

PRESENT: Senator Norman Glaser
 Senator Floyd Lamb
 Senator Carl Dodge
 Senator William Raggio
 Senator Don Ashworth
 Senator James Kosinski

Mr. Ed Shorr,
 Fiscal Analyst

Assemblyman Robert Price
 Assemblyman Robert Craddock
 Assemblyman Joe Dini
 Assemblyman Louis Bergevin
 Assemblyman Robert Weise
 Assemblyman Darrell Tanner
 Assemblyman Lloyd Mann
 Assemblyman Lon Chaney
 Assemblyman Steve Coulter
 Assemblyman John Marvel
 Assemblyman Robert Rusk

Mr. Dan Miles,
 Fiscal Analyst

ABSENT: Senator Mike Sloan

The meeting was called to order on Wednesday, April 25, 1979, in the Assembly Lounge, at 4:36 p.m., with Senator Norman Glaser in the Chair.

Chairman Glaser opened the meeting and stated that the purpose of the meeting was to present the two remaining subcommittee reports, local government cap and rent rebate pass-through.

Senator Kosinski explained that he was not aware of the change of time for the meeting from 5:00 to 4:30 and that Mr. Daykin was still working on some language, but he would speak to the concepts of the language that was agreed upon.

Senator Kosinski indicated that the final formula would depend on whether a reduction in the rate on the local level was used or whether relief with allowances to homeowners was used, but as agreed the concept of the trigger/detrigger formula contained in SB 204 would be used. He added that on Metro, the fifty percent contribution by the county and the city would be included under their caps and that Chapter 354 of NRS would be amended to indicate that Metro is not a local government for the purpose of expenditure caps. He commented that in this way the demand will be placed equally on the cities and counties who will fund Metro.

When Senator Lamb questioned whether this would mean that Metro would be deprived of needed funds by the county or city, Senator Kosinski responded that as discussed before they would receive a portion of available expenditures and that Las Vegas should not be treated any differently than Reno or Washoe County.

Senator Raggio commented that the alternative would be to treat one law enforcement agency differently than every other law enforcement agency in the state.

When Senator Dodge wondered if this might raise a problem of dealing with taxing entities and whether Metro was a taxing entity, Senator Kosinski replied that in this case Metro has no independent authority.

Senator Lamb interjected that the cap is to curtail spending.

Assemblyman Price pointed out that in addition to the city or county being able to shift priorities if they were at the upper limits of their spending they had the option of a vote of the people to override their caps to give more money to metro if they so desired.

Assemblyman Mann asked if the mechanism was being provided to go to the people for a specific amount of money for a special program such as to decrease murder or robbery or some emergency.

Mr. Bergevin replied that at present this could not be done because Metro is now under the spending limits of Las Vegas and Clark county.

Assemblyman Weise said that he thought from previous discussion that other monies might be available to them such as LEA grants or other types of grants.

Mr. Bergevin indicated that they don't have a spending cap, that the funding of the three government entities is capped already. He explained that they are expense items and are going to be a part of the city and county budget and therefore do not have to be capped again.

Senator Kosinski continued by saying that essentially on the local government cap they took the formula contained in AB 616 and applied to it the modified general fund (the general fund definition contained in 204) to include literally all revenue that the county will obtain excluding federal funds which do not come under the general fund formula.

When Senator Dodge asked if this was the amended definition, Senator Kosinski responded yes that it was the 204 definition excluding federal funds clearly indicating the intent to include license fees, the ad valorem and sales tax.

When Senator Dodge asked if the Fair and Recreational Board was still excluded, Senator Kosinski replied yes and said that any fund which received in whole or part any of these funds was included under the general fund. He indicated that in Lincoln County where there is a question of ad valorem allocated to the hospital if the county chooses to take the ad valorem out of the hospital or to amend their ordinances the hospital would come under a cap, but if they take the ad valorem out and allocate it back to the general fund the hospital would be outside the cap. He added that it would be incumbent on local governments if they have any fund that would otherwise not be under the cap or if that fund is receiving ad valorem sales tax fees, etc. to make a decision whether or not to maintain that fund under the cap or whether to permit that fund like at Lincoln County Hospital.

