cent optional levy to a maximum of 50 cents while section 14 replaces this by adding an equal amount to the calculation of need. All this is quite consistent with the provision of Nev. Art. 11, § 6, for direct legislative appropriation for support of the common schools.

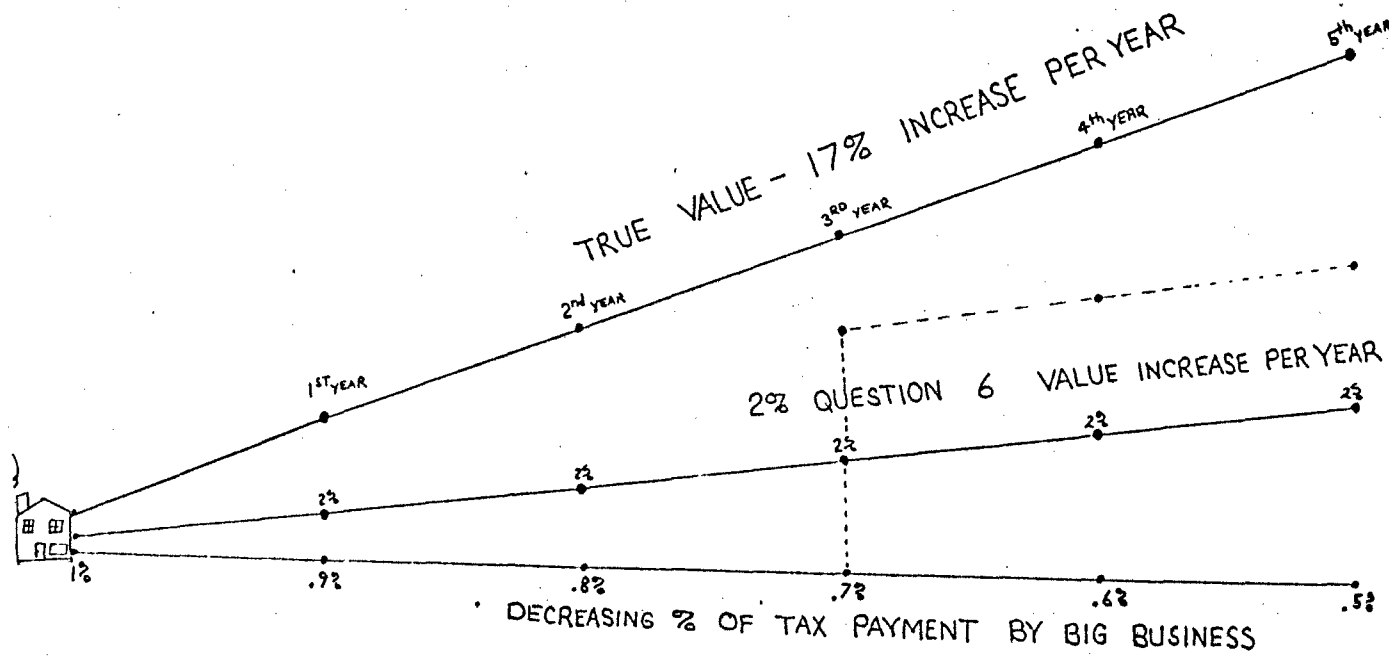
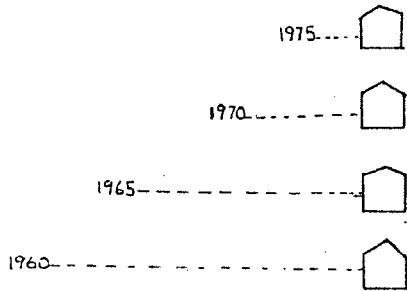
The effect of the provisions limiting expenditure apply uniformly to all school districts: the same year is taken as the base, the same factor is applied for inflation, and the individual changes of enrollment are taken into account. Imposition of the legislative will upon the school districts by limiting their expenditure is certainly consistent with Hard v. Depaoli, supra. I see nothing in any of these provisions which would conflict with the Nevada constitution.

