JOINT HEARING
SENATE AND ASSEMBLY COMMITTEES ON TAXATION
JANUARY 22, 1979

MEMBERS PRESENT:

Senator Glaser, Chairman	Assemblyman Price, Chairman
Senator Don Ashworth	Assemblyman Craddock
Senator Kosinski	Assemblyman Chaney
Senator Sloan	Assemblyman Coulter
Senator Dodge	Assemblyman Dini
Senator Raggio	Assemblyman Mann
	Assemblyman Bergevin
	Assemblyman Marvel
	Assemblyman Rusk
	Assemblyman Tanner
	Assemblyman Weise

MEMBERS ABSENT:
Senator Lamb

The joint hearing was called to order by Chairman Price at 2:00 p.m. in the Senate Hearing Room, on Monday, January 22, 1979. The purpose of the hearing was to hear from the Department of Taxation, Bureau of Business and Economic Research - UNR, Association of County Commissioners and the League of Cities.

Chairman Price called upon Mr. Roy Nickson, Department of Taxation to begin his presentation. Mr. Nickson began by distributing a copy of the Gasoline Useage 1977/78 table which is attached as Exhibit A. This was in response to Mr. Weise's question from the previous day. Mr. Nickson stated that he was not really very happy with the results of this study. It indicates that of the 475,634,933 gallons of gasoline imported into the state only 7 1/2% of which was used by out of state vehicles . He stated that he firmly believed that it is probably closer to twice that amount. They are unable to develop any statistical figures to support this assumption. The figures of 15, 35, 10, and 10 used in the table are average number of miles per gallon that the various type of vehicle gets.

Mr. Nickson then went on with his overview of the Local Government Budgets as found in Exhibit B. Mr. Nickson also spoke on the Revenue Sharing Entitlements as found in Exhibit C. He finished his presentation by offering a copy of a newspaper article entitled "Town Can't Cut Tax Level - Zero", which is attached as Exhibit D.

Mr. Price inquired whether there had been any cases where the various tax districts within a county were not able to come to an agreement with the tax levy and had to actually come to the department for adjudication? Mr. Nickson stated that this has not happened in the last few years.

Chairman Price introduced Dr. Glen Atikinson, Department of Economics, UNR, who reported on the "Nevada Local Government Finance Study." A copy of this report can be seen in the Assembly Taxation secretary's office.

Dr. Atkinson began his statement by stating that in the 1977 Session of the Legislature, AB 547 was passed which established a study committee to look at the fiscal conditions of cities and counties in Nevada. School districts and special districts were not included. This study included fiscal management, short and long revenue trends, utilization of existing revenue sources, reallocation of selected functions in local governments, alternative sources of future revenue, and personnel and collective bargaining costs. In 1977 the issue in front of the legislature was what was happening to New York City and some of the other large cities in the country, where fiscal bankruptcy was being faced. What was of interest at that time has almost reversed itself at this time.

Dr. Atkinson explained that all the figures that they were dealing with were real per capita, that is they adjusted for population and inflation. The figures without these adjustments were presented and can be found in the office Mr. Dan Miles, Deputy Fiscal Anaylst.

Dr. Atkinson then referred to the table of page 24 of the large report and explained that they looked at tax revenue and nontax revenue and tried to be as consistent as possible with the Zubrow Report that came out in 1960. He added that property tax as a source of revenue for cities and counties declined between 1970 and 1977. Table 3-1 and 3-2 of this report is attached to these minutes as Exhibits E_1 and E_2. Dr. Atkinson stated that major difference in revenue sources in 1970 and 1977 was in the form of federal grants. Cities and counties in 1977 relied less on their own sources of revenue then in 1970. The reason they feel for this is that cities and counties are tied into revenue sources that do not respond well to inflation and population growth. Gaming and sales tax do respond to population and inflation growth. Property tax has not responded well to this. The local gaming tax however, has not responded well to this because this is taxed per gaming device and not by winnings as the state does.

Dr. Atkinson went on to state that the real per capita growth rate has been negative for most all of the revenue sources for cities and counties.

Senator Dodge inquired of Dr. Atkinson if they had evaluated if any services had been picked up by the county on a broader tax basis in some kind of a "trade-off" which would reduce the revenue requirement of the cities? Dr. Atkinson replied that they did not but they were aware that this is occurring. One of their findings is that cities have a more "elastic" base then counties because cities are tied into the sales tax. They therefore are in a slightly better position then the counties are.

Senator Dodge pointed out that not all counties are tied into the sales tax. Dr. Atkinson agreed since Clark, Washoe and Elko County do not get the sales tax. This is where some of the major problems are occurring.

Mr. Mann stated that he felt property tax was rather elastic. He stated that the house values in Clark County have increased 60-70% in the last 5 years and if they are paying on 35% of the assessed valuation he would feel that this would be elastic. Dr. Atkinson stated that revenues on property tax declined by 1.84 between 1970-1977. Property tax has a 5 year lag because homes are only reassessed only every 5 years. Sales tax is an elastic tax and has no lag. The fact that the state has a surplus, as mentioned by Mr. Mann does not relate to elasticity.

Senator Glaser asked Dr. Atkinson to explain in more detail the difference between elastic and inelastic tax and to give some samples. Dr. Atkinson read the definitions as found in the glossary of the report. This is attached as Exhibit F. The examples that he gave were the growth revenue tax for gaming at the state level and sales tax are elastic taxes. Sales tax is the only local tax that is elastic tax and reason for that is that you are taxing on value of the product you are buying. Dr. Atkinson added that the higher the government the more the elastic tax base. State has a good elastic base as they are tied into the sales and gross winnings tax. An example of inelastic tax is the gasoline tax, as the state gets so much per gallon no matter what the price of the gas is. This is even more inelastic then the property tax.

Mr. Craddock pointed out the range of percentage distribution on the cigarette tax went from 4.86% to 38.07%. He inquired as to what particular area could get 38% of their revenue from cigarette tax. Dr. Atkinson stated that there were very few other tax alternatives in this location which happened to be Caliente.

Dr. Atkinson went on to state that anytime that you look at the tax structure of Nevada, one of their concern is that an across the board tax reduction, such as the property tax, has different impact depending on which area is being discussed. Counties are more dependent upon property tax then the cities are. An across the board tax cut is not going to have just an across the board effect across the state.

Mr. Craddock went on to point out that according to table 3-1 in 1970, 20% of the total tax budget of cities was attributed to property tax and in 1977 this was reduced to 16%; yet the people are screaming about this tax. This would indicate that if this percentage were to be cut even further it is going to cause some real problems.

Dr. Atkinson pointed out there has been a shifting of the tax bases to the sales tax in many counties but not in the major counties. He added that much of the difference in the tax bases over the years have been made up by grant revenues. Biggest increase in local government budgets has come in the area of grants. Local government becoming more and more dependent on grant revenues. He went on to state that they were very concerned about the impact of any simple across the board tax reduction which could have tremendous impact on one city or one county, if you just cut one tax without putting some money back into that city or county that is dependent upon that that tax structure.

Dr. Atkinson introduced Dr. Malcolm Greenlees, also from UNR, who was also a member of the study committee. Dr. Greenlees spoke on nontax revenues and stated that in terms of these, what is perhaps the most important finding is that tax revenues by in large have been decreasing when measured in terms real per capita dollars on a statewide basis. The most dramatic increase in the nontax revenue source has been in two categories. The first category is user fees and charges and the other is the federal fund transfers. The inability of the cities and counties to aggressively generate their own revenue sources has driven them into the arms of the federal government for funding sources.

Dr. Greenlees then referred to page 66 of the report. A copy of this page is attached to these minutes as Exhibit G. Their study was unable to identify whether this massive funding that is coming into counties supplanted funding of essential programs or whether they were directed specifically toward an "extra" program. One of their recommendations is that the amount of federal funding is very great but there is very little information and so they recommend that these grants should be monitored and controlled.

Dr. Greenlees went on to state that the current sharing system and policies of sharing revenues between counties, cities, and state has resulted in a patchwork quilt which even the most sophisticated financial managers are at a lost to explain. They would recommend a new system of state transfers in which a single block grant would come from the state to the counties and would replace this patchwork quilt of revenue distributions mechanism that now exists. This would simplify things and would also mean that they had moved from this inelastic city and county revenue base to a somewhat more elastic base.

Dr. Greenlees continued by stating that government has to pay for basic government services and the revenue for this has been traditionally been the property tax. The importance of the property tax both in terms of historical growth as well as its importance in percentage of the budget has decreased. Faced with the situation of either providing new basic sources or look for other ways to meet this. He cited the example of Scottsdale, Arizona, which has a system where the fire department has been turned over to private enterprise and a fire fee has been imposed. Dr. Greenlees stated they feel that restrictions on the property tax will ultimately force change in the structure of government. Cities and counties may be forced to participate in a plan with the state, with the state giving the money back.

Senator Don Ashworth inquired whether most of the federal funds coming in were capital improvements which consequently the burden of maintaining

would fall on the county or city. Dr. Greenlees stated that there was very poor information available on an aggregate basis on what federal funds are for. Federal reports primarily indicate only the agency source. It would probably take another 18 month study to determine what funds are used for. The three top agencies are:
1. Treasury funds, which are almost always for operating;
2. Health, Education, and Welfare, which are primarily for health and welfare groups; and 3. Transportation, which are primarily for capital works. If monies were going into capital and not into operating it would mean that if federal funds were turned off operational services shouldn't suffer; however, it is the feeling of the committee that if all federal funds were shut off basic services would definitely suffer. He added that capital works built with these federal grants and then turned over to county causes an on-going financial responsibility.

Mr. Weise stated that he was wondering if there is a true correlation between the fact that even though grants are increasing, the monies that are being generated from various sources are still going to support the same services and the grants have only altered the over all percentage rate. He cited the examples of air studies and water studies that the counties were not required to participate in the past and are now required. He wondered whether the federal grants were not perhaps supporting these new programs while the original taxes were support the general programs. He added that from what he knows of federal funding a certain percentage of it has to come from the county or city, perhaps 10% and this has to come from some tax source already existing. Dr. Atkinson replied that sales tax has helped this but that the property tax has not been responsive enough to inflation, so that the salvation to the counties has been the sales tax. Mr. Weise then questioned whether these federal grants were "choking us more by placing additional burdens" rather then helping.