When Senator Dodge asked how carryover balances were to be treated, Senator Kosinski replied that there were certain provisions in the language which give the tax commission the authority to provide regulations for ending fund balances and provide that they will not be included in the base for purposes of determining the formula. He added that they were not using expenditures for the base but the final budget of 1978-79.

When Senator Don Ashworth questioned whether it was the final budget, Senator Kosinski responded that it was the final budget prior to July 1 and not the augmented budget and that this provision was clarified by making reference to the NRS budget. He explained that the formula of 80% from AB 616 will be used as well as the appeal process on population figures which permits the local governments to appeal to the tax commission if they want to dispute the county population figures. He said that for the purpose of presenting an issue for tax increase the language of 204 will be used which provides for a two year period where a majority of voters may approve a tax increase. He indicated that new language will be inserted to provide a period in which the Director of the Department of Taxation may make adjustments within the accounting procedures of the local governments to correct inequities or ambiguities within the budget. He said that provisions in existing law which give the tax commission the authority to determine the status of any disputed fund were retained. He added that 204 provided an escape clause to the extent of situations not reasonably foreseen or if there was a threat to life or property for the purposes of the governing body initiating spending above the limit, but did not provide responsibility for overseeing that increase. He said that in AB 616 the tax commission decided the language which specifically provided that it needed the approval of the tax commission. He indicated that they recommended language which requires approval of the tax commission. He reported that they provided for the exclusion from the base of any county's budget the 11¢ for Medicaid and provided that the initial budget for spending for new local entities would be determined by the tax commission and subsequently would be wrapped in a formula like other local governments.

When Senator Don Ashworth asked about the 11¢, Senator Kosinski explained that every county was paying 11¢ to the state for the Medicaid program but some counties were not showing this in their budgets and other counties were.

Senator Kosinski continued by saying that in regard to the unresolved discussion concerning the emergency fund proposed in the Assembly they had decided to include language in the tax bill for an emergency fund. He added that the figure of a million and a half had been discussed but that he did not feel this was a really appropriate figure. He explained that the uses of this emergency fund would be limited to special and general districts with the approval of the Legislative Commission and with the condition that the financial crisis was caused by the expenditure formula. He added that application for the million and a half could only be made if revenue was not available and if revenue was available permission would have to be obtained from the Legislative Commission to proceed under the emergency procedure.

He added that if no money were available, money from the contingency fund would have to be requested from the Interim Finance Committee, and they felt that if these two barriers were crossed the money would most probably be needed. He indicated that for caps on general and special districts the tax commission was given the authority to adjust population restrictions or population formulas for that district because it was felt that some districts might have special problems such as excessive growth in special districts outside the district so a procedure was necessary whereby they could go to the tax commission and request an adjustment in their formula.

When Senator Raggio asked if the majority of vote or the emergency situation of mandated court order were covered, Senator Kosinski said that the two situations were a vote of the people and Legislative Commission approval for not reasonably foreseeable situations. He added that they were trying to broaden the language of this exception. In regard to judgments that force local governments to make certain expenditures such as a new jail in Clark County, he said that under the proposed broad language these requests could go to the Legislative Commission.

Senator Raggio commented that an unforeseen judgment such as the state had against it for a million and a half dollars could happen to a county or a city and in such a case the Legislative Commission would have the final say.

When Senator Dodge questioned, even though figures are tentative, if there were any provisions for counties or cities that were so badly restricted that they would hardly be viable such as might happen in White Pine County or the City of Ely, Senator Kosinski replied that there were no provisions for county or city government and that White Pine County under the new formula would lose 28.3% of their tentative budget and Ely would lose 19.4% of theirs.

Mr. Bergevin commented that he thought there was a column missing and if this year's budget or last year's expenditures were shown, it would indicate an increase of almost 50 to 75 percent.

Senator Kosinski pointed out that White Pine County's tentative budget is a 55% increase over the 1978-79 actual budget and Ely's is 26.2% and the impact figures would still show an overall increase.

When Senator Glaser asked that duplicated copies of this material be made available to both committees, Senator Kosinski indicated that it would be available shortly. He then proposed that consideration be given to breaking the cap out of the comprehensive tax bill in order to remove it from the bargaining process and because both 204 and 616 as proposed contain severability clauses. He added that if Question Six was passed in that form to reduce caps he saw no reason why those caps should not be broken out of the overall tax package.

