MEMBERS PRESENT:

CHAIRMAN PRICE
VICE CHAIRMAN CRADDOCK
ASSEMBLYMAN CHANEY
ASSEMBLYMAN COULTER
ASSEMBLYMAN DINI
ASSEMBLYMAN MANN
ASSEMBLYMAN BERGEVIN
ASSEMBLYMAN MARVEL
ASSEMBLYMAN RUSK
ASSEMBLYMAN TANNER
ASSEMBLYMAN WEISE

MEMBERS ABSENT:

NONE

GUESTS PRESENT:

SEE ATTACHED LIST

A quorum being present, Chairman Price called the meeting to order at 2:30 p.m. The purpose of the meeting was to hear testimony on AB 344, AB 438 and AB 405.

AB 405

Peter G. Morros, Department of Conservation, and Robert Fink, Historic Preservation Specialist with the Division of Historic Preservation and Archeology, came forth to testify. Mr. Fink stated that their office is the office designated by the legislature to conduct programs dealing with historic preservation and they wish to offer their expertise to the offices of the county assessors in determining which residential properties may be designated as historic for the purposes of obtaining tax deferment. The process of application is initiated by the homeowner who must approach the county assessor. The county assessor must then seek a determination of historical significance. The present NRS is not specific in describing how the assessor's office accomplishes the determination except that the statute states pursuant to law. The Division supports this legislation as a means of assisting the county to achieve a consistent, equitable basis for evaluating applications.

Mr. Rusk inquired whether they have a set of criteria that would make them helpful to the county. Mr. Fink stated that they have assisted Carson City in this manner. The Carson City Historical Commission was given help to develop some criteria to evaluated some property.

Mr. Rusk further questioned what kind of workload this would involve. Mr. Fink stated that they do not envision a workload of any major size. They would hope to have a standardized criteria that they could present to the various county assessors. They presently administer the criteria for the national register of historical places and also are the designated office to process the applicants for the federal tax incentives.

Mr. Mann moved for a "do pass" recommendation for AB 405 and Mr. Dini seconded the motion. The motion passed unanimously.

AB 344

Gary Milliken, Clark County Assessor's Office, spoke in support of this bill. A copy of Mr. Milliken's remarks are attached to these minutes as Exhibit A.

Mr. Milliken ended his statement by saying the key thing in this is that it does divide any increase over a 5 year period of time and this applies only to ad valorem revenue.

Mr. Mann stated that he questioned the 10% figure as being a little bit high. He added that in Senator Lamb's bill they are looking at a 2% figure and the logic for that being that they could come back in two years it it were warranted. Mr. Milliken stated that they could go with that, its the concept they want.

Mr. Mann stated that this is what they would refer to as the revenue cap as it really puts a limit on the total amount from property tax that can be spent in any given year.

AB 438

Ernest Newton, Nevada Taxpayers Association, stated that he would like to suggest some amendments to this bill. These amendments are attached to these minutes as Exhibit B.

Mr. Newton stated that the purpose of these amendments is that if the expenditure cap is to apply to local governments as it does to state government then it needs to apply to all tax supported funds because there are a great many funds other then the general fund in county, cities and school districts. In Section 1 of the bill which applies to state government, all the funds that are supported by taxation are included. In Section 3, only the general fund is capped for cities, counties and school districts. Mr. Newton cited the example of counties that have road fund, agricultural extension fund, sewer construction and water construction funds are supported by specific tax levies which are ad valorem taxes on real and personal property. There is no pattern to the funds and so you cannot say that all funds are used in all cities, counties or school districts. But there is no single local government that does not have more then one fund more then the general fund supported by ad valorem tax revenues.

Mr. Newton went on to say that they are also asking for consideration of one other possible change and that would be in Section 3, page 2 subsection 5. This would make the expenditure level 1975-76 become the base year and that base year be augmented or decreased by factor reflecting the change in population to be served and a factor which would account for the inflationary effect of the federal government monetary policy on cost of operating government. When this proposal was first made, the proposal was that something other then CPI would be used because the CPI does not accurately reflect and in fact over reflects the change caused by inflation in the cost of government activities. The CPI is based on the individual market basket of goods and services which are purchased by the ordinary citizen. That market basket is not an accurate reflection of the costs of costs of the so called market basket of goods and services which government buys. Government buys a great many things that the average citizen doesn't buy. The use of the CPI takes no account of the idea that there ought to be some economy of scale; as costs continue to rise the cost per unit doesn't necessarily rise at the same rate. The original idea was to use 80% of the GNP deflator and that difference between that and the CPI is usually not more than 3%.

Mr. Newton stated that this proposal presents the most effective method he has seen yet in the legislature to reduce the cost of government to the taxpayers and to reduce the impact of taxation at the state and local government level. This proposal would not change the expenditure growth which has been experienced by the state. It would have an effect on local governments and that effect would be to reduce the cost of local government about $16,000,000 a year.

If counties and cities who are within the cap would continue at their same rate of expenditure and those who were over the cap would reduce their expenditures to the amount permitted, there would be a savings to the taxpayers of $30,000,000 a year, according to Mr. Newton.

Mr. Newton stated that under AB 438 if the local government is wrong on the budgets they have to take that unexpected ending balance and reduce taxes the following year instead of just proceeding to spend the money. According to Mr. Newton, the genius of 438 is not that it will require better estimates but it will require local governments to live with reality when the reality is much better then they expected.

Mr. Newton stated that AB 438 is largely a counterpart of the Tennessee legislation. However it was adopted by initiative petition so this is much better because it can be done by statute and accomplish the same results and 2 years from now look at it to see if there are any mistakes in it. Tennessee is locked into a constitution amendment that has a base year and a growth factor that will require a vote of the people to change. Twenty-two other states are considering some type of this legislation.

This proposition would provide for automatic reduction of taxes whereby it would require that if any money cannot be spent it be carried forward as an ending balance to the following year and that it be used to reduce taxes for the following year. It will be opposed by those political subdivisions who are "rolling in dough" and who have not found a way to intelligently spend all the money that the tax program has developed.

Mr. Newton stated that he doesn't think that there is a single subdivision in this state that isn't "fat".

Mr. Newton went on to state that if this were to be processed quickly it could be implemented for the 1979-80 fiscal year. This would require the relaxation of some the time tables for this year. The date requirements could be expanded without causing great problems. This would allow for substantial savings to the taxpayers in 1979-80 fiscal year.