Very truly yours,



Frank W. Daykin  
Legislative Counsel

FWD:cb



1. CAVNAR	77.5%
2. MANN	76.1%
3. BREMNER	74.7%
4. MALONE	75.4%
5. BRADY	77.9%
6. BENNETT	65.6%
7. CHANEY	66.2%
8. ROBINSON	78.6%
9. TANNER	74.5%
10. VERGIELS	76.4%
11. BANNER	73.9%
12. FITZPATRICK	78.2%
13. HAYES	79.1%
14. STEWART	75.9%
15. HORN	79.9%
16. HARMON	80.2%
17. PRICE	74.3%
18. HICKEY	74.4%
19. MAY	71.9%
20. CRADDOCK	72.8%
21. SENA	73.5%
22. JEFFREY	75.5%
Seat Name	% Yes vote

Question 6 Vote  
(Clark County)

APR 9 1979

## 1979 REGULAR SESSION (80TH)

ASSEMBLY ACTION		SENATE ACTION		Assembly	AMENDMENT BLANK
Adopted	<input type="checkbox"/>	Adopted	<input type="checkbox"/>	AMENDMENTS to	Assembly
Lost	<input type="checkbox"/>	Lost	<input type="checkbox"/>		<del>Senate</del>
Date:		Date:		Bill No.	616 <del>Resolution No.</del>
Initial:		Initial:		BDR	32-2043
Concurred in	<input type="checkbox"/>	Concurred in	<input type="checkbox"/>	Proposed by	Mr. Vergiels
Not concurred in	<input type="checkbox"/>	Not concurred in	<input type="checkbox"/>		
Date:		Date:			
Initial:		Initial:			

Amendment N<sup>o</sup> 550

Consistent with Amendments Nos. 513 and 514.

Amend section 1, page 1, line 2, by deleting "2 and 3" and inserting "2 to 3.6, inclusive,".

Amend the bill as a whole by adding six new sections, designated as sections 3.1 to 3.6, inclusive, following section 3, to read as follows:

"Sec. 3.1. 1. A person who has maintained his primary residence for at least 6 months of the preceding fiscal year in one rented home or in a mobile home on one rented lot is entitled to a refund of 4.9 percent of his rent paid during that fiscal year.

2. For the purposes of this section, "rent" means the payment made under a bona fide lease or other rental agreement for the right to occupy a home or the lot on which a mobile home is placed. The term does not include any amount paid for utilities, fuel or furnishings.

Sec. 3.2. 1. A claim for a refund must be filed with the department between July 1 and October 31, inclusive, in such form and with such proof as the department may require. After examination, the department shall not later than February 15:

(a) Notify the claimant by registered or certified mail that his claim is denied; or

(b) Pay the refund to which the claimant is found to be entitled from the tax abatement account.

2. Only one renter may file a claim for any home or lot for any one period, but successive renters may file claims for one home or lot for different periods.

3. Each claim for a refund filed with the department is a public record open to inspection.

Continuation Page 1ASSEMBLY BILL NO. \_\_\_\_\_  
ASSEMBLY JOINT RESOLUTION NO. 61655 ASSEMBLY AMENDMENTSENATE BILL NO. \_\_\_\_\_  
SENATE JOINT RESOLUTION NO. \_\_\_\_\_

SENATE AMENDMENT

Sec. 3.3. 1. A claim for a refund must be filed with the department between July 1 and October 31, inclusive, in such form and with such proof as the department may require. The claim must contain the identifying number of the rented home or mobile home lot. After examination, the department shall not later than February 15:

(a) Notify the claimant by registered or certified mail that his claim is denied; or

(b) Pay the refund to which the claimant is found to be entitled from the tax abatement account.

2. Only one renter may file a claim for any home or lot for any one period, but successive renters may file claims for one home or lot for different periods.

3. Each claim for a refund filed with the department is a public record open to inspection.

Sec. 3.4. Each county assessor shall assign to each rental unit and mobile home lot in his county an identifying number. The Nevada tax commission shall adopt regulations governing the numbers to be used and the manner of their assignment.

Sec. 3.5. A person may receive a refund while receiving:

1. Any other property tax allowance or refund granted under this chapter.

2. A property tax exemption as a widow, blind person or veteran, if the person has filed a claim for the exemption with the county assessor.

