

MEMBERS PRESENT:

- | <u>WAYS AND MEANS</u> | <u>TAXATION</u> |
|-----------------------|------------------------|
| CHAIRMAN MELLO | CHAIRMAN PRICE |
| VICE CHAIRMAN BREMNER | VICE CHAIRMAN CRADDOCK |
| ASSEMBLYMAN BARENGO | ASSEMBLYMAN COULTER |
| ASSEMBLYMAN GLOVER | ASSEMBLYMAN DINI |
| ASSEMBLYMAN HICKEY | ASSEMBLYMAN MANN |
| ASSEMBLYMAN MANN | ASSEMBLYMAN BERGEVIN |
| ASSEMBLYMAN VERGIELS | ASSEMBLYMAN MARVEL |
| ASSEMBLYMAN CAVNAR | ASSEMBLYMAN RUSK |
| ASSEMBLYMAN RHOADS | ASSEMBLYMAN TANNER |
| ASSEMBLYMAN WAGNER | ASSEMBLYMAN WEISE |
| ASSEMBLYMAN WEBB | |

MEMBERS ABSENT:

ASSEMBLYMAN CHANEY

Chairman Mello called the meeting to order and stated the purpose of the joint meeting was for the two committees to discuss how far they would go with the tax package and how it will effect spending in the State of Nevada. Mr. Mello called upon Chairman Price to make a statement on behalf of the Taxation Committee.

Mr. Price stated that the reason that they had asked for the meeting was that as they are getting closer to agreement with the Senate on the tax package, the committee felt it would be well to confer with Ways and Means on the price tags that would be involved. He explained that AB 616 would cost \$18,000,000 more then SB 204. He continued that many philosophies had been discussed from the position of making a strong tax package and letting the money committees work around it to having the money committees complete their work and have the tax package revolve around what was left in surplus. Mr. Price stated that he felt that it was important that the two committees work together on this issue. He added that he would hope that the two committees could come up with some "ball park" figure on which to approach this. He stated that it has been the general consensus of the committee to have a strong tax package and then give the Ways and Means Committee the opportunity to use the position that they have only a set amount of money to use because of the tax package.

Mr. Mello pointed out that there were problems already between the two money committees and that Senate Finance has already spent \$19,000,000 more then Ways and Means has. He agreed that they have to come up with some kind of a bottom line figure and added that no matter what kind of tax package they come up with they really have to have a \$34,000,000 surplus.

Mr. Weise stated that the tax package would require \$224,000,000 and that the Taxation Committee would like to know if the Ways and Means Committee would stand behind them in that reagard.

Mr. Mann added that the Taxation Committee was not really worried about Ways and Means holding the line on spending but rather were concerned with the other side. He pointed out that Senator Lamb

(Committee Minutes)

has stated that they just need \$70,000,000 for tax relief. The Taxation Committee had determined that they need at least 27% tax relief across the board to be compete with Question 6.

Mr. Mello stated that the problem the money committee is going to be faced with, if they accept this proposal, would be what the priorities would be. There are certain needs of the people that have to be met and it is up to the money committee to determine this.

Mr. Webb stated that he would concur with Mr. Price's basic philosophy in that they have to go with the proposal as strong as AB 616 and fight for it all the way and he would rather see the money committees tailor their budget's accordingly.

In answer to Mr. Mello's question regarding what was happening with the spending cap as far as education was concerned, Mr. Price explained that the subcommittee working on this was in general agreement to go along with the formula developed on the Senate side. For state and local government, the feeling was to stick with the Assembly version. He continued that there were no problems with the food tax exemption or with the trigger and de-trigger plans. At the present time the disparity is found with the amount to be used for tax relief and whether it would be an across the board or rebate plan. He added that they are presently attempting to work out something that also would be of benefit to the renter that would be legal.

Mr. Mello continued by asking what was presently being discussed regarding the return of the county gaming and real estate transfer tax to the counties. Mr. Price stated that they had taken no action on these bills but that by a show of hands there seem to be a general feeling that these two areas should be returned to the counties and cities. He acknowledged that this would take quite a bite out of state revenue.

Mr. Bergevin pointed out that the school cap would be a tax limitation rather than a spending limitation and it would be entirely incumbent upon the money committees to not override the Governor's recommendations on the Distributive School Fund.