Mr. Weise inquired whether on page 3, subsection 6, did Mr. Newton feel simple majority was all right as opposed to a 2/3 majority. Mr. Newton acknowledged that he had had a hand in writing this bill and that he would have perferred to go with the 2/3 but the others opposed that . He added that he would also like to see only people that pay taxes be allowed to vote but this would be unconstitutional.

Mr. Weise stated that he felt that Section 1, which sets the state cap, appears to him to be quite a loose cap. Mr. Newton stated that to make this tighter would require a constitutional amendment as one legislature cannot bind the next legislature.

Howard Barrett, Department of Administration, stated that he did not see this bill as being any problem at the state level. Had this concept been in effect this last year the budget they came up with would have been well within the caps of inflation and growth. This is operating budget only and does not include capital improvements.

Mr. Weise asked Mr. Barrett if the cap on the state government wasn't must less then that on local government. Mr. Barrett stated that the legislature is putting a cap on local government but they really are not putting a cap on state spending, just putting a cap on the amount that he can recommend.

Mr. Barrett stated that he would not like to see a constitutional amendment that would bind the state in that if there is any success with the federal government to lower spending, one of the places it will show up first is in federal dollars coming into states. If less federal dollars come to the state, some existing programs will require additional state dollars, if they wish the programs to continue.

Mr. Weise inquired if that were to happen immediately following the session, under the language of section 1, would Mr. Barrett be able to supplement those dollars lost from federal funds. Mr. Barrett stated that they would only be able to do that in your planning process for the next legislature. This bill would not allow them to spend more money then what was appropriated or what was authorized in federal funds.

Mr. Mann stated that they are projecting a surplus at the end of the biennium of $35,000,000 if the use Mr. Barrett's figures and $52,000,000 if they use the legislative analyst.

Sam Mamet, representing Clark County, stated that he had several questions which he would like to raise. He stated that they are supportive of the intent of the legislation.

Mr. Mamet stated that they question what general population statistics would be utilized. He wondered if they have the capabilities within the state to generate acturate population information. Information that treats each community and school district fairly on its own instead of trying to compare two completely different types. The census will be coming out with estimates every 5 years and he wondered whether there were capabilities within the state to update these figures in a quicker fashion then what occurs at the federal level.

Mr. Mamet then raised the question in terms of the CPI that, while some of Mr. Newton's comments about the GNP deflator are well taken, there is also a Municipal Price Index and a Western Regional Consumer Price Index and which should be used. Perhaps personal income needs to be explored as part of the formula.

Mr. Mamet stated that if they limit the funds to only those that are supported by ad valorem or State Distributive School Fund monies, how would they handle the area of federal grants and special federal revenue sharing and whether they would be exempt from this legislation.

Mr. Mamet stated that in the first section of the bill if the capital construction costs from the state portion of the cap aren't use shouldn't it be consistent and do it for local governments also.

Mr. Mamet stated that he could see nothing in the bill that bonded indebtedness is protected. Furthermore, in some states they have exempted unemployment and disability insurance funds as well as pension obligations. The argument for this is that they are contractural obligations and will have first call placed upon them.

Another question raised was about the proceeds from contracts and gifts and bequests that are made to a county, city or school district. The whole area of investments practices should be addressed. If a cap is placed on these would this act as an disincentive to invest local government or school district earnings.

Additional concerns that they have are: Are there adequate provisions within the bill for changing the limitations - what happens when a community doesn't agree with the population estimate projected. Should there be some procedure built into the legislation for appeals.

Mr. Mamet ended by stating that these comments are meant to be supportive of this legislation and not critical of it.

Tod Carlini, Lyon County School District, stated that they would like to demonstrate the impact of AB 438 on their school district. He had asked Mr. Craig Blackham, Assistant Superintendent, to look at their budget and determine its effects.

Mr. Blackham stated that they were in opposition to this bill specifically because of the negative effect it would have in Lyon County School District. Realizing as Mr. Mann point out, that the committee is not tied to the 1975-76 base year, Mr. Blackham stated that they had developed their figures using that year however. They have tried to compared that with the 1978-79 they are presently in. A copy of Mr. Blackham's figures are attached to these minutes as Exhibit C. The reduction in expenditures would deteriorate their educational standards from a situation of learning to one of babysitting.

Mr. Blackham stated that one of the things he would be concerned with would be how the bill would relate to such negotiated contracts such as salaries. He also questioned what it would do to the bond obligations which for Lyon County is a very serious matter at this point in time. They are not sure how this bill would treat future bond issues that they may have to run to house the students that are coming. They cannot project how many students there will be in the next 5 or 6 years in this area.

Mr. Blackham stated that they cannot see anything in the bill that speaks to unemployment compensation. The school districts have not really been concerned with this problem until this year but if they were to lose a number of staff members as he had pointed out they would have problems with their release, they would also be effected by hearings and confronted with unemployment insurance for those staff members.

Mr. Blackham stated that Lyon County School District has not been in the best fiscal shape in the past few years due to the Anaconda situation. If they used the 1978-79 they would probably have about the same thing happening.

Mr. Carlini stated that they are faced with a bond issue for the second time. He added that they are proposing building several new schools and to establish a cap they would be faced with a difficult chore to maintain and staff these new facilities.

Mr. Price asked if they had any suggestions as to what should be done. He pointed out that there are definite feelings that some type of cap must be placed on local government. Mr. Blackham stated that they really have no solutions as to how this cap might to obtained. Trustees do not want to give too much authority away, however, Mr. Blackham stated that rather than a cap the Lyon County School District would be open to an audit of whatever they budget.

Mr. Price stated that it wasn't a question of honesty in budgeting but rather a problem of difference in priorities. Mr. Blackham stated that they would have to do whatever the legislature demands and if that reduces the services to people enough to hurt he would suppose the people would be back to say that perhaps they have gone to far in that direction.

Mr. Bergevin inquired what their total budget for 1978-79 was excluding debt service. Mr. Blackham stated that it was $4,275,386. Mr. Bergevin then asked for 1977-78. Mr. Blackham stated that he did not have that right here. Mr. Bergevin inquired what their population percentage increase was. Mr. Blackham stated that it stayed just about the same. Mr. Bergevin stated that these were the figures that the committee needed.

Mr. Dini stated that the Lyon County problem is compounded by the Anaconda situation. The population of the schools has dropped there and has grown in the northern part of the county where there are no facilities. He stated that no matter what the committee does it cannot take care of that specific problem in that specific county but it should be dealt with separately with some type of escape clause or appropriation from finance to bail this type of situation out.

Mr. Mann stated that he could see that some type of fund must be established to help this type of thing. He added that he felt that the audit proposal would not handle the problem at all. He stated that if something is not done the school districts are going to have to "eat Question 6".