Sec. 3.6. Any person who willfully makes a materially false statement on a claim for a rental refund or produces false proof, if as a result of the false statement or false proof a refund is granted to a person who is not entitled to it, is guilty of a gross misdemeanor."

Amend section 157, page 36, line 35, by deleting "\$57,816,000." and inserting "\$84,354,000."

Continuation Page 2ASSEMBLY BILL NO. \_\_\_\_\_  
ASSEMBLY JOINT RESOLUTION NO. 616550 ASSEMBLY AMENDMENTSENATE BILL NO. \_\_\_\_\_  
SENATE JOINT RESOLUTION NO. \_\_\_\_\_\_\_\_\_\_  
SENATE AMENDMENT

Amend section 157, page 36, line 36, by deleting "\$79,931,000." and inserting "\$110,470,000.".

Amend the bill as a whole by renumbering section 161 as section 162 and by adding a new section designated section 161, following section 160, to read as follows:

"Sec. 161. With respect to refunds payable during the fiscal year 1979-1980 only, a claim may be made at any time between the 10th day after the effective date of this section and June 30, 1979. The department of taxation shall make refunds as soon as practicable.".

Amend section 161, page 38, lines 17 and 18, by deleting "section 160" and inserting "sections 160 and 161".

Amend section 161, page 38, line 19, by deleting "1 to 29," and inserting "1 to 3, inclusive, and 4 to 29,".

Amend section 161, page 38, line 26, by inserting "3.1, 3.2, 3.5, 3.6," after "Sections".

Amend section 161, page 38 by inserting between lines 27 and 28:

"5. Section 3.2 of this act expires by limitation on July 1, 1980. Sections 3.3 and 3.4 of this act shall become effective on July 1, 1980.".

Amend section 161, page 38, line 28, by deleting "5." and inserting "6.".

Amend the title of the bill by adding between the second and third lines:

"providing for refunds to renters of homes and mobile home lots;".

1979 REGULAR SESSION (60TH)

ASSEMBLY ACTION	SENATE ACTION	Assembly	AMENDMENT BLANK
Adopted <input type="checkbox"/>	Adopted <input type="checkbox"/>	AMENDMENTS to <u>Assssembly</u>	
Lost <input type="checkbox"/>	Lost <input type="checkbox"/>	Bill No. <u>616</u>	<del>Joint</del>
Date: _____	Date: _____	Resolution No. _____	
Initial: _____	Initial: _____	BDR <u>32-2043</u>	
Concurred in <input type="checkbox"/>	Concurred in <input type="checkbox"/>	Proposed by <u>Mr. Bremner</u>	
Not concurred in <input type="checkbox"/>	Not concurred in <input type="checkbox"/>		
Date: _____	Date: _____		
Initial: _____	Initial: _____		

Amendment N<sup>o</sup> 514

Consistent with Amendments Nos. 512 and 513

Amend section 11, page 6, line 47, by deleting "two-thirds" and inserting "a majority".

Amend the title of the bill, 6th line, by deleting "two-thirds".

APR 5 1979



STATE OF NEVADA  
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING  
CAPITOL COMPLEX  
CARSON CITY, NEVADA 89710



EXHIBIT F  
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ANDREW P. GROSE, *Research Director* (702) 885-5637

April 2, 1979

MEMORANDUM

TO: Assembly Taxation Committee  
FROM: Fiscal Analysis Division  
SUBJECT: A.B. 616 - Assembly Taxation Proposal

Attached is a package of materials that briefly explain the major features of A.B. 616 as currently drafted. The following are brief comments concerning each part:

1. Assembly Taxation Proposal - Summarizes the estimated fiscal impact of A.B. 616 and A.B. 58 (Household Property). These amounts are estimates at this time and the actual cost of the state funded school support will depend on actual assessed values in FY 1979-80 and FY 1980-81 and school enrollments in those years.
2. Property Tax Relief - Details the major features of the Committee's property tax proposals. The impact on taxpayers is calculated at an assumed \$5.00 tax rate. The same tax relief will be gained statewide but only if governments in areas that are currently under the maximum \$5.00 rate do not raise their existing rates.
3. Family Tax Relief - Gives an example of total tax relief to a hypothetical family of four. This presentation combines the property tax relief, exemption of household property and the elimination of sales tax on food.
4. Expenditure Limitations - Explains the major features of the local government and state expenditure limits.