Dr. Greenlees then continued on by stating that they feel that the non-tax revenue such as service charges of various kinds will perhaps in the next 3-5 years represent an important source so that reduction of revenue resulting from cut in property tax will not allow a strinkage of total revenue. At this point Dr. Greenlees called upon Dr. Atkinson to speak on some of the second major phase, which was the in-depth examination of the expenditure trends.

Dr. Atkinson began by reading from the report regarding expenditure trends. This was found beginning on page 70 and is attached to these minutes as Exhibit H. He explained that the term enterprise used on this page were areas set up like a small business and he used the example of McCarran Airport, which live off their charges. Churchill County has the biggest source of this type of funds.

Dr. Atkinson went on to say that one of the things that so many people have stated they would like to see cut is social services and welfare. He pointed out that in Nevada, local governments don't do much in the area of social services and welfare in comparison to other states at the county and city levels. Most of these are done on the state level. The big social service in this state to watch is health and hospitals, particularly in the rural counties. They can be a fairly large burden on a per capita basis. Expenditures overall have been roughly stable in real per capita terms particularly in urban counties.

Dr. Atkinson further stated that there are some small counties that have very high per capita expenditures such as Storey. The counties that seem to be in the best shape are the medium size counties with fairly stable growth rates such as Elko and Churchill. In the urban counties such as Washoe and Clark there is a good tax base but the population growth is pushing up their expenditures. People have tended to look at growth as having impact on revenues only but it obviously has impact on the expenditure side.

Senator Glaser questioned that from what has been presented regarding the fact that counties are being strapped because of an inelastic tax, would not it impact those governments should Question 6 be passed again. Dr. Atkinson replied that Question 6 would have impact on the very level of government that people think they have the most control of. The impact will probably be in reduction of some of the various services. It will also probably make local government more dependent on high level of government.

Dr. Atkinson stated that he felt there was a distinction between tax reduction and tax reform and Question 6 is tax reduction only. Dr. Atkinson cited page 34 of the report regarding "Recommendations for Property Tax Reform". Copies of pages 34, 35 and 37 are attached to these minutes as Exhibit I. He stated the the structure of Nevada is mild compared to the rest of the country. If the committees really want to get at more control over taxes there are easier ways to go then Question 6. He suggest reducing the ratio. The problem of Question 6 is the problem of equalization.

Mr. Mann stated that he felt the philosophy of the committees should be not to circumvent Question 6 but how to best implement it.

Dr. Atkinson went on to state that perhaps one way would be to go to a 20% assessment ratio which would get it to a 1% tax rate. This could be done by statute but it would not roll back tax to 1975. He stated that Question 6 or any other piece of tax reform can be improved upon and reminded the committees that Question 6 or even Proposition 13 had not been thought of when this study was started. He stated that he had some real problems with the lack of equalization with a roll back to 1975.

Senator Dodge inquired whether he would have this same problem if some adjustments were made on the property that came on the rolls after that time. If they tried to equalize all property taxpayers but use 1975 as the base year. Dr. Atkinson stated he would have no problems if there was equalized property values. However, Dr. Atkinson stated that property tax is a tax on wealth not on income.

After Dr. Atkinson brought # 8 on the recommendations up regarding the "pick-up" credit, at the request of Mr. Tanner, Senator Don Ashworth gave a few observations regarding this credit. Senator Ashworth stated that he had some reservations regarding this because of the problems regarding joint tenancy. Once an individual dies that account is attached, not by the federal government, but by the state. Funds cannot be gotten from the joint account until an inheritance tax waiver from the state is received. Basically what they need to look at is to make sure that if they do accept this "pick-up" tax that they don't saddle people with more regulations then they have now with the internal revenue service. Many people think they get the credit from the federal government. It doesn't come from the federal government. It's not paid with form 706. The credit is gotten because you paid it to the state agency and so there is going to have to be a tax return prepared for that state agency. Whether or not there is enforcement regarding this tax is another thing. All these things must be taken into consideration when this law is considered and it should not be left open for the legislature to change every two or three years.

Senator Sloan inquired whether any estimated had ever been made based on how much money the state lost in the Harrah or Hughes estates. Dr. Atkinson stated that there have been estimates made and referred the committee to Appendix A of the report.

Mr. Weise stated that since a simple across the board tax cut would cause problems in the communities and counties are they recommending that the state should collect some form of these taxes and redistribute them and what kind of taxes would they suggest. Dr. Atkinson stated that property tax was the only local tax as most of the other taxes are collected by the state and distributed back. Property tax would remain a local tax with it being assessed and collected locally. There are other taxes such as gasoline tax, gaming tax, liquor tax, etc. that are collected at the state level and distributed back to the local governments. There are some problems with that in that you base the distribution back on 1970 census. Some areas of the state have grown faster then other areas and this becomes a windfall but will have a severe cutback in 1981. They would like to explore different way to get the money back to the local government other than population. He cited the situation of gasoline tax which is found on page 37 of the report. A copy of this page is attached to these minutes as Exhibit J.

Dr. Atkinson stated that there does need to be some attention to the distribution of these revenues back to local government.

Mr. Weise inquired whether the study committee gave any consideration to abolishing property tax. Dr. Atkinson stated they gave none.

Because of the lack of time it was decided not to go over the recommendations individually. A copy of these recommendations is attached to these minutes as Exhibit K.

Russ McDonald, representing the Association of County Commissioners, spoke next. A copy of a prepared statement from Harold Dayton, Douglas County Commissioner, was distributed. This is attached as Exhibit L. Mr. McDonald pointed out that a county is not necessarily like a city. They have different political duties. The legislature has granted a variety of charters to cities which gives them a great deal more leeway then the county has ever received. He went on to speak on limitation of expenditures, stating that unlike the cities where maximum tax rate has been imposed by the legislature, there is no statutory levy as far as the county is concerned. Reason for this deals with the distributive school fund. There are some 125 taxing units which have the power to impose tax to collect for special purposes within the $5.00 rate limit. In the larger counties the full $5.00 is always demand by these combined taxing units.

Mr. McDonald continued with a few observations regarding the property tax. Each county operates in a different manner but nevertheless the reliance on the yield of the property tax is substantial both in the urban and rural counties. Counties do look in the main to that property tax.

Mr. McDonald went on to say that you have to look at each county and the division of all yields that come back from the state by way of excise tax or apportionments. There is no pattern to this distribution. It appears to be what was easier at the time. Mr. McDonald then went over several examples including the cigarette tax, gambling tax etc. The whole pattern of tax distribution reflects an over reaction to a legislative problem at that particular time when adjustments were needed to keep the local government going. He stated that he would suggest that perhaps some of this could be cleaned up especially regarding the two taxes with gasoline, one for the cities and one for counties.

He stated that in 1973 the counties were empowered to levy a residential construction tax and some counties have utilized this. This is a trust fund situation and the money is used for specific statutory purposes and does not go into the general operation of the county.

Mr. McDonald then on to speak on the Fair and Recreation Board which is sometimes called the Convention Authority. The statute on this is confusing. It is a county authorization to construct, acquire, build and operate a fair and recreation project. The board itself is created by the County Commission resolution. The board membership is made up by four categories. It is different in each case. The impact on the property tax is that this board can go to the people and ask for an election on the issue of general obligation bond to effect the stated purposes they are empowered to do. The revenue section came in later after the original act, but what it is is that they issue general obligation bonds. There are some limits built into this by law and that is according to size. 5% of the last valuation in counties of 200,000 or more and 3% in the counties of less. This is therefore not an overwhelming thing.

Mr. McDonald then went on to some other revenue that is not disclosed except looking at an auditors form. He listed the building permit fee, fines and forfeitures for violations of county ordinances. If you are charged with violation of NRS and pay a fine that fine goes to the state school fund. There are also the investment of dormant funds and the various business licenses. He cited the situation in Clark County where they receive a large amount from the unincorporated areas from gaming licenses, but Washoe County has very little of this. He would like to see something that is elastic and would meet the needs of the county and would recognize the fact that the counties are different.

Mr. McDonald continued with the real property transfer tax which he stated that the state has moved into that and it has remained $1.10/1000. He felt that it was not based on equity but rather what is stated in the affidavit. It was originally suggested when this bill was drafted that 95% for the counties and 5% for the state; this managed to get turned around. The association would recommend that this be looked at.

Mandated tax rate was Mr. McDonald's next subject. He stated that he has had a great deal of trouble explaining this to the general public. County does have the mandatory 11¢ built in.

He went on to the three way partnership in the agricultural extension service. The law mandates now that if a county commission does contract with the University to assist for agricultural extension there is a mandate of 1¢ on the county rate and this is reserved to go to the University. This could be undone if one is looking at county relief and this is something that the state could fund and continue the agricultural extension service.

Senator Dodge inquired whether on the question of user fees would the legislature have to pass enabling legislation to allow counties to charge these fees. Mr. McDonald stated that he would fee much better if some legislation were passed because unless you can find expressed delegation from this body back to a county there are some problems. They now seek general language that covers this in terms of general health of the county,

Marvin Leavitt, representing the League of Cities, spoke on the general financial condition of cities as a whole. He stated that the cities in Nevada are generally very sound. He added that they do not anticipate having to come to the legislature based on current conditions to be "bailed out". There are some problems where certain revenues have not grown in relationship to population growth and inflationary changes. They have so far made up these revenues from other sources.

Mr. Leavitt stated that the one thing that he feels should be looked at is what he terms the "revenue mix" of governmental units. He cited the example of Las Vegas where they have some taxes that grow more rapidly then others such as sales tax which grows rapidly and business tax which doesn't. What is important is not so much the dollar figure of total taxes at any one particular time but the ability of taxes for govermental use to grow over a long period of time. This mix will enable the total picture to grow in relationship to population growth and inflation. In Las Vegas the ad valorem tax make s up 20% of the total revenue of the general fund. Should they lose 40% of this tax that would represent 8% of their total revenue; however there are a number of special districts where property tax makes up almost 100% of their total revenue. If they were to lose 40% of this they would be in need of help. He added that he feels that the special districts need to be looked at during the committees deliberations.

Mr. Leavit told the committee that there would be a paper prepared towards the end of the week regarding the special districts of the state and effects that taxes have in them. He stated that property tax has not kept up with real per capita and that the sales tax has been the survival tax for many cities. This does not mean that they are not supportive of property tax relief and realize is is a political reality. In Las Vegas in 1970, the real per capita expenditures were $192.19 and in 1977 is was $190.30 which indicates a very steady line of expenditures when measured in real per capita,

Mr. Leavitt then spoke on grants from federal government which they have endeavored to spend on capital; recognizing however, that capital does lead to operating expenses in the future. What they done is money that would normally have been spent by bonding or general fund money for this purpose has now been transferred to federal money. Another thing that may be of problem is that the operating money really comes from CETA money and this program is declining.