Gene Phelps, Nevada State Highway Department, stated that they do not disagree with the spending cap but that they would suggest that CPI is a poor index to use and it is particularly poor for highway fund portion. He stated that he could think of nothing in the CPI that would relate to highway purchases. It would however apply only to the maintanence and operation portion of the highway fund and population is somewhat a poor index in that vehicle miles would be better. Maintenance effort is influence greatly by vehicle miles and weather and has little relationship to population. He stated that they presently use the constructions costs index which identifies the major items they buy in construction and maintenance.

It was pointed out that the CPI cap would be higher then the other caps but Mr. Phelps stated that he felt they were well within any cap proposed.

Claude Perkins and Ed Greer, Clark County School District, came to the witness table to testify. Mr. Perkins began by stating that they were concerned about what this bill would do to their school district as well as what would it do in Lyon County. He cited the situation in their school district where he was not sure whether the items in the CPI would fit into the Clark County School District. They have a food service operation which is a $10,000,000 operation and it is totally self supporting except for the building and electricity which come from tax supported dollars. He stated that he was concerned that the things that they have done associated with investment programs and are part of their budget would be effected. They have saved money with such things as self funding insurance program and the food service program. They end up with $3,000,000-$4,000,000 in their balance, which is good management and which is about 3% of their overall operating expenses.

Mr. Perkins stated that when they talk about cuts and ceilings there are some associated with special programs and federal monies. They do provide employment services for young people through federal funding and local funding and these funds come to the school district and are considered part of their budget.

Mr. Perkins stated he feels they already have certain ceilings as far as the DSF goes and that is set by the legislature. A certain percentage increase goes toward supporting this fund.

Mr. Perkins stated that they have 16% more students per teacher then is found nationwide, 24% more students in the Clark County School District then is found nationwide, 60% more student per central office administration then you find nationwide. They spend less then $9.00 per student per day to education them.

Mr. Bergevin inquired whether they have a priority list of what they would do without if the taxes were cut. Mr. Perkins stated that they would have to cut out programs that are pull out programs that are not directly tied to the classroom unit. This would be the type like RIP, Bilinqual, and special programs would go first. Mr. Bergevin asked if they have considered sports as something to go. Mr. Perkins stated that they feel there are many positive aspects to sports. The percentage of their budget used on these are very minor. They do involve alot of children in Clark County in all types of activities.

Mr. Bergevin went on to ask how many elective subjects they offered over and above the normal basic subjects. Mr. Perkins stated that they have over 200 different subjects in the overall secondary level.

Mr. Weise stated that with all the various tax reform proposals - they do not mean much unless there is some type of cap placed on so the spending is limited. He wondered what Mr. Perkins real feelings were on a cap. Mr. Perkins stated that as far as coming up with an alternative to this cap he would have to work out something with his board and the other county superintendents. He stated that he does believe that there are currently certain things that place a ceiling on spending associated with the way they presently receive their money from the state.

Mr. Weise stated that he personally could see no reason that a school district should be in the investment business. They should be employing good management practices but they sure shouldn't be out in any investment business. He stated that he would hate to think of what the private sector could have done with that surplus.

Mr. Mann stated that he felt there was a great deal of duplication of services in schools and he would be happy to help cut some of that out.

Ed Greer, Clark County School District, went on to state that they have historically had a 2-3% on an ending balance. He added that in the tentative budget they can reflect no increase in the DSF; so by law they have to present what it was the previous year. When they build a budget they look at what they have this year and deduct any areas where they see they can be cut out, then they add what they call their "rollup costs", which are simply to retain the same level of service but to add for projected enrollment growth.

Mr. Greer stated that the impact of this bill would be to wipe out the ending balance. They also have a fund to pay off their reserve fund when they went from cash accounting to accural accounting. This is a paper way to show a positive balance. To eventually eliminate that they have undergone a 40-year program to pay that off. This reserve would also be wiped out. They presenting require $5,809,650 for their "rollup costs" in order to stay even. If they were to receive the money as projected in this bill the could only fund about $300,000 of these "rollup costs". Mr. Greer gave the following cut backs they would probably have to do as follows:

22 custodians	- $204,000	Utilities increase	- 331,000
Professional growth	- 700,000	PERB increases	- 665,000
82 new teachers	- 978,000	Supplies increase	- 222,000
Substitute increases	- 100,000	Employee increments	1,623,000
5 new principals & assistants	- 113,000	Maintenance supplies	- 72,000
29.2 Clerical	- 204,000	Teacher extra pay	- 89,000
Transportation increase (does not include new buses)	179,000	Insurance increase	- 126,000

Mr. Greer stated that he was not saying that this is how they would handle but that he was just attempting to show what kinds of figures they were talking about. It could also be handled by cutting programs. He added that 84% of their budget is in salaries and fringe benefits and the growth of this since 1975-76 is 42%.

Mr. Weise stated that what they are saying then is that they would be forced to cut their budget by about the same amount they are planning on spending on their proposed new schools. This really gives a distorted picture. He added that perhaps they should cut out the investment business and employments business. He suggested that perhaps some the elective courses should be eliminated and put the effort into teaching the "basics".

Mr. Greer stated that if they were not in the investment business the way they are the money would be lost. When they are talking about a budget of $135,000,000, the flow of cash through the accounts does not keep in pace with the flow of expenditures, so they have available money for short periods of time and they simply invest that during that period of time. Mr. Greer stated that he also takes exception to the statement that they have a $3,000,000 surplus in that the Tax Department suggests an ending balance of 4-8%. They have never achieved that but rather have between 2-3% ending balance.

Mr. Perkins stated that he would have no problems with certain ceilings. Their staffing is based upon a formula which have nothing to do with the kinds of classes offered. They are based on the enrollment in the schools and the offerings at the schools are reflected basically as part of the philosophy of the teachers and the principals. They could not necessarily cut out a program in their schools unless they modified their ratio.

Marvin Picollo, Washoe County School District, stated that he would like to answer the question that has been generated regarding what their theoretical opinion is as regards to some type of spending ceiling. Mr. Picollo stated that they do recognize the need for limitations on spending but they are some real problems with projecting budgets and number of students. He would submit that to go back to 1975 is unreasonable. They would start this year with $3,000,000 less then they had last year. He pointed out that the legislature gave them the negotiating bill, an outside arbitrator, and they have to honor the increments, which represent $1,200,000. If they would have to implement this tomorrow they would have to begin by either reducing by 324 teachers or by increasing the class size by 7 in every class.