Assembly Taxation Committee  
April 2, 1979  
Page 2

5. Expenditure Limitation Estimates - Projects the cap against local government tentative budgets for FY 1979-80. These estimates predict significant budget decreases for many local entities. The tax rate adjustment is the amount the existing tax rate would have to be adjusted to fit within the estimated cap. Actual rate reductions are dependent upon many variable factors including fund structures, revenue estimates, estimated surplus, fund transfers and accounting practices and there is no guarantee that any rate reduction will be realized at all. These estimates should be used, therefore, only as a guide to what could occur and not necessarily what will occur.
  
6. Estimated Tax Rates - Details local tax rates at the current level, after property tax relief and after expenditure limitations are implemented. The existing rates are actual. The rates after tax relief are the current rates less \$1.36 and will be realized if local governments are prohibited from increasing existing rates. Estimated tax rates with expenditure limitations are the rates adjusted for reductions detailed on the previous schedule and described in number 5 above. For the same reasons as number 5 above, these rates must be used cautiously because they only represent potential rates.

DM:ca  
attachments

ASSEMBLY TAXATION PROPOSAL

<u>State Relief:</u>	<u>1979-80</u>	<u>1980-81</u>
Food Tax - State 2¢	\$ 13,600,000	\$ 16,000,000
Food Tax - Schools 1¢	6,900,000	8,000,000
State 11¢ Share	6,207,000	7,137,000
State 25¢ Share	14,307,000	16,453,000
Schools 70¢ Share	40,471,000	47,412,000
Schools 30¢ Share	17,345,000	20,319,000
	<u>\$ 98,830,000</u>	<u>\$115,321,000</u>
 <u>Local Relief:</u>		
Household Personal Property	\$ 3,500,000	\$ 4,000,000
Food Tax - Cities/Counties 1/2¢	3,400,000	4,000,000
	<u>\$ 6,900,000</u>	<u>\$ 8,000,000</u>
 <u>Total Tax Relief:</u>	 <u>\$105,730,000</u>	 <u>\$123,321,000</u>

Biennial Total	<u>\$229,051,000</u>
----------------	----------------------

PROPERTY TAX RELIEF

Features:

- . Maximum tax rate reduced from \$5.00 to \$3.64
- . State would fund the entire \$1.36 reduction as follows:
  - 11¢ Medicaid would be state funded.
  - 25¢ State Tax would not be levied
  - 70¢ Mandatory school levy would be state funded
  - 30¢ School levy (part of current 80¢) would be state funded.
- \$1.36
- . Remaining 50¢ school levy would be made optional putting schools on equal basis with other local government entities
- . Across-the-board tax relief to all taxpayers
- . Self-destruct if Question 6 passes in November 1980
- . Exempt household property
- . Trigger additional relief in FY 1980-81 if state revenues exceed expectations

Fiscal Impacts:

State:		<u>1979-80</u>	<u>1980-81</u>
Property Tax Relief (State funded)	11¢	\$ 6,207,000	\$ 7,137,000
	25¢	14,307,000	16,453,000
	70¢	40,471,000	47,412,000
	30¢	17,345,000	20,319,000
		<u>\$78,330,000</u>	<u>\$91,321,000</u>
Trigger - additional 2¢ to 18¢	18¢		<u>\$12,200,000</u>
Local Impact: (Household Property)		<u>\$ 3,500,000</u>	<u>\$ 4,000,000</u>

Impact on Taxpayers:

Assuming \$50,000 Residence:	<u>Current Method</u>	<u>Proposed</u>	<u>% Relief</u>
Value	\$50,000	\$50,000	
	35%	35%	
Assessed Value	<u>\$17,500</u>	<u>\$17,500</u>	
Rate	5.00	3.64	
Tax	<u>\$ 875</u>	<u>\$ 637</u>	<u>27.2%</u>

FAMILY TAX RELIEFAssume:

Family of 4  
 Income \$19,000  
 \$50,000 Residence

<u>Property Tax:</u>	<u>Current Method</u>	<u>Proposed</u>	<u>% Relief</u>
House: Value	\$50,000	\$50,000	
	35%	35%	
	<u>\$17,500</u>	<u>\$17,500</u>	
Rate	5.00	3.64	
Tax	\$ 875	637	27.2%
Household: @ 5% of home	44	0	5.0%
<u>Food Tax:</u>	83	0	
Total Tax Burden	<u>\$ 1,002</u>	<u>\$ 637</u>	<u>\$36.4</u>

EXPENDITURE LIMITATIONSBasic Features

- . Base Year 1978-79 (Current year budgets as of July 1, 1978)
- . Population Increases - with an appeal process
- . Inflation - 80% of the last 5 years average CPI
- . Funds - limit all funds receiving property taxes
- . State Expenditures - limit state General Fund expenditures in the same manner as A.B. 438. (Base 1975-77 Biennium)
- . Overrides - limits may be exceeded to protect life and property and by a vote of the people
- . Trigger - allow additional tax relief if state revenues exceed expectations

Population Factor

- . Population changes for the state are those of the U.S. Department of Commerce
- . Population changes for local governments are those certified by the Governor with appeals to the Tax Commission
- . Population changes for schools are weighted enrollments certified by the State Board of Education

Inflation Factor (1979-80)

- . State Index is July 1974 to July 1978 (32.91%)
- . Local Index is November 1973 to November 1978 at 80% (7.48%)

Formula Example

Expenditure Base: 1978-79 Budget	\$1,000,000
Times: Population Increase	1.06
	<u>\$1,060,000</u>
Times: Inflation Index	1.0748
Expenditure Limit 1979-80	<u><u>\$1,139,288</u></u>

ASSEMBLY TAXATION COMMITTEE  
EXPENDITURE LIMITATION ESTIMATES

<u>Entity</u>	<u>FY 1979-80<sup>1</sup></u> <u>Budget Limit</u>	<u>Increase from<sup>2</sup></u> <u>FY 1978-79</u>	<u>FY 1979-80<sup>3</sup></u> <u>Tentative Budget</u>	<u>FY 1979-80<sup>4</sup></u> <u>Decrease</u>	<u>Tax Rate<sup>5</sup></u> <u>Adjustment</u>
Carson City	\$ 11,498,966	\$ 1,998,695	\$ 9,782,556	-0-	-0-
Schools	10,572,298	900,679	10,670,459	\$ 98,161	\$ .05
Churchill County	3,163,142	317,974	3,306,570	143,428	.08
Schools	4,997,377	439,654	5,098,687	101,310	.14
Fallon	1,367,756	129,372	1,476,094	108,338	*
Clark County	86,389,365	9,354,385	87,911,299	1,521,934	.04
Schools	148,848,713	13,732,257	152,727,756	3,879,043	.13
Boulder City	2,316,611	269,739	2,524,752	208,141	*.24
Henderson	5,883,358	619,214	6,157,706	274,348	.07
Las Vegas	50,458,173	5,989,278	48,726,250	-0-	**
North Las Vegas	10,164,347	1,005,827	10,570,863	406,516	**
Douglas County	5,810,583	791,983	5,702,538	-0-	**
Schools	6,274,896	339,333	7,242,637	967,741	.42
Elko County	3,639,662	209,124	4,007,300	367,638	.21
Schools	7,594,766	522,065	7,505,386	-0-	**
Carlin	349,804	28,066	377,450	27,646	*
Elko	2,317,306	199,758	2,424,115	106,809	.32
Wells	331,506	21,972	332,225	719	**
Esmeralda County	852,705	48,130	969,659	116,954	.91
Schools	530,276	43,319	495,086	-0-	-0-
Eureka County	1,562,393	176,228	1,577,210	14,817	.05
Schools	884,592	113,385	812,859	-0-	**
Humboldt County	3,695,470	399,085	3,551,144	-0-	**
Schools	3,730,745	280,330	3,724,403	-0-	**
Winnemucca	1,261,172	139,839	1,357,330	96,158	*--**
Lander County	1,822,215	136,289	2,284,222	462,007	.48
Schools	2,029,210	215,705	2,092,462	63,252	.15
Lincoln County	1,355,713	139,935	1,555,074	199,361	.56
Schools	2,050,406	48,296	2,223,987	173,581	.50
Caliente	131,930	5,623	142,343	10,413	*.14
Lyon County	3,612,364	(53,724)	4,555,507	943,143	1.19
Schools	5,268,356	742,096	5,416,821	148,465	.14
Yerington	503,101	15,737	584,657	81,556	.61
Mineral County	2,813,630	383,286	2,261,210	-0-	**
Schools	2,868,679	192,432	2,724,494	-0-	**
Nye County	4,687,555	471,984	5,228,443	540,888	.48
Schools	4,159,083	491,798	4,357,950	198,867	.15
Gabbs	190,495	16,098	165,382	-0-	-0-