Chairman Mello stated that they could not hold the line on the budget bill and yet give all the remaining money back to the counties. He pointed out that this would be giving up a lot of money and the money committee would not accept this. They cannot accept a very liberal tax bill and also giving the remainder of the money back to the counties and cities.

Mr. Weise stated that he felt that AB 616 was compatible with the current budget and that the problem is when they get the budget overrides that the Senate is presently doing. He added that this return of the money has been very well refined but that it is not concrete. He pointed out that one of the things the committee has been looking at has been whether they want a tax reform package that would make cities and local governments actually cut back in what they are spending right now or are they going to approach it

on the status quo and then allow a certain amount of expansion thereafter. The committee realizes that any tax package is going to cause problems somewhere and they have attempted to come up with the mildest form. The committee did feel that the status quo was by far the best approach and that by reverting some of this money it would keep the local government entities from having to actually "step backwards". He added that he personally did not have any "hangup" with some of these local governments having to go backwards.

Mr. Price stated that they did feel that the reverting of these monies would actually washout the money that they will lose from the food tax exemption loss.

Mr. Bremner inquired what changes in philosophy the Taxation Committee was considering with the revenue projections turning downward. He wondered whether they were considering any adjustments in the amounts going back.

Mr. Price stated that the Taxation Committee had tried to develop a maximum package which would be saleable against Question 6 and would be a viable alternative to it. He added that if there is an down turn in the economy and they don't have a strong package, they would still be in trouble if the people went with Question 6. He stated that he was not sure that they can afford to hold back in this session based on this. He added that the dettrigger mechanism would allow money to come back and the ad valorem to go back up as well as down.

Mr. Bergevin stated that the tax package is very easily adaptable to any figure. The Governor had proposed that they pick up the 70¢ the first year and add the remaining 30¢ the second year and the committee had determined, because of projections they originally had, to go with the full dollar the first year. It would be possible, if the committee would decide so, to go back to the Governor's proposal and this would yield back to the state general fund about \$36,000,000. They could then kick this money back into the tax package, if the revenue showed it to be feasible. There would be no administrative problems with this type of thing with the Assembly version.

In answer to Chairman Mello's question regarding how near to agreement the two committees were, Mr. Price stated that he personally felt that when the two committees received the subcommittees reports back that they could easily get "the ball rolling" and that Senator Glaser and they would like to see this out of the way by the end of the week.

Mrs. Wagner stated that she felt that perhaps this meeting was too late and that it should have been done a long time ago. She asked how closely AB 616 does comply with the Executive budget submitted.

Mr. Miles, Deputy Fiscal Analyst, stated that the primary difference between AB 616 and AB 270, which was the Governor's original request,

was the 30¢ that had been referred to by Mr. Bergevin, in the first year. The Governor had proposed to pick up just 70¢ funding the first year and \$1 the second. The Taxation Committee, because of the original projections, had decided to fund the \$1.00 the first year.

Mr. Mann stated that the logic for doing that was that they wanted to get the relief to the people the first year in order to come up with something that could be used against Question 6. He added that the committee felt that this first year experience was very important to the plan. Mr. Barrett had testified that actually over the two years it would be a washout rather than a deficit situation.

Mr. Mello stated that Mr. Bible had stated to him that because of the changes in the assessed valuations, the Governor's bill right now would be over his executive budget recommendations.

Mr. Price stated that the figures for AB 616 were updated after the new assessed valuations.

Mr. Webb stated that he was very concerned with the proposed return of the gaming tax and real estate transfer tax depleting the budget balances. He stated he would have a difficult time "buying this" and added that he felt that the surplus should be over the proposed \$34,000,000 and more like \$50,000,000.

Mr. Hickey inquired if they were close enough to agreement so that the money committee could work on the education formula. It was felt by Mr. Mello and Mr. Weise that what was being done by the Taxation Committee wouldn't affect this one way or another for this year.

Mrs. Cavnar inquired what the reason for the return of the Gaming Tax and Real Estate Transfer Tax to the counties and cities was.

Mr. Price explained that this was to offset the revenue loss from the removal of tax of food for human consumption. It was generally assumed going into the session that the state would give this up, as the state would be in a better situation than the local governments financially. He added that there were many people that felt that perhaps tax on food should be left, as it was one of the taxes that grew with the state, but that the removal of it seemed to go along with the mood of the people.