Mr. Picollo stated that the schools are not abounding in special programs and he added that the schools in Nevada rank 48 in the nation in the amount of increase that has gone to the schools. The state also ranks 38th in the total dollars expended per child.

Mr. Picollo went on to state that the schools in Nevada have been very fortunate but one of the reasons that they are 38th is that they do not have a lot of special programs.

To make any entity or even a family go back and try to cut from their budget about 6% and also face the escalating costs of today is almost impossible. He stated that they would like to work with the committee to see if something equitable for all.

Mr. Picollo stated that he felt it was perhaps too uncomplicated solution for a very complicated problem. A 5% tax limitation on one area of the state may not cause as much problem as it would in another part of the state. He felt that a different year should be used, perhaps this year. There are also some real problems with using the CPI which has a built in lag of 18 months. He also questioned what would happen in emergency situations such as the price of oil shooting sky high. There is a CPI for schools and it is higher then the CPI for other things. Therefore they can prove that their costs are higher.

Mr. Price inquired whether they had made any estimates on the impact of Question 6 to the school. Mr. Picollo stated that unfortunately Question 6 and this run neck and neck as far as impact on them. Question 6 may hit them a little bit harder but not much.

Mr. Weise inquired how much of Mr. Picollo's budget went for salaries and fringe benefits. Mr. Picollo stated that it was approximately 84% of which about 60% goes for teacher's salaries.

Mr. Mann stated that Dr. Lawrence had been called away from the meeting and had asked him to enter into the record the remarks from Carson City. These remarks are attached to these minutes as Exhibit D. They also would be against the 1975-76 base year.

Jim Shields, Nevada State Education Association, presented the committee with figures regarding this proposition. These are attached to these minutes as Exhibit E.

Mr. Shields stated that the Teachers Association recognizes that caps are a reality and they would request that they be allowed to help develop them also.

Mr. Shields went on to question whether they could afford to cut these school district's budget over the next year. They are presently 49% in the nation in class size and there would impact on this. One of the first considerations would probably be the denial of teacher's increments. This would have very adverse morale problems on the teachers.

Mr. Shields stated that each county has had in effect a cap every since they have had the Distributive School Fund which has been what the legislature says is the basic support guarantee rate. Since 1975, the legislature has authorized a basic support per pupil increase of 53.7%.

Mr. Shields stated that he could see some problems with the formula that is in this bill. As applied to schools there is the use of enrollment and enrollment increases at a much lower rate then population as a whole. Also the use of CPI is not very good. He has done some study of other states and most states use personal income not CPI. The percentage of personal income that goes to education in this state has declined from 5% in 1970-71 to 3.9% now. He would like the committee to look at the basic support rate which gives them control over DSF as well as control over the local source of funds. The formula would be percentage increase of enrollment over base year, they would suggest 1974-75 or the current year, times percentage increase in the basic support rate.

Don Hataway, representing Carson City, presented a copy of Carson City's position paper regarding AB 438. This paper is attached to these minutes as Exhibit F.

Mr. Hataway stated that they basically support the cap concept but have some reservations regarding the 1975 base year.

Mr. John Hawkins, Nevada State School Board Association, stated that the Association would really like to work with the committee and they would begin to develop some suggestions for this committee to consider.

Chairman Price adjourned the meeting at 5:45.

Respectfully submitted,

Sandra Gagnier

Sandra Gagnier
Assembly Attache

Also attached to these minutes as Exhibit G is some information on AB 438 as supplied by the Department of Administration.

ASSEMBLY TAXATION COMMITTEE

GUEST LIST

Date: 2/27/79

NAME	REPRESENTING	WISH TO SPEAK YES	NO
John Hawkins	Nev. State School Boards Assoc.	✓	
Tod Carlini	Lyon Co. Sch. Dist.	X	
Craig Blackham	Lyon Co. Sch. Dist	X	
[illegible]	LCPI		—
Charles D. Zeier	Historic Preservation & Archeology		—
Robert Fink	Historic Pres. & Archeology	X	
Peter G. Morros	Conservation	X	
Gene Phelps	Dept of Highways	X	
Bill Andrews	Dept of Taxation		X
Ed Greer	Cl. Co. Sch. Dist	X	
R. M. [illegible]	White Pine Co		X
Lee Bergevin	Douglas		✓
Don Hataway	Carson City	X	
Jeanne Hannafin	Dept of Tax		✓
Larry Jackson	Carson City School Dist		
Claude Perkins	Clark County Sch District	X	
Jim Shields	NEA - NSEA	✓	
Gary Milliken	Clark Co Assessors office	X	
E. L. Newton	NTA	AB 438 X	
Dick Wright	WCSD		X
Marvin Picollo	Washoe Co. School Dist.	X	

EXHIBIT A

AB 344 Feb. 20, 1979

This office is in favor of this bill. This bill is very similar to the "Truth in Taxation" bill we attempted to introduce during the 1977 legislature. We felt a bill like this was necessary because we could foresee large tax roll increases due to the inflated appreciation in real estate values and increased construction costs.

The increase of the 77-78 tax roll over the 76-77 roll was even greater than we expected. As you can see from the attached chart, the total county roll increased 24.3%. This was particularly astounding since past years total county roll increases had been approximately 10-12% at their highest.

The attached chart indicates the tax reduction which would have been realized in the Paradise Town tax district. Had the "Truth in Taxation" bill been passed in the 1977 legislature, Paradise Town would have had approximately a 15.7% decrease in their tax rate. Winchester town would have had a similar decrease because it was also in the revaluation area for 77-78. This chart assumes the government entities would not have gone to a public hearing to set the rate higher, to allow for more than a 10% increase in ad valorem revenue.

The 10% limit of additional revenue would not require entities to adjust their tax rate downward if their total roll increase is 10% or less. For example, the City of Las Vegas generally experiences 4-6% increases (solely from new construction) in non-revaluation years. One of the attractive features of this bill is allowing the cities to go up 10% per year during years of non-revaluation. For example, presently the City of Las Vegas would be receiving only a 4-6% increase per year in a non-revaluation year with a very large increase the 5th year. With this bill, they would receive only a 10% increase in a non-revaluation year, but be able to count on 10% a year thereafter because of the cushion created during the revaluation year.

Realizing the fluctuation in the economy and increased service demands on fast growing areas, we are not locked into a flat percent limitation, such as the 10% limit. Many states have adopted indices which recognize economy and demand factors, the most common being indices based upon percentage of inflation increase, or percentage of personal income increase.