Mr. Leavitt concluded his statement by informing the committee that the Local Government Advisory Committee of the Tax Commission met and had some real concerns that all the research that had been done on Question 6 was inadequate to really meet the complexities of that question. The whole question involves property transfers, limited growth in assessments and when they looked at the various studies that have been done they recognized that none had gone into complete detail or have come up with adequate information. A task force was appointed by this committee to accumulate data so they can come up with a projection as to what the actual effects of this question would be. From preliminary data they have accumulated they feel that early studies are grossly inadequate. He added that copies of this report will be available to the committees perhaps early next week.

Senator Dodge inquired as to what has been done with the County Commission Association's suggestion that the payment of property taxes be paid on the current year instead of a year late. The Senator was curious as to how much help this would give the local government revenues. Mr. Leavitt stated that he would assume that they would pick up the tax increase assessment for that period and would pick up the percentage of growth for that year and would be a one shot thing. Senator Dodge pointed out that it would have an impact on new property each year.

Mr. Mann stated that if this was expanded and each time an house was sold it had to be reassessed this would help. He cited the situation in his district which has a 30% turnover in sales.

Mr. Leavitt stated that in areas of rapid turnover the effects of Question 6 are going to be minimal but in areas of low turnover the effects will be very great.

Mr. Craddock asked if anyone had done any studies on what the public would think if they knew what the effects of Question 6 really would be. Mr. Leavitt stated that he was not aware of anything like this.

Mr. Weise asked if the staff of the committee could be assigned to start preparing various proposals so that they can be compared. Mr. Mann asked if the staff could also look into what is happening in California in that they have revenues coming higher then they ever had before. Instead of having a limiting effect, Prop. 13 has had a stimulating effect.

Joe Matthews, who brought Question 6 to Nevadans, made himself available to the committee for any questions. Mr. Matthews stated that in working with Question 6 he found that people really are aroused and that he felt it would be a mistake for the committee to think that 140,000 people did not know what they were voting for. People feel that taxes are too high and that the taxes should be based on services required. Property tax does not meet this criteria. Value of property has gone up but services have not changed. More money is needed for this service as the population rises but at the same time there are more taxpayers to pay for this. People are confused because so much of the tax expenditures are categorized. He added that the fact of the surplus is also bothering the public. They do know about the $160,000,000 surplus and the Tax Department is talking about a $60,000,000 reduction, and the people now want to grab onto things themselves. There is definitely a credibility gap.

Mr. Matthews stated that people are not convinced that reducing the tax is going to hurt the state economy in the long run. If the taxes are reduced the people will then have so much money to spend and put back into the economy.

Mr. Matthews acknowledged that it was very difficult to draw the line on the 1975-76. This was picked because it was the time that a vast number of the people bought homes, especially in the $25,000 to $30,000 range and these homes have since doubled in value.

Senator Sloan commented that Mr. Matthews was speaking of relief to the home owner and yet Question 6 would give a large percentage of relief to commercial establishments. The figure the Senator has seen is 60%. He asked if Mr. Matthews would be prepared to support something that would focus precisely on the homeowner at the excusion of commercial property. Mr. Matthews stated that he would not lend support to this proposal because of the uniform tax concept and he would not know where to draw the line. He stated that he would support tax legislation that would require the tax reduction be passed on to the renter in the form of a rent decrease.

Mr. Price stated that there are some mechanical problems to Question 6 to which Mr. Matthews agreed. Mr. Price went on to ask Mr. Matthews if he would be adverse to the legislature coming up with a tax package that would give the people equivalent relief. Mr. Price also added that he felt that the people were given no real alternative on the vote since it was Question 6 or nothing. Mr. Matthews stated that under the present time and circumstances it would take alot of convincing to show the people that the legislature means business.

Senator Don Ashworth asked Mr. Matthews if he could foresee any abuse in the situation of where the property isn't actually sold but rather transferred through the sale of stock. Mr. Matthews cut the Senator off by stating that when the bill was passed in California they were challenged on 12 or 14 questions. This bill spells each one of these out. Mr. Matthews referred to his position paper, a copy of which is attached to these minutes as Exhibit M. The Senator went on to ask if Mr. Matthews was saying that the transfer of stock of a corporation would be a transfer of the real property according to this statute. Mr. Matthews stated that it was meant to spell out that this was for a sale for profit. Senator Ashworth stated that then an individual could incorporate his property and anytime he wants to transfer that property all he has to do is sell that stock and that is not a transfer of property and is not subject to an increase in tax. Mr. Matthews stated that they have not encountered that problem in California. Mr. Price asked the staff to research this point.

As there was no further testimony to be heard, Assemblyman Price adjourned the meeting at 5:15 p.m.

Respectfully submitted

Sandra Gagnier

Sandra Gagnier
Assembly Attache

Also attached to these minutes:

- Exhibit N - General Financial Condition of Cities from the League of Cities
- Exhibit O - Letter from Robert E. Campbell and Jerry L. Webster from League of Cities
- Exhibit P - Comments to the Local Government Finance Study Committee from Financial Officers of Nevada's Incorporated Cities as submitted by League of Cities
- Exhibit Q - Corrected Statement from Department of Commerce as stated in previous days meeting.

GASOLINE USEAGE 1977/78

Automobiles	406,394 x 10,000 =	4,063,940,000	÷ 15 =	270,929,333
Motorcycles	19,961 x 10,000 =	199,610,000	÷ 35 =	5,703,143
Trucks Commercial	32,762 x 25,000 =	819,050,000	÷ 10 =	81,905,000
Trucks Noncommercial	76,447 x 10,000 -	764,470,000	÷ 10 =	76,447,000
Estimated used in Nevada registered vehicles				434,984,476
Gallons imported into Nevada				475,634,933
Estimated used in out-of-state vehicles				40,650,457
Tax at $.06				2,439,027
Tax at $.08				3,252,037

ROY NICKSON
DEPARTMENT OF TAXATION

EXHIBIT B

Local Government Budgets and Finances

Under the authority of NRS Chapter 354 and 318, the Department exercises general supervision of the State's interest in the financial affairs of local governments. Each local government (counties, cities, school districts, improvement districts, etc.) authorized to levy a property tax is required to submit a tentative budget, a final budget, quarterly reports and annual audits to the Department of Taxation. The Department is required to review the tentative budgets for compliance with law and regulation and to furnish certificates of compliance or non-compliance to the governing body of the local government.

After submission of the final budgets, the Nevada Tax Commission certifies the combined tax rates to the Boards of County Commissioners. If the local governments exceed the constitutional maximum and, if the affected local governments are unable to resolve their differences, the Tax Commission must lower the tax rates to achieve compliance with the Constitution. The lowering of tax rates in such instances does not apply to the school district rates mandated in NRS 387.195.2(a) and (b).

The Department, upon hearing the advice and recommendations of the Local Government Advisory Committee (NRS 354.594) establishes regulations, procedures and report forms for the financial documents prepared by the local governments.

The Department must approve or disapprove all requests for "Short Term Financing" by local governments. These are usually emergency financial situations that have developed after approval of the final budgets. After review of the circumstances and of the ability of the local government to repay the loan, notes or bonds, the Director of the Department issues formal approval or disapproval. (NRS 354.430-354.460)

If a local government is found to be in financial difficulty through defaults on bond redemption, inability to meet a payroll or in the opinion of the independent auditor, the Department is required to hold hearings on the problems and the corrective action proposed by the local government. Based on the evidence obtained at such hearings, and after approval by the state board of finance, the Department may order financing plans, may withhold state and local tax distribution pending submission of a plan for corrective action and take certain other specific actions to insure that the adverse condition is corrected. (NRS 354.650-354.720)

In the case of general improvement districts, the Department is required to inform the board of county commissioners of any mismanagement or non-compliance with statute on the part of the district. The board of county commissioners then holds the hearings and takes appropriate action. (NRS 318.515)

Revenue Sharing Entitlements

The Department entered into an agreement with the Office of Revenue Sharing, Department of Treasury, to selectively review working papers pertaining to local government audits for adequacy and professionalism. The Department of Taxation is also required to file all non-compliance audits with the Office of Revenue Sharing and to submit to that organization audits of one third of the entities receiving revenue sharing and anti-recession funds each year.

EXHIBIT D

4 Part II—Sun., Jan. 21, 1979 Los Angeles Times

TOWN CAN'T CUT TAX LEVEL—ZERO

JONESBORO, Ga. (AP)—Tax-cut fever isn't likely to be a problem in this city of 6,000 as long as the city government can keep property taxes at their present level—zero.

City officials have decided for the second year in a row to run the government on cash from business license fees, utility franchises, federal revenue-sharing and a beer tax.

"The city is doing very good without the ad valorem (property) tax," Mayor Hugh Dickson said. "I see no reason to start it again."

A $400,000 surplus was built up over the years as the city whittled away at its tax millage rate, which reached zero last year, said Dickson, a retired banker who has been mayor for 37 years.

"There never was a year where we would just cut the millage rate a great deal," he said.

The tax-cut drive began seriously in 1972, when the state first allowed local governments to impose beer taxes, Dickson said.

Last year, the city's revenues without the property tax totaled $800,000, with about $250,000 coming from the beer tax, he said.

The city does not make up a budget, but provides police protection, a volunteer fire department, sewer and water services and sanitation on a cash basis, according to the mayor.

"If we don't have it, we don't spend it," he said. "We look at it as a business, not a government."

Recreation and some other services are provided by the Clayton County government, which levies property taxes.