Mr. Marvel pointed out that it was not a part of Question 6 but rather was used by many as a campaign platform.

Mr. Vergiels stated that with the present projections of revenue he wondered if the "Taxation Committee was trying to bankrupt the State" and then the money committees would have to handle it. He added that the committee has come up with the "best tax break" and it is one that the state will not be able to live with. He finished by stating that he would like to see something that the money committee could work with.

Mr. Weise stated that the tax committee had come up with a tax relief package in terms of reducing the ad valorem tax. He added that food tax was added as it seemed to be the sentiment on both sides of the legislature to do so. Therefore there is built in a tax relief of \$24,000,000 that isn't going to be realized tax relief to begin with. The average person is not going to notice this relief, as they will when their tax bill comes out at substantially lower amount. He added that what the tax committee needed to know from the money committee before concluding their negotiations with the Senate, was whether the money committee supported the philosophy of reducing the real property tax rate to the extent that is being proposed. He acknowledged that the money committee has all the "marbles on their side of the table". What the tax committee needs to know, according to Mr. Weise, was whether the money committee would support this and make necessary adjustments accordingly.

Mrs. Wagner suggested that the tax committee take a good look at the suggestion made by Mr. Bergevin. She added that all the burden does fall on the money committee to make the drastic adjustments.

Chairman Mello stated that he had discussed this matter with Mr. Price all through the session. He added that he did not know how the money committee can sit there and tell the tax committee how to draw up a tax package when the money committee doesn't even know what they are going to have when they close the budgets. He stated that he felt that if the two committees had worked every day together that they wouldn't be any closer to a solution than they presently are.

Mr. Craddock stated that there is some latitude in the ad valorem rate and that there are many members of the tax committee that are not "married to the sales tax" and so there is some flexibility in the package.

Mr. Price stated that perhaps the main problem that brought this meeting on was the fact that projections of revenue by Mr. Barrett's office have changed and that no one seems to be able to get a bottom line figure.

Mr. Mello stated that he felt that the people that voted for Question 6 are the ones that will have to live with it. He added that it would be up to the committee to follow the guidelines of the tax proposal. He urged the tax committee not to give anymore money away.

At this point, Chairman Mello asked for a show of hands from the money committee of those members who would agree to live with the tax package. At this time there were only four members who raised their hands. Mr. Mello stated that he could not see that the committee had any choice.

Mrs. Wagner stated that she would hope that the tax committee might discuss some other concepts.

Mrs. Cavnar stated that she had some serious problems with the spending cap and she wondered what the original reason for it was.

Mr. Price stated that the committee felt that one of the messages of Question 6 was that the people wanted some type of spending limitation on local governments. He cited an opinion poll that he had taken over the weekend where most of the people contacted stated that they did want a spending limitation placed on local governments. He acknowledged that this was a very small poll. Mr. Price also pointed out the qualification of "the spirit of 13" in California where the people are asking for spending limitations on local governments. The tax committee felt that this should be done statutorily rather than waiting for another petition to come about.

Mr. Bible distributed copies of General Fund Balance figures as of April 23, 1979 for the committees' information. A copy of this is attached to these minutes as Exhibit A. Chairman Mello asked Mr. Bible to go through the figures for the members.

Mr. Bible walked through the figures and pointed out that the Capital Improvement Subcommittee of Ways and Means had not reported back at this point, so any actions they have taken would not be recorded in this chart under Governor's Recommended Appropriations. He added that he understood that they have made tentative recommendations that could reduce this figure by approximately \$9,000,000.

Mr. Bible went on to explain that the impact of AB 616 in the first year is the cost of the special elections. He pointed out that most the Ways and Means Changes to Appropriations can be attributed to the Tort Claim of \$4,000,000 which came through for Hall vs. State of Nevada.

Continuing on, Mr. Bible explained that the Adolescent Facility was an item that was omitted from the balance statements in the Governor's Budget. The Postretirement Increases is a different method of funding the increases.

Under 1979-80 fiscal year, Mr. Bible explained that the Governor's Recommended Appropriations of \$246,095,703 also included within there, and the subcommittee has not reported back, some substantial state assumption of costs that are currently borne by the counties and local governments in the judicial system. That is an issue that is yet to be resolved and those dollars are in excess of \$3,000,000 in each year.