NET TAX ROLL			PERCENT OF ROLL INCREASE
1976-77	Total County	1,981,690,544	24.3%
1977-78	" "	2,463,414,881	
1976-77	Paradise Town	504,329,687	54% (this district was revalued as a part of the 5 year cycle)
1977-78	" "	776,607,248	
1976-77	Artesian Basin	1,811,529,378	26.2%
1977-78	" "	2,286,875,900	
1976-77	Clark County Library	1,103,757,720	36.7%
1977-78	"	1,508,348,200	

	76-77 RATE	76-77 REVENUE	NEXT YEARS ALLOWABLE REVENUE (+10% of 76-77 rev.)	MAXIMUM ALLOWABLE RATE
State	.25	--	.25	.25
School	2.2023	$43,605,540	47,966,094	1.9471
General County	1.1305	22,383,900	24,622,290	.9995
Paradise Town	1.3363	6,739,357	7,413,293	.9546
Artesian Basin	.0050	90,576	99,633	.0044
Clark Co. Library	.0759	837,765	921,541	.0611
TOTAL RATE	5.0000			4.2167

1) The 77-78 tax rate in Paradise Town did not change therefore a $60,000 home in Paradise Town paid tax of $1050 (21,000 AV x .05)

2) Had the 10% limit of budget revenue been in effect, the 77-78 taxes for a $60,000 home would have been $885 (21,000 AV x .042167

This difference would have been a savings of $165 or $15.7%

EXHIBIT A

AMENDMENTS AS SUBMITTED BY ERNEST NEWTON, NEVADA TAXPAYERS ASSOCIATION

Page 2, Section 3, Subsection 1, line 15:

> "1. Expenditures by a local government from (its general fund) any fund receiving ad valorem or state distributed tax revenues during

Page 2, Section 3, Subsection 1, line 17:

> "permissible expenditure from (that) such fund or funds in subsequent years must be"

Page 2, Section 3, Subsection 2, line 20:

> "of permissible expenditure from (its general fund) any funds receiving ad valorem or state distributed tax revenues for a given year as"

Page 3, Section 3, add a new subsection 6 between lines 9 and 10:

> Sec. 7. Local Governments are enjoined from transferring accounts that were utilized in the funds defined in subsections 1 and 2 in the base year to any other fund not so included. An exception to this mandate is the establishment of an enterprise fund that is entirely self surpporting by user charges.

EXHIBIT C

EFFECT OF A.B. # 438 ON LYON COUNTY SCHOOL DISTRICT

1975-76 Base Year	1978-79 Budget Year
Weighted Enrollment - 2435.8	2416.8

Percent enrollment decrease or increase:
19/2435.8 decreased by 99.2%

C.P.I. Increase:

Dec. 1974 = 147.7 — Dec. 1977= 181.5

$$\frac{181.5}{147.7} = 122.8\%$$

Expenditures: #100 thru #900:
1975-76

$ 2,821,681
2,821,681 x 99.2% = $2,799,108
2,799, 108 x 122.8% = $3,437,305

Estimated 1978-79 Budget Expenditure		Allowable Expenditure Under A.B. #438 for 1978-1979
$4,172,729	Difference $735,424	$3,437,305

Amount 1978-79 estimated expenditure would exceed A.B. #438 allowable expenditure = $735,424 or 17.62%

Educational standards would deteriorate drastically. For example the following services would be reduced proportionately:

	Reduce Teaching Staff by 24 Teachers	(54% - of total	397,129)	16,472
$\frac{2478}{132.8}$=18.7	Reduce Admin. Staff by 1.9	(7.9%- of total	58,098)	30,713
	Reduce Custodial Staff by 3.8	(5.3% of total	38,977)	10,386
$\frac{2478}{119.3}$=20.8	Reduce Textbook acquisition by (excludes non-teaching)	(1.019% $7,494)		
$\frac{2478}{96.3}$=25.73	Reduce School Supplies by	(1.4% $9,242)		
	Reduce Aides & Secretaries by 6	(6.17% $45,375)		8,250
	Reduce Plant Maintenance by	(3% $22,062)		
	Reduce Transportation by	(11.1% $47,040)		
		$ 625,417		
	Other Misc. Reductions	$110,007		

EXHIBIT D

The Effect of AB 438 on Carson City School District

The effect of SB 438 on the Carson City School District is indicated in the following data:

	1975-76 Base Year		1979-80 Projections
Weighted Enrollment	5579		6173
% Enrollment Increase	-		10.65%
CPI	147.7 (Dec. 1974)		195.3 (Dec. 1978)
% CPI Increase	-		32.23%
Expenditures	$6,246,660		$6,246,660
		X	110.65% (Population facto
		=	$6,911,863
		X	132.23% (CPI factor)
		=	$9,139,556

Note: The estimated expenditure for 1978-79 is $9,933,482. The allowable expenditure under AB 438 for the next following year, 1979-80, would be only $9,139,556--a decrease of $793,926, a reduction of 8%.

Because of the relationship of permissible expenditure to the base year of 1975-76, there is real potential for inequity as a result of the financial experience of local government agencies for that particular year. The following hypothetical examples are presented to demonstrate this problem.

Consider two government agencies, each with a net income of $5,000,000 in 1975-76. If agency A had entered the fiscal year with no opening balance and, using good management principals, had developed a closing balance of $200,000, it would have expended only $4,800,000. SB 438 would then permit an expenditure of $7,764,344 in 1979-80.

Agency B enters the fiscal year with an opening balance of $300,000. If an unfavorable arbitration decision or other major fiancial problem required expenditure of all available funds, the agency would have expended $5,300,000 in 1975-76. This would then permit an expenditure of $7,468,964 in 1979-80. The difference is $704,620 in favor of the agency that initially expended the most money in 1975-76.