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Entity	FY 1979-80 <sup>1</sup> Budget Limit	Increase from <sup>2</sup> FY 1978-79	FY 1979-80 <sup>3</sup> Tentative Budget	FY 1979-80 <sup>4</sup> Decrease	Tax Rate <sup>5</sup> Adjustment
Pershing County	1,715,452	151,643	1,591,012	-0-	**
Schools	1,547,523	95,264	1,609,646	62,123	.15
Lovelock	317,159	28,941	365,056	47,897	*.69
Storey County	879,071	95,004	952,745	73,674	.46
Schools	556,633	68,471	567,694	11,061	.08
Washoe County	45,912,945	7,876,746	48,190,941	2,277,996	.28
Schools	57,728,439	4,319,549	60,069,511	2,341,072	.14
Reno	35,073,875	3,964,502	40,449,454	5,375,579	.54
Sparks	11,018,516	1,227,468	11,909,595	891,079	*.20
White Pine County	3,166,611	306,080	4,467,597	1,300,986	1.60
Schools	3,757,660	249,059	3,175,161	-0-	**
Ely	798,138	12,531	990,000	191,862	*.07
Totals	\$568,460,741	\$59,270,504	\$586,963,298	\$23,834,563	
		12.1%		4.1%	

Note: Expenditure Limit uses 1978-79 Budgeted expenditures as the base with increases allowed for population and inflation. Population increase is from 1977 to 1978 as prepared by the State Planning Coordinator. Enrollment increases are weighted enrollments from September 1978 to projected enrollment September 1979. Inflation increase is 80% of the last five year average of the CPI. (Nov. 1973 = 137.6, Nov. 1978 = 202.0 = 9.36% X 80% = 7.48%).

Footnotes:

1. 1979-80 Budget Limit is expenditure limitation plus a 3% to 5% ending balance.
2. Increase from FY 1978-79 is the amount of expenditure increase provided over 1978-79 budgeted expenditures before allowance for ending balance.
3. FY 1979-80 Tentative Budget is total budget filed with Department of Taxation on Feb. 20, 1979.
4. Decrease Required is adjustment of tentative budget.
5. Tax Rate adjustment is amount of estimated decrease from the existing (FY 1978-79) tax rate.
  - \* Tentative 1979-80 rate higher than current 1978-79 rate.
  - \*\* Exemption of food from Sales Tax or exemption of household property, inventories and livestock would allow a higher rate than current rate.

EXHIBIT F

Ex. F



ESTIMATED TAX RATES

EXHIBIT F

Ex. F

Entity	Existing Rate FY 1978-79	Tax Rate After <sup>1</sup>	Estimated Tax <sup>2</sup>
		Major Tax Relief FY 1979-80	Rate w/Expenditur Limits FY 1979-80
Carson Urban	\$4.83	\$3.47	\$3.42
Rural	3.65	2.29	2.24
Churchill County	3.80	2.44	2.22
Fallon	5.00	3.64	3.64
Clark County	3.58	2.22	2.05
Boulder City	5.00	3.64	3.23
Henderson	5.00	3.64	3.40
Las Vegas	5.00	3.64	3.47
North Las Vegas	5.00	3.64	3.47
Douglas County	3.01	1.65	1.23
Minden	4.87	3.51	1.48
Elko County	3.05	1.69	1.48
Elko	4.40	3.04	2.83
Esmeralda County	3.75	2.39	1.48
Goldfield	4.70	3.34	1.68
Eureka County	3.42	2.06	2.01
Eureka	3.92	2.56	2.06
Humboldt County	3.23	1.87	1.87
Winnemucca	4.88	3.52	3.52
Lander County	3.92	2.56	1.93
Battle Mountain	5.00	3.64	2.10
Lincoln County	3.60	2.24	1.18
Caliente	5.00	3.64	2.44
Lyon County	3.91	2.55	1.22
Yerington	5.00	3.64	1.70
Mineral County	5.00	3.64	3.64
Nye County	3.70	2.34	1.71
Gabbs	4.95	3.59	2.96
Pershing County	3.28	1.92	1.77
Lovelock	5.00	3.64	2.80
Storey County	4.79	3.43	2.89
Virginia City	4.99	3.63	2.89
Washoe County	3.87	2.51	2.09
Reno	5.00	3.64	2.68
Sparks	5.00	3.64	3.02