Under Other Fiscal Issues, Mr. Bible explained that the first three items are where the Governor has changed his recommendation and is now recommending the higher levels of expenditures. The two big items the return of the Gaming Tax and Real Estate Transfer Tax which the two committee have discussed and the final item is an item that was recommended in the budget, but the appropriation was omitted in the budget.

Going on to the 1980-80 fiscal year, Mr. Bible explained that under the Other Fiscal Issues, the \$3,000,000 was the estimated cost of the 1981 legislature, which was omitted from the Governor's cash balance calculations.

Mr. Bible explained that there are a number of items that are still in flux; the Capital Improvement Committee has not completed their review of the projects, the Education Committee has not yet completed their review of the Distributive School Fund, the Court Committee has not completed their review of the court system, so these figures are not hard and fast at this point and are certainly subject to considerable change as the committees report back to the full Ways and Means Committee. Mr. Bible cautioned that the revenue estimates by which this chart was prepared are the revenue estimates of the fiscal division and their revenue estimates, after adjustments, are a little over \$7,000,000 higher during the course of the biennium than the Governor's revenue estimates. The estimates were made prior to the current gas crunch and United strike and some of the other items that could effect revenues in the state.

Mr. Mello stated that he felt that the bottom line was that if the money committee does not give support to the tax committee then the tax committee will not be able to stand against the Senate.

Mr. Barengo stated that he felt that the committee wanted the best tax package but that they also wanted to be able to project where "they are coming from". He added that he did not like the remarks that he read in the paper that the tax committee was telling the money committee what they have to do.

Mr. Price assured the committee that the tax committee was not attempting to make any "end runs", but there were two philosophies, which are to have a strong tax package and adjust the budget around it or pass the budget and have the tax package based on what was left. It was the desire of the tax committee to work with the money committee to resolve this and come up with some type of "ball park figure" to work with.

Mr. Mello stated that if there were any members of Ways and Means that did not choose to stand behind the tax package he would like to hear what their suggested change would be.

Mrs. Cavnar stated that she wondered what good it was to do all this when many felt that they would get Question 6 anyway. She added that she felt that the people will blame the state when they begin to feel the cuts in police protection etc. that are caused by the caps on spending and it would be her desire to keep caps on areas that the legislature and state has purview.

Mr. Price stated that if they came up with a tax package that had nothing in it to encourage local governments to follow the philosophy of giving some type of efficient operation to the people, then everything that the committee does here could go "down the drain". The legislature could do every thing in their power to develop some type of tax relief and the people on the local level could "blow the whole thing out" by excessive expenditure and the legislature would be blamed for it. He added that he felt that the people wanted some curtailment of spending from the federal level on down to the local level. Part of the tax relief that is generated in AB 616 is due to the caps on spending which in many areas will drive the ad valorem rate down further than the \$3.64 limit.

Mr. Weise pointed out that the heart of the bill is the spending caps and that tax relief is the placebo. The physical thing that is going to show up on the tax bill that might stop Question 6. In California, San Francisco was generating just as much money 6 months after Prop. 13 was passed as they were before, by running up other fees and costs which were passed on to the consumer.

Mr. Mann agreed that without the spending caps they have done absolutely nothing and Question 6 would be a reality. He added that after passage of Prop. 13 in California, the state budget had \$5,500,000,000 come into the tax coffers because of the new generation of fees and other kinds of services that the cities and local governments provided.

Mr. Tanner pointed out to Mrs. Cavnar that there was the override built into AB616 whereby local people can vote to override the spending cap if they really want something bad enough.

Mrs. Cavnar continued that Question 6 had no caps at all and she wondered if there was room for compromise to put caps on the state and let the local people put caps on local government themselves.

Mr. Bergevin pointed out that Question 6 puts a much more severe cap because it freezes the assessed value.

Mr. Price stated that there was no room for compromise in that area in the committee. The committee has felt for a long time that caps would become the most important part of what they were doing.

In answer to Mr. Mello's question regarding whether the committee had any idea what the bottom line would possibly be, Mr. Price replied that it wouldn't be any heavier than the \$241,000,000. He added that there were some areas of possible compromise and mentioned the 30¢ in the school area that had been referred to earlier in the meeting. Until the new assessments came in, the committee had been looking at a figure of \$224,000,000 and this was on the same par with the Senate.