EXHIBIT E

ASSEMBLY COMMITTEE ON TAXATION
February 27, 1979

James Shields
NEA-NSEA

WASHOE COUNTY SCHOOL DISTRICT

Year	Basic Support Guarantee Per Pupil	Percent Increase Over 1974-75	Percent Enrollment Increase Over 1974-75	Permissible[1] Increase in Spending Over 1974-75	Actual Increase in Spending Over 1974-79
1974-75	$714.00	-0-%	-0-%	-0-%	-0-%
1975-76	836.00	17.1%	.2%	17.34%	8.6%
1976-77	874.00	22.4%	1.9%	24.75%	23.2%
1977-78	1,007.00	41%	4.2%	47%	37.2%
1978-79	1,101.00	54.2%	5.3%	62.36%	61.2%
	CLARK COUNTY SCHOOL DISTRICT				
1974-75	$726.00	-0-%	-0-%	-0-%	-0-%
1975-76	857.00	18%	2.5%	21%	17%
1976-77	896.00	23.4%	4.9%	29.4%	29.5%
1977-78	1,022.00	40.8%	6.5%	50%	46.8%
1978-79	1,116.00	53.7%	8.9%	67.4%	67.3%

[1] "Permissible" increase is calculated by multiplying the basic support guarantee which is determined by the Nevada Legislature as a percent of the base year support guarantee by the enrollment as a percent of the enrollment in the base year. For example, to calculate the permissible expenditure for Washoe County for fiscal year 1976-77, the basic support rate is $874.00 per pupil or 122.4% of the 1974-75 rate. Enrollment is 101.9% of 1974-75 enrollment.
122.4% X 101.9% = 124.75%, thus permissible spending under this cap formula would be 124.75% of 1974-75 spending.

EXHIBIT F

AB 438 ~~348~~ - CARSON CITY POSITION PAPER

A. Goal: To create a restraint on government expenditures at the local and state level.

B. July 1, 1975 Base Line: In order for the State Legislature to act favorably on the requirement of AB 348 to use July 1, 1975 as the base line from which the permissible expenditure is calculated, the following assumptions would have to be made:

1. Reassessment procedures were uniformly applied to all properties in 1975-1976 fiscal year (fy).
2. Properties were properly assessed for the 1975-76 fy.
3. Local governments had equal per capita expenditures in 1975-76 fy.
4. Local governments had adequate level of services in 1975-76 fy.
5. Local governments had equal demands for services since 1975-76 fy.
6. Local governments have gone through equal growth thresholds since 1975-76 fy.
7. Local governments have had the same elected officials making decisions since 1975-76 fy.
8. Citizens at the local level exercised their complete authority over the budget process in those years.
9. Local governments who had expenditures in 1977-78 under the theoretical expenditure level were more efficient or made better decisions than those governments with expenditures over the theoretical level.
10. Population increases relate directly to demands or level of service.
11. Revenue structures remained the same since 1975-76 fy.

C. Expenditure Comparison - Carson City:

1. Expenditures

a.	Audited 1975-76	$4,166,496
b.	Estimated 1978-79	8,285,477
c.	Change + (-)	+ 99%

2. Population

a.	July 1975	25,300
b.	July 1979	35,000
c.	Change + (-)	+ 38%

3. Cost of Living (CPI Western Cities)

a.	January 1975	166.1
b.	January 1979	204.7
c.	Change + (-)	+ 24%

(Continued)

4. Theoretical Level of Expenditures

a. Audited 1975-76	$4,166,496
b. Adj. for Pop. Inc.	1,583,268
c. Adj. for CL Inc.	999,959
d. Theoretical Level	$6,749,723

5. Theoretical vs. Actual

a. Actual (Est.) Level	$8,285,477
b. Theoretical Level	6,749,723
c. Difference + (-)	($1,535,754)
d. Percent Diff. + (-)	(23%)

D. Meaning of Section C: Nothing without an analysis of the characteristics of each unit of government.

E. Factors: There are a number of factors that can be analyzed to provide a more meaningful picture of each government. Examples using Carson City information are as follows:

1. Revenues

Source	1975-76	1978-79	+ % (-) Change
Non-AdValorem Taxes	$2,419,091	$4,774,459	97%
AdValorem Taxes	1,704,623	3,223,970	89%
State/Local Revenue	1,008,510	2,574,249	155
Licenses/Permits	445,606	726,350	63
Other Sources	404,962	534,720	32
Fines/Fees	205,349	410,000	100
Federal Revenue	214,470	326,940	52
Franchise Fees	140,194	202,200	44

2. New Programs

a. Indoor Swimming Pool
b. 96 additional park acres (up from 18) including major community park with 18 hole golf course.
c. Fire Stations (2)
d. Community Center
e. District Court #2
f. Finance
g. Purchasing
h. Data Processing
i. Personnel
j. Building Inspection
k. Building Maintenance
l. Public Works Shop
m. Juvenile Detention Center
n. Air Quality

3. Expanded Services

a. Public Works Programs (See Attached)
b. Cemetery - Doubled Usable Area
c. Public Health Nursing - Tripled Staff
d. Health Dept. - Absorbed State Services

4. Increased Load

   a. District Attorney
      (1) Criminal Cases 1976 - 563
                         1978 - 1000
      (2) Uresa - 1976 - 0
                  1978 - 314
      (3) Juvenile 1977 - 45
                   1978 - 76

   b. Fire Department
      (1) Fire Runs 1976 - 203
                    1978 - 298
      (2) First Aid Calls 1976 - 348
                          1978 - 546
      (3) Service Calls 1976 - 231
                        1978 - 562

   c. Sheriff
      (1) Injury Accidents 1976 - 120
                           1978 - 239
      (2) Total Accidents 1976 - 1036
                          1978 - 1683
      (3) Criminal Cases - 41.28% inc. in 2 years
      (4) Felony - Misdemeanor
          Arrest Statistics - 1976 - 1946
                              1978 - 2533

   d. Public Defender

F. Other AB 348 Observations

1. Increase to Theoretical Level without actual need.
2. Special program problems.
3. Elimination of bond issues and/or pay-as-you-go capital improvement programs.

G. Recommendations

1. 1978-79 Base Line
2. Adjustment Factors
   a. Population
   b. Cost of Living using either Municipal Cost of Operation Index or the Western Cities CPI. (See attachment)
   c. Special Costs related to operation of bond issue programs.
3. Special Credit Procedure to allow a unit of government to exceed the theoretical limit if past experience has a net credit available.