EXHIBIT E_1

TABLE 3-1

Percentage Distribution of Revenues by Source for Cities
1970 and 1977

Source	1970 Median Percent	1970 Range Percent	1977 Median Percent	1977 Range Percent
Property Tax	20.00	5.16 - 46.28	16.04	6.06 - 42.04
Gaming Tax	2.64	0.08 - 10.83	1.83	0.00 - 7.43
Liquor Tax	1.63	0.82 - 8.99	2.10	0.95 - 6.93
Gasoline Tax	2.01	0.00 - 4.76	1.48	0.64 - 2.34
Cigarette Tax	16.39	4.86 - 38.07	8.76	3.21 - 21.58
Sales Tax	0.00	0.00 - 16.72	10.11	0.00 - 19.74
Other Taxes	5.73	2.09 - 16.33	6.34	0.76 - 10.07
Total Taxes	57.40	20.52 - 85.41	50.33	18.73 0 77.40
Enterprise and Miscellaneous Revenues	34.59	14.59 - 71.72	36.41	14.02 - 72.39
Total Grant Revenue	0.00	0.00 - 41.13	8.67	3.49 - 21.51
Capital Revenue	0.85	0.00 - 23.20	2.19	0.00 - 10.30

EXHIBIT E_2

TABLE 3-2

Percentage Distribution of Revenue by Source for Counties
1970 and 1977

Source	1970		1977	
	Median Percent	Range Percent	Median Percent	Range Percent
Property Tax	45.21	13.58 - 70.82	32.76	15.98 - 53.15
Gaming Tax	7.91	2.82 - 42.63	5.62	2.57 - 22.05
Liquor Tax	0.75	0.00 - 2.46	0.85	0.16 - 1.75
Gasoline Tax	9.39	2.63 - 24.01	6.49	1.33 - 18.22
Cigarette Tax	5.82	0.00 - 18.00	2.72	0.00 - 6.70
Sales Tax	0.00	0.00 - 0.00	1.84	0.00 - 11.92
Other Taxes	2.15	0.04 - 17.98	5.12	0.28 - 22.66
Total Taxes	82.94	34.56 - 95.45	63.47	39.43 - 83.49
Enterprise and Miscellaneous Revenues	11.82	4.32 - 62.35	16.09	7.58 - 52.41
Total Grant Revenues	1.48	0.00 - 37.24	13.95	3.29 - 20.36
Capital Revenue	2.38	0.06 - 25.81	2.73	0.83 - 12.14

Exhibit F

GLOSSARY

ELASTICITY. Population elasticity is the ratio of the percentage in revenue or expenditure to the percentage change in population.

MEAN. The mean is calculated by summing all of the measurements and dividing the sum by the number of measurements. For example, the mean expenditure for counties in Nevada is calculated by summing the total expenditures for all counties and dividing by seventeen.

MEDIAN. The median is the value of a point on a scale above which half of the values are found and below which the other half of the values are found. As we ranked county expenditure from low to high the median is the eighth county which is seventh from lowest and seventh from highest.

PER CAPITA DOLLARS. Expenditure and revenue data were adjusted for population differences among governmental entities at a point in time and population changes over time for a given entity.

REAL DOLLARS. The influence of price increases over time was eliminated by dividing the actual dollar values by the Municipal Government GNP Deflator. This adjustment controls for the decreasing purchasing power of the dollar due to inflation.

TAX AND NON-TAX REVNUE. The distinction between tax and non-tax revenues in this study is not the traditional one. Taxes are normally defined as compulsory payments to government without expectation of direct return to the taxpayer. We have included in the tax category certain licenses and fees that are usually classified as administrative revenues rather than taxes. We chose to include them as tax revenues to be consistent with the earlier Zubrow study.

FEDERAL GRANTS 1970 AND 1977
(in 000's)

	Cities	Counties	Total
1970	$ 3,056	$ 1,095	$ 4,151
1977	10,979	27,409	38,388
Annual Growth Rate (real per capita)	34.04%	34.65%	

In addition to the growing importance of the federal grants as a percentage of total revenues, the rate of growth of total statewide amounts of federal grants has been very dramatic, with both cities and counties experiencing a 34 percent growth rates per year in real per capita dollars.

The federal grants to counties in 1977 had a median amount of 10.28 percent of the county's total revenue. The cities received a median amount of 8.67 percent of their total revenue from federal grants. These median amounts were 1/3 of 1 percent for counties and zero for cities in 1970.

The larger growth rate for counties has most likely resulted from the advent of federal revenue sharing, which has resulted in larger distributions to counties in Nevada.

The growth rates for counties and cities are fairly widely dispersed, and do not clearly indicate any significant inter-county or inter-city trends.

Trends in Capital Revenues

Capital revenues, including proceeds from bond sales and interest earnings, have accounted for a median of 2.19 percent of the total revenue for cities in 1977, and a median percentage of 2.73 percent for counties for the same year.

more streets, police, fire control and waste water treatment. At some point it is not feasible to add more of the same old services, but more sophisticated systems must be installed. Examples are traffic systems and secondary or tertiary waste water treatment facilities. Because so much of local government output is services rather than goods, its production tends to be labor-intensive. In many cases, public capital is not labor-saving. Police cars are labor-saving as compared to "foot" policemen, but once we have converted to cars, additional population calls for additional cars and policemen.

On the other hand, there is some minimum population base which is associated with minimum, per capita, expenditures. Several of Nevada's counties are below this population minimum and have very high per capita expenditures for some functions. However, it is not just population size--the rate of change is also critical in determining the need for spending. With these factors in mind, we present the trends in expenditures by function.

Total expenditures less transfers increased at an annual rate of 14.79 percent for counties, but in real, per capita, terms the increase was only 0.84 percent. The largest increases (all real, per capita) were Parks and Recreation, 7.15 percent; Police 2.78 percent; Other Public Safety 3.79 percent; Enterprise 2.68 percent; Other 2.10 percent. The share of the budget increased for Parks and Recreation from 1.89 percent to 2.87 percent; Police from 11.18 percent to 12.04 percent; Other Public Safety from 3.40 percent to 4.05 percent; Enterprise from 4.94 percent to 6.84 percent. The decreasing functions for counties were Social Services 7.76 percent annually, and Public Health 3.15 percent. Public Health declined from 14.10 percent of the budget to 11.09 percent, and Social Services declined from 2.41 percent to 1.77 percent.

City expenditures increased at an annual rate of 9.34 percent, but declined 0.37 percent annually in real, per capita, terms. The largest increases were Police 2.04

percent; Parks and Recreation, 1.90 percent; and Other, 3.58 percent. As a percentage of total expenditures, Police increased from 17.25 percent to 20.11 percent; Parks and Recreation increased from 5.70 percent to 6.85 percent; "Other" expenditures increased from 7.06 percent to 13.10 percent. The largest decreases were Highways and Public Works which decreased 7.31 percent annually, and Health at -3.77 percent. Highways, Roads and Public Works decreased from 28.91 percent of total expenditures to 18.08 percent. Health decreased from 0.95 percent to 0.89 percent.

Trends in General Administration Expenditures

The median city real, per capita expenditure for general administration purposes was $21.40 in 1970 and $25.19 in 1977. The median county was $48.04 in 1970 and $51.18 in 1977. There was considerable dispersion around the median, especially in 1970. The low city spent $7 per capita (Ely) compared to the high of $50 in Gabbs. This range narrowed in 1977 from $10 in Elko to $40 in Reno. For counties in 1970, Churchill spent $23 per capita compared to $244 in Esmeralda. In 1977 the low county was Churchill at $34 and the high was Esmeralda at $144. In general, medium sized cities and counties had the lowest per capita expenditure and small cities and counties had the highest. We should note, however, that Churchill and Fallon tend to mix general administration expenses with enterprise administrative expenses. Reno had a substantial increase from $15.31 (second lowest) in 1970 to $39.57 in 1977; this was the highest city. Part of this is explained by the fact that Reno shifted some expenditure programs into general administration between 1970 and 1977. For example, computer services were shifted to general administration rather than charging these expenses to the department which used them. These types of problems make it difficult to analyze trends and compare jurisdictions.

While median expenditures shifted up, mean expenses were stable for cities and declined for counties in real,

$33.02 for cities in this period. One of the most notable trends discovered in this study is the decreasing reliance on the property tax by cities and counties. In 1977, the median for property tax as a percentage of total revenue of counties was 31 percent while in 1970 the median was 42 percent. For cities property taxes as percentage of total revenues declined in each city with the exception of Sparks, North Las Vegas and Boulder City. Each of these three cities experienced a slight increase in reliance on property taxes. This trend would be of little concern if the slack was taken up by other taxes. But as we have noted elsewhere, the decline in reliance on property taxes has been almost exactly offset by an increasing reliance on Federal grants. This trend suggests problems of the loss of local autonomy. Few, if any, of the grants are without strings attached, as most fiscal officers of local government will attest.

With this structure and trends in mind, the following recommendations are offered. Tax relief must be balanced with the concern for local autonomy, fiscal responsibility and tax equity.

Recommendations for Property Tax Reform

1. Because of the unique structure of Nevada's property tax laws, we recommend a cautious and conservative approach to property tax reform. This study has found property tax revenues to have been relatively stable in real per capita terms. If the levy needs to be reduced it should be done by the relatively simple means of a reduction in the assessment ratio. This can be achieved without a constitutional amendment. It would also preserve the equalization process necessary for school finance and tax equity. However, it would mean additional state support for education. The consequence

on special districts is unknown at this time. Because of the relatively larger effects on county budgets additional revenues might need to be funneled to counties.

2. Since much of the public concern is over the sharp increases in assessments due to infrequent reassessment, the State should require annually adjusted assessments. For residential property this could be done with computer assisted techniques. This would free up staff and resources to work on non-residential property. It should be noted that annual reassessment would increase tax revenues.

3. The State should give up its claim to the 25 cents levy. If Question 6 is not implemented, the State could mandate that the lost revenue could not be picked up by the local governments. The effective rate would be $4.75 per $100 of assessed value. If Question 6 is implemented some relief to local governments could be offered by shifting the State share to local governments on the basis of the extent of the loss.

4. The State should assume fiscal responsibility of the SAMI program. This would free up 11 cents of the $5.00 rate for local governments.

5. Prior to implementation of Question 4 this Committee should specify the classes of personal property to be exempted as a recommendation to the 1979 session of the Legislature.

6. If the major concern of property tax burdens is for those on fixed incomes, the proper reform would be for more liberal circuit breakers for those people rather than a broad based tax reduction. This would target the relief to those in most need of tax relief, without having an impact on local government finance. This is the only certain means of providing relief to renters.

7. If a major concern is the inability to pay taxes on property based on current income, a reduction in property taxes could be partially offset by an increase in the Real Property Transfer Tax. These taxes are only paid at the time income is realized from the sale of property. The present rate is 55 cents per $500 of unencumbered valuation. If the tax were doubled it would have generated $3.2 million in fiscal 1977. Moreover, in 1974 the Assessment and Tax Equity Committee recommended that more stringent recording procedures be implemented to ensure accurate reporting of sales prices. With or without an increase in this tax, the State could share more of this revenue with local governments since they bear the burden of administrering the tax. The State now receives 75 percent of the revenues.