Entity	Existing Rate FY 1978-79	Tax Rate After Major Tax Relief FY 1979-80	Estimated Tax <sup>2</sup> Rate w/Expenditure Limits FY 1979-80
White Pine County	\$3.60	\$2.24	\$.64
Ely	5.00	3.64	1.97
Maximum Allowable Rate	5.00	3.64	

1. Tax Rate After Major Tax Relief is the existing tax rate less \$1.36 proposed for state funding (11¢ share, 25¢ share and 1.00 for schools)
2. Estimated Tax Rate with Expenditure Limits is the estimated rate after major tax relief and expenditure limitations based on 1978-79 budgets, population growth and 80% of the 5 year average CPI. These rates are based on tentative budgets filed February 20, 1979 and, therefore, can only be considered estimates at this time. Reductions in rate because of the expenditure limitation occur largely because of large beginning balances for FY 1979-80. These rates will go back up in 1980-81 in many cases.


COMMENTS BY ASSEMBLYMAN MALONE  
COMMITTEE OF THE WHOLE  
APRIL 9, 1979 RE: AB 616

1. An expenditure cap on education, as considered by AB 616, is detrimental to the operation of school districts because it negates the effective implementation of the Nevada Foundation Plan, also called the Distributive School Fund.
2. The Nevada Foundation Plan is designed to be responsive to individual district financial requirements so that every student in Nevada can receive an equal level of instructional support, regardless of local wealth and urban or rural conditions.
3. Variances in population make it necessary to provide more state dollars per pupil in some counties than in others to provide equalized services.
4. By capping expenditures which tie only to national cost of living factors, all school districts in Nevada are capped in an equal amount, disregarding the variance of cost per pupil between counties to provide equal services.
5. Any change in local needs such as a loss in enrollment, a change in population patterns or density, influx of special students, etc., can only be addressed by the Nevada Foundation Plan arbitrarily tied to an expenditure. Without a cap on expenditures, the same dollar amount of state fund can be reallocated responsibly among districts to meet educational priorities for the entire state.
6. With AB 616's proposed expenditure cap, all special education units of categorical aid must compete with the regular pupil allotment because both are included under the cap with insufficient funds to provide for both. This, in effect, says special education is provided categorical aid, but cannot allow school districts to use this funding without serious cutbacks for the regular school program.
7. SB 204 provides for a cap on the local 80¢ property tax. This will cap revenue instead of expenditure, and gives the legislature and State Department of Education flexibility to respond to individual needs within counties. By use of this revenue cap, the legislature would have capping control over the individual school districts' state distributive school support as well as their local 80¢ property tax, which amounts to 80-90% of their total revenues.
8. A revenue cap similar to that of SB 204 could also operate with the proposed reduction in local taxes because it could be applied against both the resulting 50¢ local property tax and the state supplemental money.

REPORTS OF COMMITTEE

Mr. Speaker:

Your Committee of the Whole has considered Assembly Bill No. 616, and recommends against adoption of Assembly Amendment No. 514 and Assembly Amendment No. 550.

  
Chairman

REPORTS OF COMMITTEE

Mr. Speaker:

Your Committee of the Whole has considered Assembly Bill No. 616, and recommends against adoption of Assembly Amendment No. 514 and Assembly Amendment No. 550.

Bob Pico  
Chairman