PUBLIC WORKS DEPARTMENT

FEBRUARY 26, 1979

New and increased services provided by the Public Works Department since the 1975-76 budget year:

Snow and ice control and removal
Miles of streets and their care
Growth Management
Signs and striping of streets
Public Works Shop function
Subdivision moratorium
Asphalt pavement sealing
Building Department - Inspections
Building Maintenance Department
Mosquito Abatement
Communications - Traffic Signals, increased radios, beepers, etc.
Water System Telemetering
Airport Runway Lighting - Vasi and runway
Airport Runway Extension and Tiedown Apron addition
Airport Safety Markers
Arts Alliance
Planning Department
Senior Citizen Center
Engineering Functions - Park Dept. and Recreation Dept.
Street Dept. - Heavy Equipment and personnel outside department
Golf Course - Centennial Park
Performance Budgeting
Water Department Engineering
Trap and Rifle Range
Tree Care - trimming,etc.
Street patching
Public Works Projects - EDA
Air Industrial Park
Storm Drains
Erosion Control
Mining Safety Health Act
Water Acquisition

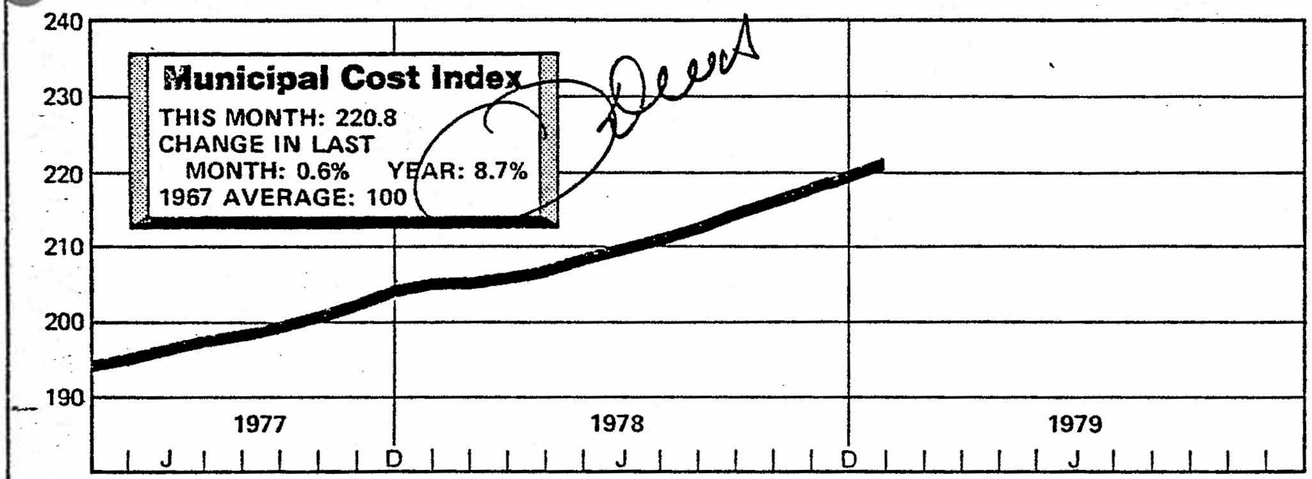
Printing and reproduction
Civic Complex - Parsons Group
Downtown Revitalization
Safety Advisory Committee

Increased building cost:	Planning
	Assessor
	Engineering
	Justice of the Peace
	District Attorney
	New Corporation Yard

Advisory Boards: Plumbing, Electrical and Building
Special Assessment Districts
New Taxing Districts
Parcel Maps (minor subdivisions)
Linear Parks and Bike Paths
Expanded State Government
Handicapped Services

cc
EXHIBIT F
Board

Municipal Cost Index



Cost Index Figures of the Month, showing 30-day[1], 12-month changes (1967=100)

Consumer Price Index	200.9	0.8%	9.2%
ACC Construction Cost Index	259.9	(0.2)	6.4
Producer Price Index	199.7	0.9	8.6
Capital Equipment	204.1	0.6%	7.5%
Agricultural Machinery & Equip.	217.9	0.6	8.2
Air Conditioners (12/77 = 100)	106.3	0.2[2]	[3]
Construction Machinery & Equip.	240.1	1.5[2]	10.5
Electric Motors	209.6	0	6.0
Elevators and Escalators	209.6	0.4[2]	8.2
Fans and Blowers (Ex. Portable)	247.1	0.5	5.6
Fluid Power Equipment	166.1	0.9[2]	6.5
Generators and Generator Sets	233.9	0[2]	4.8
Heating Equipment	176.7	0.3	5.2
Industrial Material Handling Equip.	216.1	0.6	8.1
Integrating & Measuring Inst.	162.5	0	4.9
Motor Trucks	199.4	0.2	6.3
Passenger Cars	166.9	(1.3)	6.2
Photographic Equipment	114.8	0.7[2]	6.2
Pumps, Compressors & Equipment	231.5	0.3	7.2
Railroad Equipment	260.1	0.9	9.0
Refrig. Compressors (12/77 = 100)	108.0	2.3[2]	[3]
Scales and Balances	182.2	2.4[2]	7.3
Switchgear, Switchboard Equip.	187.2	(1.1)	5.3
Industrial Commodities	214.7	1.1%	7.8%
Abrasive Products	210.9	2.8[2]	6.5
Agricultural Chemicals	202.5	0	6.6
Apparel	154.3	1.0	3.8
Asphalt Roofing	305.2	2.7	10.9
Building Paper and Board	189.5	1.2	12.2
Coal	443.9	(0.3)	11.4
Commercial Furniture	204.5	0.3	7.2
Concrete Products	222.3	0.5	14.0
Diesel Fuel (2/73 = 100)	318.7	2.4	2.5
Drugs and Pharmaceuticals	184.2	0[2]	5.1
Electric Lamps/Bulbs	217.9	2.9	10.6
Electric Power	253.4	0.5	4.7
Electronic Components	128.5	0.9[2]	6.1
Fabricated Structural Metal	231.5	0.3	9.3
Finished Lubricants	207.2	2.2[2]	6.7
Finished Steel Products	261.2	0.8	10.4
Flat Glass	173.6	(0.1)	6.8