8. A similar proposal would be to enact the "pick-up" credit provision of the Federal Estate Tax. This would not be an additional burden on Nevada taxpayers, but would give credit for the Federal Estate Tax paid by Nevadans.

Trends and Distribution of Gasoline Taxes

The State levies a 4.5 cent per gallon tax on gasoline which is distributed to the State highway fund. There is a mandatory 0.5 cent tax per gallon which is distributed to local governments by the State presented formula:

1. One-fourth is proportioned to total area;
2. One-fourth is proportioned to population;
3. One-fourth is proportioned to road and street mileage;
4. One-fourth is proportioned to miles traveled on roads and streets in the county.

The State authorizes an additional 1.0 cent per gallon tax which is optional. These revenues are distributed on the basis of the assessed value of property in the jurisdiction to total assessed value in the county. The total 1.5 cent tax

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Expenditures have been reasonably stable in this period in real per capita terms. Also, there have been no major shifts in the importance of spending by function. A function that accounted for 10 percent of the expenditure in 1970 remained at roughly 10 percent in 1977. However, there are certain functions that could lead to future problems. An example is health programs in rural counties with a public hospital.

Generally speaking, debt levels are not excessive in relation to assessed values and the rate of growth has diminished since the 1950's and the Zubrow study.

The effects of population change on revenues and expenditures were analyzed with measures of "population elasticity" generated. Population elasticity measures the percentage change in revenue or expenditure in response to a one percentage point change in the level of population. Two major findings emerged from the elasticity study. First, locally generated revenues are not as responsive to population growth as is the response of expenditures to population growth in the urban areas of Nevada. The level of the gap between expenditure and locally generated revenues will likely grow over time. Second, a number of important revenue sources for local governments are particularly unresponsive to population growth. Property taxes and local gaming taxes are quite inelastic. On the other hand, the sales tax is very responsive to population growth.

A brief summary of the recommendations follow. A more complete discussion of the recommendations is included in the text.

Recommendations Regarding Revenues

1. Because of the existing limits on Nevada's property tax rate, we recommend a cautious and conservative approach to reform. A statutory change is preferred to a constitutional change.
2. Since much of the public concern with the property tax is due to sharp increases caused by infrequent assessments,

the state should require computer-assisted, annually adjusted assessments.

3. The state should relinquish its claim of 25 cents for the general fund and the 11 cent levy for the SAMI program to compensate for the effects on local governments of a rate reduction.
4. This Committee should recommend to the Legislature the classes of personal property to be exempted to comply with Question 4.
5. A more liberal property tax relief program for low income homeowners and renters is preferred to massive across-the-board tax reductions.
6. The Real Property Transfer Tax should be strengthened by better reporting methods. The rate could be increased to offset property tax reductions, and shared more completely with local governments.
7. To match the inflationary impacts of road construction and maintenance, the gas tax should be levied on value rather than volume.
8. Taxes on diesel fuel should be shared with local governments with heavy truck traffic on local streets.
9. Gaming taxes shared with local governments are not responsive to growth and inflation. The gaming tax distribution system should be simplified and based entirely on gross revenues.
10. The casino entertainment tax should be shared with the areas where the revenues are generated, where the impacts on government services are experienced.
11. Local gaming fees should be adjusted if there is a need for revenue.
12. Counties with two or more incorporated cities are in need of more "people taxes" such as sales taxes. These counties have problems associated with urban growth similar to their cities.
13. The distribution of cigarette and sales tax revenues should be adjusted annually rather than with each 10 year census.

14. There should be consideration of the inclusion of the sales tax on services to offset the revenue loss if groceries are excluded from the sales tax.
15. We were not able to examine in detail the structure of business licenses of local governments. However, we are convinced that local governments could raise more revenues if these fees were regularly reviewed.
16. Where the state mandates programs which have fiscal impacts on local governments, the state should assist in financing those programs. For example, the liquor tax could be used to support alcoholic rehabilitation programs at the local level.
17. An attractive alternative revenue source would be the implementation of the "pick-up" credit provision of the Federal Estate Tax. This provision would not cause additional burdens on Nevada taxpayers. A paper is attached in the Appendix to support the recommendation.
18. Non-tax revenue sources such as service charges should be emphasized by local governments, as they endeavor to make up for revenues lost through property tax limitation or reduction.
19. Enterprise fund revenues as well as miscellaneous charges and fees should be updated on a regular basis.
20. Inter-governmental grant revenues are an ever-increasing source of funds for local governments, and should be monitored and controlled wherever possible.
21. A new system of state transfers, utilizing a single formula block grant should be implemented to replace the present patch-work system of shared revenues.

Recommendations Regarding Expenditures

1. No major recommendations have been made for changes in overall expenditures. These expenditures have had very modest increases, and there has been no significant shift in the amounts of money spent in various expenditure categories.

2. Cities and counties should guard against the imposition of new spending requirements by other governments without adequate funding. Mandated program expenditures could disrupt these stable and controlled expenditure patterns.
3. The state should assume a larger role in the planning, coordination control, and operation of small county hospitals and rural health care.
4. Consolidation of city/county services in overlapping or contiguous areas should be considered whenever possible.

Recommendations Regarding Debt

1. Reductions of assessed valuations, when occurring as a part of a tax limitation measure, should be accompanied by appropriate relief provisions on bonded debt limitations.
2. A system of overlapping debt reports should be included in overall financial reports made to the Nevada Tax Commission.
3. A state-wide bond bank should be considered for local government debt financing.

General Recommendations

1. A system of uniform financial reporting should be implemented to facilitate monitoring of local government fiscal conditions.
2. The role of the Nevada Department of Taxation in local government affairs should be significantly changed in nature and expanded to provide more assistance in local government fiscal management.
3. A comprehensive study of <u>all</u> local government entities of all types should be made.

MY NAME IS HAROLD DAYTON, DOUGLAS COUNTY COMMISSIONER, AND CURRENT PRESIDENT OF THE NEVADA ASSOCIATION OF COUNTY COMMISSIONERS. ON BEHALF OF THE ASSOCIATION, I WOULD LIKE TO THANK YOU FOR THE OPPORTUNITY TO SPEAK BEFORE YOU TODAY REGARDING THE SUBJECT OF TAX REFORM AND THE POSITION OF THIS ASSOCIATION. ONE CAVEAT: WHILE THE ASSOCIATION REPRESENTS ALL COUNTY COMMISSIONERS IN THIS STATE, AND WHILE WE ARE CURRENTLY IN THE PROCESS OF REVISING OUR STRUCTURE TO ALLOW OTHER COUNTY OFFICIALS TO JOIN US, I DO NOT PURPORT TO SPEAK FOR ALL COUNTIES AND ALL COUNTY ELECTED OFFICIALS IN THE STATE OF NEVADA. HOWEVER, I DO THINK THAT STATEMENTS MADE TODAY WILL AT LEAST REFLECT THE GENERAL CONSENSUS OF OUR GROUP. WHAT I WILL ATTEMPT TO DO IS BRIEFLY REVIEW WITH YOU SOME OF OUR LEGISLATIVE RESOLUTIONS ADOPTED AT THE ASSOCIATION'S RECENT ANNUAL CONVENTION HELD IN LAS VEGAS LAST NOVEMBER.

NEEDLESS TO SAY, PROPOSITION SIX WAS WIDELY DISCUSSED AT THAT CONVENTION AND WE HAD MANY EXPERTS INFORM US OF THE SHORT AND LONG RANGE FINANCIAL AND POLICY IMPACTS OF THAT BALLOT ISSUE. SIMPLY PUT, THE ASSOCIATION SUPPORTS ANY EFFORTS TO PROVIDE

IMMEDIATE AND SUBSTANTIVE RELIEF TO THE PROPERTY TAX PAYING CITIZENS OF THIS STATE. WE ESPECIALLY FAVOR ANY TAX RELIEF TARGETED TO THOSE INDIVIDUALS WHO NEED IT THE MOST; THAT IS, THOSE AMONG US LIVING ON FIXED INCOMES. WE ALSO WOULD LOOK FAVORABLY ON SOME RELIEF GRANTED TO THOSE SENIOR CITIZENS LIVING IN MOBILE HOME PARKS ACROSS THIS STATE WHO HAVE NO CONTROL OVER THE SKY-ROCKETING RENTS THEY MUST PAY ON A MONTHLY BASIS.

AT THE SAME TIME, WE RESPECTFULLY ASK THAT THIS LEGISLATIVE BODY NOT THROW THE BABY OUT WITH THE BATH WATER. LOCAL GOVERNMENT OFFICIALS CANNOT CARRY OUT THEIR DUTIES AND RESPONSIBILITIES IF WE GET BOTH A LEGISLATIVELY ENACTED TAX PACKAGE AND PROPOSITION 6 PASSAGE AGAIN IN NOVEMBER. IT EITHER HAS TO BE ONE OR THE OTHER. THIS MEANS THAT SOME TRIGGERING MECHANISM HAS TO BE BUILT INTO ANY TAX REFORM LEGISLATION TO MAKE EFFECTIVE ONLY UPON DEFEAT OF PROPOSITION 6.

WE ARE ALL ELECTED OFFICIALS AND ALL OF US WILL HAVE TO TELL OUR RESPECTIVE CONSTITUENCIES THEY CAN HAVE ONE THING OR THE OTHER - BUT NOT BOTH.