Mr. Price continued by stating that the real problem facing them was the philosophical difference of whether the relief should

across the board to everyone or whether there should be a split-roll rate. The tax committee has taken the position that this split-roll rate is unconstitutional.

Mr. Tanner stated that he felt that it was extremely important that whatever is done be effective the first year in order to head off Question 6.

Mr. Bremner stated that the main philosophy seems to be to head off Question 6 and yet he felt that about 80% of those present felt that nothing could head off Question 6. He continued that if that is the case, then maybe they are trying to go too far at this stage of the game in giving the money back. Maybe they should do some things that they might not be able to do down the line because of Question 6.

Mr. Tanner stated that if he felt that they couldn't head off Question 6 he wouldn't have stayed here this long and wasted his time arguing it for 90 days. Mr. Rusk and Mr. Marvel agreed with this statement.

Mr. Weise stated Question 6 is going to cause chaos. There wouldn't be a community that could bond anymore. He stated that he felt that they have a responsibility as legislators to do everything possible to prevent this by tailoring a package that could possibly beat Question 6.

Mr. Tanner stated that he felt that if they take a "half-way measure then they are just spinning their wheels". It will be necessary to have the best possible package and have a concerted effort and campaign to sell it to the public.

Mr. Barengo stated that there are those present pushing for this tax package who had based their campaign on passage of Question 6.

Mr. Price stated that there were many that felt Question 6 was very good until they got into the real mechanics and drawbacks of it. After hold hearings on it, it was proven that it was not as good as it appeared. At this time there are very few people in the legislature that feel that there is much good in Question 6.

Mr. Webb moved that Ways and Means go on record as supporting the tax package as was passed by the Assembly (AB 616).
Mr. Mann seconded the motion. The motion carried with Mrs. Cavnar voting no.

As there was no further business to discuss, Chairman Mello adjourned the meeting.

Respectfully submitted,

Sandra Gagnier
Sandra Gagnier,
Assembly Attache

ASSEMBLY WAYS AND MEANS
General Fund Balance
April 23, 1979

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
General Fund Balance 7/1/78	\$74,805,265		
Estimated Income	\$299,178,167	\$339,317,516	\$387,884,522
Less Park User Fees	(83,350)	(169,800)	(173,900)
Less Mental Health Institute SAMI and Medicare		(225,000)	(230,000)
Less Real Estate License Fees		(235,000)	
Add Estimated Reversions	36,500,000	3,000,000	3,000,000
Total Estimated Income	<u>\$335,594,817</u>	<u>\$341,687,716</u>	<u>\$390,480,622</u>
Legislative Appropriations	(\$241,376,950)		
Estimated Cost 1979 Legislature	(2,750,000)		
Governor's Recommended Appropriations	(134,991,820)	(\$246,095,703) *	(\$263,096,657) *
Total Expenditures Before Tax Relief	<u>(\$379,118,770)</u>	<u>(\$246,095,703)</u>	<u>(\$263,096,657)</u>
Impact of A.B. 616	(\$ 119,760)	(\$ 98,830,000)	(\$115,321,000)
Ways and Means Changes to Appropriation:			
Bills	(1,161,797)	(583,590)	(501,481)
Budgets		(16,520)	24,046
Estimated Fund Balance	<u>\$ 29,539,755</u>	<u>\$ 25,701,658</u>	<u>\$ 37,287,188</u>
Other Fiscal Issues:			
Error in Adult Diploma Program		(\$ 1,026,640)	(\$ 1,104,730)
Increased Special Ed. Units		(500,000)	(500,000)
Error in U. of N. Budget		(415,139)	(473,531)
Estimated Cost 1981 Legislature Adolescent Facility	(1,169,000)		(3,000,000)
S.B. 258 Postretirement Increase	(2,900,000)		
Return County Gaming		(2,700,000)	(2,900,000)
Return Real Estate Transfer		(2,500,000)	(2,750,000)
A.B. 445 - Longevity		(37,500)	(37,500)
	<u>(\$ 4,069,000)</u>	<u>(\$ 7,179,279)</u>	<u>(\$ 10,765,761)</u>
Balance:	\$ 25,470,755	\$ 14,453,379	\$ 15,273,148

* Adjusted for tax relief.

Note: Budget Division revenue and reversion projections are \$7,179,600 lower than the Fiscal Analysis Division and under their projection the fund balance would be that much less.