Industrial Commodities . . .			
Floor Coverings	141.9	(0.1)%	3.5%
Footwear	191.2	2.6	11.7
Footwear, Rubber	196.0	0.1	6.8
Fuel Oil, No. 2 (2/73 = 100)	324.5	2.0	2.8
Gasoline	304.6	2.4	8.2
Glass Containers	251.0	(1.2)	14.9
Gypsum Products	236.8	(0.2)	17.5
Hand Tools	226.6	0.7	8.5
Hand Tools, Power Driven	164.4	1.2[2]	7.2
Hardware, N.E.C.	197.4	1.3	10.3
Industrial Chemicals	227.8	0.4	1.3
Iron and Steel Scrap	257.9	4.2	29.3
Kerosene (2/73 = 100)	310.0	1.9	3.3
Lumber	334.4	3.1	14.4
Mixed Fertilizers	177.1	(1.9)	0.4
Motor Vehicle Parts	213.8	2.4	6.1
Natural Gas	511.5	1.4[2]	18.5
Nonferrous Scrap	204.0	9.9	35.8
Nonferrous Wire and Cable	156.0	2.8	2.3
Paint Materials	217.6	1.7	6.8
Paper	213.2	1.4	8.0
Paperboard	185.5	1.4	4.3
Pesticides	355.1	(0.5)[2]	23.9
Photographic Supplies	167.0	0.6[2]	5.3
Plastic Constr. Prod. (12/69 = 100)	137.6	(0.9)	1.1
Plastic Film (12/70 = 100)	163.3	(0.1)	1.1
Plumbing Fixtures & Brass Fittings	202.2	0.5	5.9
Plywood	240.2	4.3	8.3
Portland Cement	253.7	1.3	9.8
Prepared Paint	192.6	0[2]	4.1
Protective Clothing (6/78 = 100)	106.2	3.5[2]	[3]
Refractories	226.1	1.0	8.4
Sand, Gravel & Crushed Stone	189.7	1.0	9.8
Sanitary Papers & Health Prod.	257.9	0.7	7.1
Soaps & Synthetic Detergents	185.1	2.8[2]	9.2
Sporting Goods	164.8	0.7	5.2
Structural Clay Products	202.4	0	7.8
Tires and Tubes	184.3	2.0	7.2
Transformers & Power Regulators	156.9	0.1[2]	5.2
Valves & Fittings	236.4	1.4	8.1
Wastepaper	188.4	3.5	(1.4)
Wiring Devices	225.7	0.4	10.8

1) Thirty-day figures seasonally adjusted, except where noted 2) Not seasonally adjusted 3) Not available

	Expenditure Year 1975/76	Population Factor	Population Factor Result	CPI Factor 1.3078 Result	Tentative Budgeted Expenditure 1979/80	Gain or (Loss)
Carson City	4,166,496	1.3088	5,453,110	7,131,577	9,216,766	(2,085,189)
Schools	6,246,650	1.1012	6,878,811	8,996,109	9,932,483	(936,374)
Churchill County	1,201,323	1.0579	1,270,880	1,662,057	2,193,310	(531,253)
Schools	3,384,184	1.0421	3,526,658	4,612,163	4,765,707	(63,544)
Fallon	950,633	1.0749	1,021,835	1,336,356	1,380,303	(43,947)
Clark County	44,994,999	1.1735	52,801,631	69,053,973	68,622,177	431,796
Schools	90,456,885	1.0888	98,489,456	128,804,511	135,883,792	(7,079,281)
Boulder City	1,379,574	1.1686	1,612,170	2,108,396	2,236,952	(128,556)
Henderson	3,094,838	1.2951	4,008,125	5,241,826	5,741,317	(499,491)
Las Vegas	31,445,161	1.1779	37,039,255	48,439,938	47,827,994	611,944
North Las Vegas	7,046,260	1.1060	7,793,164	10,191,900	10,383,792	(191,892)
Douglas County	2,668,203	1.3317	3,553,246	4,646,935	4,235,698	411,237
Schools	3,587,272	1.3586	4,873,668	6,373,783	6,555,701	(181,918)
Elko County	1,408,124	1.0437	1,469,659	1,922,020	2,105,656	(183,636)
Schools	5,599,671	.9166	5,132,658	6,712,490	6,912,226	(199,736)
Carlin	215,428	1.0524	226,716	296,499	341,550	(45,051)
Elko	1,515,462	1.0467	1,586,234	2,074,477	2,180,480	(106,003)
Wells	354,318	.9759	345,779	452,210	309,225	142,985
Esmeralda County	290,108	1.2057	349,783	457,446	607,280	(149,834)
Schools	397,527	.9500	377,651	493,892	521,758	(27,866)
Eureka County	680,711	1.1810	803,920	1,051,367	991,031	60,336
Schools	777,865	.7655	595,456	778,737	746,401	32,336
Humboldt County	921,353	1.1687	1,088,118	1,423,041	1,743,581	(320,540)
Schools	2,402,629	1.0061	2,417,285	3,161,325	3,317,290	(155,965)
Winnemucca	843,355	1.1135	939,076	1,228,124	1,233,622	(5,498)

EXHIBIT G

	Expenditure Year 1975/76	Population Factor	Population Factor Result	CPI Factor 1.3078 Result	Tentative Budgeted Expenditure 1979/80	Gain or (Loss)
Lander County	864,170	1.1875	1,026,202	1,342,067	1,227,800	114,267
Schools	1,359,739	1.1088	1,507,679	1,971,743	1,886,644	85,099
Lincoln County	466,565	1.1412	532,444	696,330	746,420	(50,090)
Schools	1,540,317	1.2195	1,878,417	2,456,594	2,020,074	436,520
Caliente	104,952	1.0501	110,210	144,133	135,755	8,378
Lyon County	1,522,857	.9483	1,444,125	1,888,627	2,590,839	(702,212)
Schools	3,133,134	.9752	3,055,432	3,995,894	4,746,941	(751,047)
Yerington	330,894	.9203	304,522	398,254	555,049	(156,795)
Mineral County	994,990	.8965	892,009	1,166,569	1,567,871	(401,302)
Schools	2,068,864	.8335	1,724,398	2,255,168	2,464,908	(209,740)
Nye County	1,735,376	1.1706	2,031,431	2,656,705	2,342,450	314,255
Schools	2,309,609	1.1845	2,735,732	3,577,790	3,763,774	(185,984)
Gabbs	124,831	.9360	116,842	152,806	143,808	8,998
Pershing County	572,252	1.1856	678,462	887,293	798,890	88,403
Schools	946,195	1.0086	954,332	1,248,075	1,476,046	(227,971)
Lovelock	201,163	1.0883	218,926	286,311	335,260	(48,949)
Storey County	304,999	1.2944	394,791	516,308	613,747	(97,439)
Schools	292,700	1.4179	415,019	542,762	518,894	23,868
Washoe County	19,474,657	1.2429	24,205,051	31,655,366	35,203,025	(3,547,659)
Schools	34,982,478	1.0423	36,462,237	47,685,314	55,690,363	(8,005,049)
Reno	20,384,073	1.1292	23,017,695	30,102,542	36,496,593	(6,394,051)
Sparks	5,114,144	1.1374	5,816,827	7,607,246	9,032,116	(1,424,870)
White Pine County	1,020,877	.8743	892,553	1,167,281	1,616,325	(449,044)
Schools	2,823,031	.7638	2,156,231	2,819,919	2,916,490	(96,571)
Ely	556,438	.8630	480,206	628,013	943,55-	(315,537)
TOTALS	319,258,334		356,706,117	466,500,262	499,729,724	(33,229,462)

EXHIBIT G