NOW FOR SOME SPECIFICS:

1. STATE MANDATES: THE LEGISLATURE IS GOING TO HAVE TO COME TO GRIPS WITH THE ISSUE OF STATE MANDATES. THAT IS, THOSE LEGALLY IMPOSED DUTIES PLACED UPON LOCAL GOVERNMENT BY THE STATE WITH NO FINANCIAL REIMBURSEMENT PROVIDED TO CARRY OUT THE PROGRAM. THIS IS ESPECIALLY TRUE FOR THE COUNTIES OF NEVADA IN THREE GENERAL AREAS: COURT RESPONSIBILITIES, HOSPITALS, AND SOCIAL SERVICE AND WELFARE RELATED ACTIVITIES. IN ORDER TO CARRY OUT THE MANY PROGRAM BURDENS PLACED UPON OUR SHOULDERS, EITHER GIVE US THE MONEY TO DO THE JOB PROPERLY OR LET THE STATE INCREASE ITS RESPONSIBILITY. COUNTIES WILL BE SUPPORTIVE OF ANY EFFORT TO REPEAL THE 11¢ INDIGENT AID AND REQUIRE THE STATE TO FULLY FUND THE TITLE 19 MEDICAID PROGRAM. FURTHER, WE WILL BE INTRODUCING LEGISLATION, IN COOPERATION WITH CLARK AND WASHOE COUNTY, TO EXPAND THE WELFARE PROGRAM TO COVER MEDICALLY NEEDY COSTS, WHICH ARE NOW A TOTAL COUNTY RESPONSIBILITY. IF THE STATE WERE TO PICK THIS PROGRAM, WHICH IT DOES NOT NOW, THERE WOULD BE AN AUTOMATIC FIFTY PERCENT MATCHING GRANT AVAILABLE FROM THE FEDERAL GOVERNMENT. THIS MEANS THAT IT WOULD COST THE STATE AN ADDITIONAL 3 TO 4 MILLION DOLLARS PER YEAR, AND THAT MUCH LESS BY

THE COUNTIES OF NEVADA. FURTHER, BY PAYING MEDICALLY NEEDY COSTS, UNIFORM ELIGIBILITY CRITERIA COULD BE ESTABLISHED BY THE STATE RATHER THAN THE CURRENT HODGEPODGE OF LOCAL RULES AND REGULATIONS GOVERNING THE ADMINISTRATION OF THE PROGRAM IN OUR 17 COUNTIES. THIS WOULD BE FAIR TO OUR CITIZENS NEEDING AID AND TO THE TAXPAYERS AS WELL.

COURT COSTS: EITHER HAVE THE STATE PICK UP THE TAB FOR JUVENILE COURT SERVICES OR GIVE THE COUNTIES MORE AUTHORITY TO CONTROL THE SKYROCKETING EXPENDITURES IMPOSED UPON US BY NRS 62, THE JUVENILE COURT ACT, AND OUR LOCAL DISTRICT COURTS. IT HAS BEEN ESTIMATED BY THE ADMINISTRATIVE OFFICE OF THE COURT THAT JUVENILE COURT SERVICES ARE COSTING THIS STATE NEARLY $17 MILLION DOLLARS PER YEAR. IN MANY COUNTIES, A MAJORITY OF THAT EXPENSE IS GIVEN TO PERSONNEL COSTS OVER WHICH THE COUNTY COMMISSIONERS CAN PROVIDE VERY LITTLE DIRECTION BECAUSE OF THE NATURE OF NRS 62 AND THE SEPARATION OF POWERS DOCTRINE BETWEEN THE COURT AND THE LEGISLATIVE BRANCH.

WE WOULD LIKE THE LOCAL GOVERNMENT BUDGET SECTION OF THE TAX DEPARTMENT BROKEN OUT AND PERHAPS A SEPARATE DEPARTMENT OF LOCAL

GOVERNMENT ESTABLISHED, TO FOCUS EXCLUSIVELY ON THE PROBLEMS AND CONCERNS OF LOCAL GOVERNMENT AND LOCAL GOVERNMENT OFFICIALS. WE ESPECIALLY WANT THIS NEW AGENCY TO PROVIDE INCREASED TECHNICAL ASSISTANCE TO LOCAL GOVERNMENT. THIS ALONE COULD SAVE UNTOLD DOLLARS IN THE EXPERTISE PROVIDED BY THE STATE TO SMALL UNITS OF GOVERNMENT WHICH NEED HELP BADLY AND DON'T KNOW WHERE TO TURN. THE LOCAL GOVERNMENT BUDGET SECTION OF THE TAX DEPARTMENT IS WOEFULLY UNDERSTAFFED AND NOT PROVIDING THE KIND OF SERVICE IT SHOULD BE PROVIDING TO LOCAL GOVERNMENTS IN THIS STATE. THE TAX DEPARTMENT IS A FINE AGENCY, BUT IT NEEDS MORE STAFF IN THE WAY OF LOCAL GOVERNMENT FINANCIAL EXPERTS TO ASSIST US AND YOU. PERHAPS THIS IS AN AREA WHICH COULD BE EXPLORED BY GOVERNOR LIST'S COMMISSION ON THE FUTURE OF NEVADA, AN IDEA WE ENTHUSIASTICALLY SUPPORT.

THERE ARE MANY MORE IDEAS I COULD TOUCH UPON, LIKE HEALTH CARE, EXPANDING THE TAX BASE ALONG THE LINE OF THE ATKINSON REPORT TO MORE ADEQUATELY REFLECT THE GROWTH OF THIS STATE, AND THE ISSUE OF PERHAPS THE NEED FOR A STRONGER EMPHASIS UPON ECONOMIC DEVELOPMENT -- ESPECIALLY IN OUR RURAL AREAS.

THE ASSOCIATION APPRECIATES YOUR TIME AND YOUR INTEREST. WE LOOK FORWARD TO WORKING WITH YOU DURING THE COMING WEEKS. IF THERE IS ANYTHING WE CAN DO FOR YOU, PLEASE LET US KNOW.

THANK YOU FOR YOUR ATTENTION.

MEASURE #6
(An amendment to the Nevada State Constitution)

APPROVED BY THE VOTERS

NOVEMBER 7, 1978

... the right of the people ... to petition the government for a redress of grievances.

ARTICLE I, BILL OF RIGHTS

MEASURE #6 — MANDATED BY THE PEOPLE

"When government representatives fail to read the minds of the citizens, the citizens will take matters into their own hands and start reforms of their own. I urge a "yes" vote on #6 and I urge all my friends and supporters to do the same." Governor Bob List, October 27, 1978.

We cherish the freedoms that are the birthright of American citizens and are dedicated to the fight against those who would intrude on those freedoms.

When our freedoms are threatened; when our elected officials abuse the offices they were elected to serve; when taxation becomes oppressive on the citizens and/or their rights and privileges, we believe it is the duty of every citizen to avail himself of the rights of the ballot, the recall or initiative system, in order to set the ship of state once again on its proper course.

The people of the State of Nevada did legally and rightfully take matters into their own hands on November 7, 1978. On that date the people of the State of Nevada, by an overwhelming vote of 4 to 1, voted to reform the state tax structure. The extent of this reform is clearly spelled out in Measure #6.

Measure #6 states in simple language that the people demand:

1. A drastic reduction in property taxes.
2. A complete overhauling of the current, archaic and confiscatory system of determining property tax assessments.
3. Restraints on the imposition of new taxes.

There is no doubt whatsoever that Nevadans feel that their property taxes are unjustly high and that something must be done to stop the ever-increasing cost of government.

There are those who will argue that "tax reform" is best structured by the legislature, not by the people. In fact, a considerable number of the members of the present legislature have already taken this position.

What we have then is a clique of representatives who will offer "alternatives" to Measure #6. What is not at all clear here is why "must" alternatives be offered to a tax reform measure mandated by the people? One can only conclude that there are those who subscribe to the principle that our governing bodies are not responsible to the expressed wishes of the people.

Those who would construct "alternatives" to Measure #6, the will of the people, must accept the proposition that somehow or other 140,000 Nevada voters do not really know what kind of government is good for them. Each and every member elected to state legislature represents a constituency that voted approximately 4 to 1 in favor of Measure #6. The conclusion here is obvious . We have elected some officials who consider themselves possessed of more wisdom than the collective minds of the voters who put them in office. (The message from Washoe County, for example, was loud and clear and unmistakable — 84% approval!)

The voters of Nevada voted for the enactment of the provisions of Measure #6. Nowhere does Measure #6 suggest that "alternatives" are expected or acceptable. If we are to accept the principle that the people shall govern themselves, then we must accept the fact that the voters are entitled to its enactment into law and, if they decide they do not want it enacted into law, it is their right and their right alone to reject it in 1980!

Other than the fact that our state legislature is supposed to be a symbol of representative government designed only to carry out the expressed will of the people, why else should the members leave the provision of Measure #6 unviolate?

It is largely because whether good or bad, like it or not, the voters have lost faith in the performance of their elected officials in Nevada and elsewhere throughout the nation. There is no "alternative" to #6. Measure #6 is the "alternative". It is the alternative to the failure of the Nevada State Legislature to bring relief to the overburdened taxpayer whose lot has been the ever-upward spiraling of property taxes.

Until the passage of Measure #6 our state legislature never paid anything but lip service to our long suffering property owners who have complained in vain for many years. Not having ever before considered the plight of the taxpayers, who can believe that the legislature will suddenly offer tax relief that is "best" for the taxpayer? Measure #6 is a reality because the legislature has failed to respond to the public demand for an end of unfair, confiscatory property taxes.

Just how much validity is there to the claim that Measure #6 is too "drastic"?

The truth is no one really knows whether #6 is too "drastic" or not — and no one can make this judgment until the provisions of the measure have been made law and tested. No "alternative" passed by the legislature will demonstrate that Measure #6 will not work.

The effectiveness of Measure #6 can only be determined by comparing it to the effectiveness of Proposition #13 in California — identical to Measure #6 in Nevada. Nevadans are watching Proposition #13 as is the whole nation.

Since the passage of Proposition #13, how has California fared thus far?

1. The over-all economy is improved.

2. The state still has $\$4\frac{1}{2}$ billion surplus.

3. Governor Brown feels that Proposition #13 was not drastic enough. He urges a further $1 billion reduction in state income taxes.

4. Governor Brown has concluded that a "lid on spending" is not only good for California, he now proposes a constitutional assembly to place a "lid" on federal spending.

It would seem logical that the legislature should accept Measure #6 "as is" and as approved by the voters . . . and trust that the voters will, in their wisdom, approve it or reject it in 1980.

After all, Nevadans, like all other wage earners in the country, are sick and tired of government that takes 42% of all we earn. They are sick and tired of having to tighten their belts in order to pay their property taxes.

In conclusion, Measure #6 will reduce taxes by $60 million, which does not seem at all too "drastic", considering the state now has a $160 million surplus that grows steadily at a phenomenal rate.

Anyone not taking Measure #6 seriously is out of tune with reality. Measure #6 is the mood of the people of Nevada.