Assemblyman Tanner stated that his subcommittee had come to the conclusion to recommend to the two committees the Assembly version of pass through and said that a copy of the latest suggested amendment by

Mr. Daykin was circulated to the members of both committees the day before. He explained that basically the landlord would require the tenant to sign a written receipt of rent which would show separately the amount of property tax paid by the tenant. He added that exceptions such as a person owning less than seven dwellings, public and private institutions, medical, geriatric, educational counselling, religious, general services and occupancy under a contract of sale were described. He commented that this was just a suggested approach to the amendment and was no way unconstitutional.

Assemblyman Mann commented that because of the Santa Monica incident where they passed rent control, landlords in this state would not want to face this kind of situation.

Senator Lamb said that he was concerned that the renter will not be the recipient of the tax rebate as long as apartments are as scarce as they are in Reno and Las Vegas.

Assemblyman Tanner indicated that on the other side of the coin if the rebate were given to the rentor there was no guarantee that the landlord would not turn around and increase rents.

Senator Lamb questioned that if the rent were \$150.00 and the rebate to the renter was \$25.000 would the landlord give the renter the \$25.00.

Assemblyman Tanner said that the best they could do was to force the landlord to receipt and separate the package so that the tenant would know exactly what taxes applied to his unit which he felt would put pressure on the landlord.

Senator Don Ashworth said he felt there should be some comparison to the tax in the prior year to show what tax reduction was made and Assemblyman Mann said they would have their receipt from the previous year.

Senator Raggio said that if this was enacted landlords would have a problem computing what proportion an area of an apartment would have to the overall property and said he felt there should be more complete language indicating allocations.

Assemblyman Tanner said that allocations were only on living space.

When Senator Raggio wondered what the proportion would be on an apartment house where half of the lot was apartment and half of the lot was parking, Senator Don Ashworth said that this was just a proration which was in the original proposal and will be incorporated in the amendment.

Assemblyman Coulter stated that he shared some of Senator Lamb's concerns. He commented that since legal counsels disagreed on the constitutionality of mandating the pass-through making it a questionable thing, there would be no economic incentive for someone to spend the money to go to court to challenge it.

When Senator Ashworth said that the landlord might do this as an entree to stopping rent control, Assemblyman Coulter contended that

(Committee Minutes)

if a renter knew the percentage of his property tax but received no rebate from his landlord, a desire for more rent control would be fostered.

When Assemblyman Mann asked if there would be any problem with giving both breakdowns, Senator Ashworth said it was a mathematical problem and Assemblyman Tanner explained that once you compute the proration and interpret square footage you can apply that to any tax bill.

Assemblyman Tanner commented that he would receive a final opinion the next day.

Assemblyman Price said that despite criticism of joint meetings he thought progress had been made. He distributed copies of a formal proposal from the Assembly Taxation Committee for the Senate's consideration and suggested getting together again to go from there.

Senator Glaser expressed appreciation and said that the Senate Taxation would consider this and the recommendations of the sub-committee at their meeting the next day.

The meeting was then adjourned by Senator Glaser.

Respectfully submitted,

Sandra Gagnier
Sandra Gagnier,
Assembly Attache

ASSEMBLY PROPOSAL

The Assembly Taxation Committee wishes to make the following compromise tax proposal incorporating parts of the original Senate and Assembly tax bills, plus various joint subcommittee mutually agreed upon items. We further propose that upon agreement by the Senate and Assembly Taxation Committees on all issues relating to the tax relief program, that official conference committees then be appointed to ratify the action of the two full committees.

TENTATIVE ASSEMBLY SIX-POINT COMPROMISE TAX PROPOSAL

1. SENATE version of school spending cap with 50¢ maximum optional rate capped.
2. JOINT SUBCOMMITTEE mutually agreed upon State and Local Government spending caps. (The trigger and detriquer plan as suggested by Senate was adopted.)
3. JOINT SUBCOMMITTEE mutually agreed upon plan to require landlords to show property tax portion on rent receipts.
4. JOINT SUBCOMMITTEE mutually agreed upon version of removal of sales tax on food.
5. SENATE version of removal of personal property tax.
6. ASSEMBLY version of lowering ad valorem by reducing tax rate from \$5.00 to \$3.64.