JOE MATTHEWS
Author and Proponent,
Measure #6

Sec. 3. 1. As used in this section: EXHIBIT M

(a) "Change in ownership" does not include:

(1) Any transaction wherein an interest in real property is encumbered for the purposes of securing a debt.

(2) A transfer of title resulting from the distribution of the estate of a deceased person.

(3) A transfer of title recognizing the true status of ownership of the real property.

(4) A transfer of title without consideration from one joint tenant or tenant in common to one or more remaining joint tenants or tenants in common.

(5) A transfer of title to community property without consideration when held in the name of one spouse to both spouses as joint tenants or tenants in common, or as community property.

(6) A transfer of title between spouses, including gifts.

(7) A transfer of title between spouses to effect a property settlement agreement or between former spouses in compliance with a decree of divorce.

(8) A transfer of title by spouses without consideration to an inter vivos trust.

(9) Transfers, assignments or conveyances of unpatented mines or mining claims.

(b) "Full cash value" means:

(1) The amount at which real property was appraised by the county assessor or the Nevada Tax Commission for the fiscal year commencing July 1, 1975; or

(2) The appraised value of real property if the same was purchased or newly constructed or if a change of ownership occurred after equalization of the assessment roll for the fiscal year commencing July 1, 1975.

(c) "Special taxes" means all taxes other than general (ad valorem) taxes.

2. Except as provided in this subsection, the maximum amount of general (ad valorem) taxes levied on real property within the state for all public purposes, including levies for bonds, shall not exceed 1 percent of the full cash value of such real property. The limitation shall not apply to the amount of taxes required for the payment of principal of and interest on bonds payable from general (ad valorem) taxes issued prior to the effective date of this section until such bonds have been discharged in full or provision for their payment and redemption has been fully made.

3. Factors for determination of full cash value of real property shall be provided by law. If the use of market value is authorized as a factor the market value base may reflect from year to year an inflationary rate of not to exceed 2 percent for any given year or a reduction as shown in the consumer price index or other comparable data for the area where the real property is located.

4. A statute or amendment to a statute increasing revenues either by increased rates or by changes in methods of computation may be enacted only by a vote of not less than two-thirds of all members elected and appointed to each of the two houses of the legislature, but no new general (ad valorem) taxes on real property or sales or transaction taxes on the sales of real property may be imposed.

5. The legislature may authorize political subdivisions of the state, including without limitation counties, cities, towns, school districts and special districts, after the effective date of this section to impose new special taxes or increase existing special taxes if approved by a two-thirds vote of the registered voters of the political subdivision voting on the question, but no new general (ad valorem) taxes on real property or sales or transaction taxes on the sales of real property may be imposed.

EXHIBIT N

League of Cities

1. General Financial Condition of Cities.

2. Revenue Mix

   (a) Revenues That Increase in Real Per Capita Terms and Revenues That Decrease in Real Per Capita Terms.

3. City Revenues

City of Las Vegas General Fund:

	Ad Valorem	20%	$ 8,487,690
	Licenses & Permits	10%	4,172,100
	Fines & Fees	7%	3,131,720
	From other Gov'ts		
	Motor Vehicle Priv.		841,499
	Cigarette Tax		4,143,483
	Liquor		857,173
	County/City Relief (Sales)		10,869,274
	Gaming Taxes		977,500
43%	Gasoline Tax		680,000
	County Road Grant		15,000
	Animal Shelter Services		150,000
	Fire Alarm Services		200,000
	Senior Citizens		50,000
	Other Resources	3%	1,222,500
			$41,265,539

Real Per Capita Dollars

% of Total Revenue 1970 - 1977		
	29.15	21.73

PROPERTY TAXES	1970	1977
Las Vegas	54.87	43.84
Mean-All Cities	38.42	32.91

EXHIBIT N

League of Cities

% of Total Revenue 1970 - 1977		GAS TAX	1970	1977
3.20	1.49	Las Vegas	6.02	3.01
2.23	1.48	Mean-All Cities	4.79	3.01

% of Total Revenue 1970 - 1970		GAMING TAXES	1970	1977
8.37	6.22	Las Vegas	15.76	12.55
3.44	2.81	Mean-All Cities	7.28	6.53

% of Total Revenue 1970 - 1977		CIGARETTE TAX	1970	1977
11.15	9.69	Las Vegas	21.00	19.55
16.01	9.18	Mean-All Cities	30.64	17.72

% of Total Revenue 1970 - 1977		SALES TAX	1970	1977
9.69	17.48	Las Vegas	18.24	35.26
3.11	11.07	Mean-All Cities	7.93	23.65

% of Total Revenue 1970 - 1977		LIQUOR TAXES	1970	1977
2.38	2.80	Las Vegas	4.48	5.66
2.39	2.37	Mean-All Cities	4.44	4.54

% of Total Revenue 1970 - 1977		FEDERAL GRANTS	1970	1977
-0-	10.22	Las Vegas	-0-	20.63
4.63	9.31	Mean-All Cities	18.51	20.31

EXPENDITURES

Real Per-Capita Dollars

Total Expenditures	1970	1977
Las Vegas	192.19	190.30
Mean-All Cities	252.27	240.26

Administrative Expenditures	1970	1977
Las Vegas	15.83	22.51
Mean-All Cities	24.51	24.81

(The courts are in these figures also.)

(Federal Grant Management)

Highways & Roads	League of Cities 1970	1977
Las Vegas	35.58	20.80
Mean-All Cities	84.21	43.58

(There is a great range in this area.)

Parks & Recreation	1970	1977
Las Vegas	16.65	15.27
Mean-All Cities	12.66	16.94

Police	1970	1977
Las Vegas	54.74	56.83
Mean-All Cities	35.37	40.87

Other Public Safety	1970	1977
Las Vegas	36.84	36.38
Mean-All Cities	17.19	18.16

Local Government Advisory Committee Project

(1) Effects of Proposition 6

(a) Complicated to compute.

(b) Computer programs for Clark & Washoe counties.

(2) Special Districts

EXHIBIT O

CITY OF HENDERSON

CITY HALL 243 WATER STREET 702/565-8921
HENDERSON, NEVADA 89015

Gateway to Lake Mead Resorts

January 22, 1979

Assemblyman Bob Price
Chairman Assembly Taxation Committee
Senator Norman Glaser
Chairman Senate Taxation Committee
Legislative Building
Capitol Complex
Carson City, Nevada 89710

Gentlemen:

The City of Henderson appreciates this opportunity to offer its input at this Joint Taxation Committee meeting. We had wished to be here in person but other commitments intervened.

We appreciate Mr. Marvin Leavitt acting in our stead as he has a very comprehensive understanding of the financial environment relating to Southern Nevada cities. Henderson strongly supports his presentation of the tax structure and the effect that some of the proposed variations would have on the structure. As a knowledgeable professional we are confident that Mr. Leavitt will "paint a true picture" before this committee.

The City of Henderson would further like to comment that we are in concurrence with the December, 1978 position directed to the Local Government Finance Study Committee. This document clearly demonstrates that cities intend to respond to citizens' desires for lower taxes, but that other resources will have to be found to meet the demand for services.

In closing, we thank the members of the committee for this opportunity.

Robert E. Campbell,
City Manager

Jerry L. Webster
Director of Finance

REC/JLW/11

COMMENTS

TO

THE LOCAL GOVERNMENT FINANCE STUDY COMMITTEE

FROM

FINANCIAL OFFICERS

OF

NEVADA'S INCORPORATED CITIES

DECEMBER 1978

During the 1977 session of the Nevada State Legislature, a resolution was passed which established a committee to study local government finances in the state of Nevada. This committee subsequently met and contracted with the Bureau of Business and Economic Research of the University of Nevada, Reno, to act as consultants to study local government finance.

It is important to note that at the time the committee was formed, one of the major concerns among officials at all levels of government was the financial stability of local governments in general and cities in particular because of the financial crisis that had recently occurred in New York City.

We have reviewed the progress report authored by Glen Atkinson which was submitted to the Local Government Finance Committee in October. He has had considerable contact with most of us during the course of the study and we feel he has been thorough in both his data gathering as well as the analysis that he has made of these data. We also agree, in general, with the conclusions that he has reached.

We have been concerned for the last several years that most of the revenue sources available to cities have not reacted well either to inflationary pressures or population growth in the cities. One exception to this is the County-City Relief Tax (Sales), which has had good growth in the last several years, partially enabling us to keep up with inflation and population increases. We very much appreciate the previous action of the legislature in providing for this tax source. We are opposed to any change in the allocation formula that would have the effect of reducing the revenues currently available to cities and distributing a portion of this tax to other governmental units not presently receiving revenues from this source.

We feel that the recommendations in the progress report which advocate possible changes in the method of levy of several taxes from the current formulas based on volume to a system based on sales price is proper. This would enable the revenue from these taxes to increase based on the economic growth of the community as well as on the price increases experienced.

We are concerned that an increasing percent of local government revenues are coming from grants, principally from the Federal Government. While we have accepted these grants and have used the proceeds for many useful projects, the majority of these funds are allocated and controlled in such a way as to reduce the autonomy of the local governing board. This, in effect, transfers some of our decision-making power to the Federal Government.

Since 1977 the general consensus among the people has changed from a concern about the fiscal health of the cities to an effort to substantially reduce taxes to provide relief for the taxpayer. Because of this feeling, Question 6, which reduces property taxes by a substantial amount, was passed by a large margin in the recent election for the first of two required votes. Almost all the candidates for state offices in the November 1978 election have proposed reductions in taxes, and almost all of these proposals have substantial effects on local governments. Although we recognize the need for tax relief, we feel that caution should be exercised and careful analysis should be made before making any tax reductions that could cause financial crises in local governments in the State.

A recent publication by the Nevada State Department of Taxation entitled "Local Government Red Book" which is a summary of property tax levies in the State of Nevada, presents the following information (shown on page 16 of the publication):

ESTIMATED AD VALOREM TAX DISTRIBUTION FOR 1978-79

	Assessed Value	Schools	Counties	Total Cities	Total Towns	Total Special Districts	State	Grand Total
CARSON CITY #	$ 171,766,470	$ 3,212,033	$ 1,125,846	$ 2,645,354	$ -0-	$ 76,657	$ 429,416	$ 7,489,306
CHURCHILL	58,313,840	1,113,794	954,014	203,095	-0-	2,333	145,785	2,419,021
CLARK	2,463,414,881	54,251,786	27,848,905	12,964,729	16,530,810	2,009,506	6,158,537	119,764,273
DOUGLAS	175,871,528	3,728,476	1,125,578	-0-	139,130	1,549,263	439,679	6,982,126
ELKO	148,583,033	2,674,495	1,485,830	666,542	67,643	179,940	371,458	5,445,908
ESMERALDA	15,627,430	234,411	312,548	-0-	13,179	-0-	39,069	599,207
EUREKA	35,623,897	562,858	566,420	-0-	7,031	2,475	89,060	1,227,844
HUMBOLDT	71,461,729	1,300,603	828,956	304,512	-0-	74,881	178,654	2,687,606
LANDER	34,022,467	578,382	670,242	-0-	56,672	1,642	85,056	1,391,994
LINCOLN	25,320,122	493,742	354,482	19,917	28,358	22,495	63,300	982,294
LYON	83,005,105	1,540,575	1,500,732	81,597	31,973	125,575	207,513	3,487,965
MINERAL	28,373,339	505,329	842,404	-0-	-0-	-0-	70,933	1,418,666
NYE	89,968,521	1,610,437	1,493,477	58,974	202,895	15,732	224,921	3,606,436
PERSHING	38,507,507	604,568	562,210	80,754	-0-	-0-	96,269	1,343,801
STOREY	10,165,152	169,758	291,740	-0-	5,387	242	25,413	492,540
WASHOE	1,280,109,786	23,223,751	23,052,217	10,092,471	-0-	4,084,303	3,200,274	63,653,016
WHITE PINE	53,147,724	797,216	983,233	249,120	57,028	-0-	132,869	2,219,466
	$4,783,282,531	$ 96,602,214	$ 63,998,834	$ 27,367,065	$ 17,140,106	$ 8,145,044	$ 11,958,206	$225,211,469
Percentage of Grand Total		42.89	28.42	12.15	7.61	3.62	5.31	100.00

Average Unweighted Tax Rate $4.7083

#Consolidated entity; two taxing district - urban (city) and Ormsby (rural county)

EXHIBIT P

Question 6 would have the effect of reducing property taxes from a current rate of 1.75% of market value to 1% of market value, which would cause a reduction "off the top", so to speak, of 43% without considering the limitations on market value.

Based on this 43% reduction in the tax rate, the approximate effect on all governments in the state would be revenue losses in excess of $98 million, based on 1978-79 valuations. This does not take into consideration the market value limitation which would substantially increase this amount.

We recognize that the effects of this tax reduction will not be felt until the 1981-82 tax year, but we feel it is incumbent on the 1979 session of the Legislature to give consideration to alternative methods of financing local government.

While the taxpayers have mandated that local governments provide essential services in a more effective and efficient manner, a mandate we intend to meet, we feel that "belt tightening" in the magnitude of the proposed revenue loss will make it difficult, if not impossible, for local governments to meet this challenge.

The ability of local governments to remain fiscally stable rests to a large degree on their ability to provide increasing revenues in the face of population increases and inflationary pressures which force expenditures to rise if service levels are to remain constant. How well this can be done relates directly to the revenue "mix" available to the government. For instance, revenues such as business licenses show only a small amount of growth as the community expands and they respond very poorly to inflationary pressures. Question 6 provides that the market value of property used for assessment purposes cannot rise faster than 2% per year. This rate is, of course, substantially less than the current rate of inflation. This would cause local government revenues from property taxes to fall farther and farther behind each year that the rate of inflation is greater than 2%. With revenues such as these not responding well, if the total revenue of the government is to grow at a reasonable level it is necessary that other revenues grow at a rate that exceeds the rate of inflation. Since a local government is largely service-oriented, a large portion (usually in excess of 70%) of its total expenditures is represented by salary costs. It is necessary that governmental salaries keep pace with the salaries in the community as a whole if governments are to have an effective work force composed of those of excellent capabilities in the various fields in which they work.

Since these expenditures respond very quickly to inflationary impacts, it is necessary that revenues have this same ability.

The various tax proposals which have been made to decrease property taxes have substantial effects on local governments with only a minimal effect on state revenues. Over the last several years, while the total taxes available to local governments have not increased at a level to keep up with inflation and population changes, the "tax mix" of the State Government has been such that it has been possible for the state not only to keep up with these pressures but also to accumulate a considerable surplus. This surplus has been accumulated principally because of three taxes available to the state which respond very well in an inflationary economy:

(1) 2% Sales Tax

(2) Percentage fees based on gross gaming revenue

(3) Casino Entertainment Tax

We feel strongly that consideration should be given to proposals that reallocate a portion of the above-listed taxes to local governments as a possible method of insuring that these governments rètain their ability to provide essential services.

We also feel that the state should give up its claim to the 25 cents ad valorem levy.

As the legislators review and study the various tax reduction plans, we feel that consideration should be given to possible alternative funding sources for local governments.

It appears that the State may be able within its existing revenue structure to provide relief for local governments and still provide adequate funding for state agencies and departments.

This year, as never before, review of government needs at all levels including the state, counties, cities, schools, and special districts should be given by the Legislature. Local governments over the past several years have experienced an increasing reliance on taxes levied by the State while at the same time the revenue sources available to local boards by their own levy have not reacted well to community growth and the pressures of inflation. We feel it incumbent on all local governments to review their own levies of taxes and fees to insure that such levies are current, but we recognize that this only represents a solution to a very small portion of the overall problem.

We greatly appreciate the concern of the members of the Local Government Finance Study Committee and the excellent research done by the Bureau of Business and Economic Research of the University of Nevada, Reno.

We stand ready to provide any information at our disposal to either this study committee or the upcoming session of the Legislature.

We know you share our concern that local government revenues be such that we can provide the necessary services to the residents of our cities.

We pledge ourselves to do anything in our power to make our governments more effective and efficient as we perform our needed functions.

Robert E Boyer

Bob Boyer, Finance Director
City of Boulder City

Inez E Thomas

Inez Thomas, Clerk/Treasurer
City of Caliente

Martha Westover

Martha Westover, Acting Finance Director
City of Carson City

Karen F. Wiggins

Karen Wiggins, Clerk/Treasurer
City of Carlin

Julianne Murphy

Julianne Murphy, Clerk
City of Elko

Nick Orphan

Nick Orphan, City Auditor, Clerk/Treasurer
City of Ely

Leroy A. Getchell

LeRoy Getchell, Clerk/Treasurer
City of Fallon

Patricia J. Butler

Patricia Butler, Clerk/Treasurer
City of Gabbs

Jerry Webster, Director of Finance
City of Henderson

Marvin A. Leavitt, Director of Finance
City of Las Vegas

Virginia Rose, Clerk/Treasurer
City of Lovelock

Philip W. Carr, Director of Administrative Services
City of North Las Vegas

Albert Mohatt, Acting Finance Director
City of Reno

Ralph Best, Director of Finance
City of Sparks

Carrie Fitch, Clerk/Treasurer
City of Wells

Peggy Mowry, Clerk/Treasurer
City of Winnemucca

Frank McGowan, City Manager
City of Yerington

STATE OF NEVADA
DEPARTMENT OF COMMERCE
NYE BUILDING, ROOM 321
201 SOUTH FALL STREET
CARSON CITY, NEVADA 89710
(702) 885-4250

EXHIBIT Q

ROBERT LIST
GOVERNOR
JAMES L. WADHAMS
DIRECTOR

DIVISIONS
BANKING
CONSUMER AFFAIRS
CREDIT UNION
FIRE MARSHAL
HOUSING
INSURANCE
MOBILE HOME AGENCY
REAL ESTATE
SAVINGS AND LOAN

January 22, 1979

Taxation Committee
Nevada Legislature
Legislative Building
Carson City, Nevada 89710

Dear Committee Members:

Pursuant to this department's submission made January 18, please find attached information which properly reflects the historical statistical data presented.

Changes were made to recognize and distinguish between calendar year and fiscal year formats used between the 2nd and 3rd pages.

Very truly yours,

JAMES L. WADHAMS
Director

JLW:ph

Attachment

EXHIBIT Q

ANNUAL REPORT OF THE
DIVISION OF INSURANCE
DEPARTMENT OF COMMERCE

DIVISION ACTIVITIES

FINANCIAL

The following is a recap of premium monies expended by the people of Nevada during the calendar years 1975, 1976, and 1977, and premium taxes, license and miscellaneous fees collected by the Insurance Division for the corresponding fiscal years. All such monies collected were deposited into the general fund. The three years depicted below show the phenomenal growth that is expected to continue as Nevada's population grows and more companies are admitted.

	Calendar Years		
	1975	1976	1977
Direct premium paid all lines............	$319,882,342	$386,841,070	$432,100,052
Direct premium paid fraternal societies..	1,278,325	900,672	1,522,576
Direct premium paid title companies......	2,659,298	5,076,443	8,318,890
Direct premium paid surplus lines........	1,073,200	2,356,319	4,823,687
TOTALS.....	$324,893,165	$395,174,504	$446,765,215

	Fiscal Years		
	1976	1977	1978
Total taxes collected all sources..........	$ 6,001,335	$ 7,270,053	$ 9,179,872
Total fees & Miscellaneous items collected...............	412,514	422,172	447,208
TOTALS.....	$ 6,414,242	$ 7,692,225	$ 9,627,080
Cost of operation......	$ 663,379	$ 683,896	$ 687,953

NOTE: Fiscal year 1979 figures are unavailable at this time due to statutory March 1 filing dates.

INCOME TO GENERAL FUND

	Fiscal Years				Projected Income		
	1975	1976	1977	1978	1979	1980	1981
INSURANCE PREMIUM TAX*	$5,004,937	$5,574,290	$6,838,395	$8,600,488	$9,199,170	$9,797,852	$11,169,551
RETALITORY TAX	460,398	427,438	431,658	579,384	599,215	619,047	658,710
LICENSE FEES	322,767	339,525	356,914	380,296	388,550	399,772	419,216
EXAM FEES	17,774	18,499	18,701	20,043	20,444	20,866	21,709
INSURANCE FINES	32,855	20,600	13,700	12,355	13,605	14,855	17,355
INSURANCE - MISC. Service of Process Agents Appointments Powers of Attorney	31,501	33,890	32,857	34,514	34,985	35,505	36,543
TOTALS	$5,870,232	$6,414,242	$7,692,225	$9,627,080	$10,255,969	$10,887,897	$12,323,084

*For a more detailed breakdown, please see attached exhibit.

EXHIBIT O