SENATORS PRESENT:

CHAIRMAN GLASER
SENATOR DON ASHWORTH
SENATOR KOSINSKI
SENATOR SLOAN
SENATOR DODGE
SENATOR RAGGIO

ASSEMBLYMEN PRESENT:

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

SENATORS ABSENT:

SENATOR LAMB

ASSEMBLYMEN ABSENT:

ASSEMBLYMAN COULTER

ALSO PRESENT:

Ed Schorr, Fiscal Analyst
Dan Miles, Fiscal Analyst

The joint meeting of the Assembly and Senate Taxation Committees was called to order at 5:00 p.m. in the Assembly Lounge with Senator Glaser in the Chair. Senator Glaser stated the purpose of the meeting was to review the amendments to the tax package so that Frank Daykin, Legislative Counsel, could start drafting them.

Senator Glaser called upon Assemblyman Rusk to report on the school cap. Mr. Rusk stated that Senator Dodge would report on the work of this subcommittee.

Senator Dodge stated that they had a draft of some language they were working on regarding school caps. This language is attached to these minutes as Exhibit A.

Senator Dodge: We have been working among ourselves and with some of the school people to be sure that we understood the implications of what we were writing in here and to be able to draw up some figures to hopefully indicate to everybody what the implication is. We agreed going in on the bill that we would use - place a cap on the 80¢ for school expenditures. Everything that we are doing assumes that the Governor's recommendation on the Distributive School Fund is used. That portion is 8% minimum guarantee for school district. The 8% the first year and 6.4% the second with growth factor which is about 2% a year. We acknowledged long ago and agreed that that part of school revenue is actually capped by virtue of the appropriations under the Distributive School Fund. The part that remained outside was the local option ability to levy an additional amount over and above the minimum guarantees. This is represented by the 80¢ optional money. We don't know where the money committees are going to wind up. We went in with the assumption that they would appropriate enough money whereby we would be working with a 50¢ cap rather then the 80¢. In other words it would be the 70¢ mandatory that would be considered in the DSF and the state would also pick up 30¢ of that optional 80¢ that has existed in the past.

Senator Raggio: You are then saying that a $1.00 will be appropriated to the DSF.

Senator Dodge: That raises more money for the schools. I explained this the other day and I want to explain it again. The 30¢, that additional part that is picked up in the funding, is uncapped and therefore that 30¢ is levied against your full assessment base. When you cap the 50¢, when that is the part that is constrained, it is a lesser part than the 80¢ and therefore it raises it some which offers relief. You get more relief to the schools in the form of more total dollars by capping the 50¢ then you would working with the 80¢. The figures that we developed showed as of this morning that by that means in the second year of the biennium, which is the year that concerns me a little more than the first, the schools would pick up about $2,700,000 on that basis. There are a couple of other things that are cranked in there, however. In the Senate bill, when we were working with the 80¢ cap, I don't remember the reasons for the base period, we took three years, 1975-76, 1976-77, and 1977-78 and we averaged those three years to develop a base. That is a different approach than 5 year average that the Assembly worked on. For one thing, we have no provision in here for that base to move and pick up more current years as you go along.

The first thing that we agreed is that we wanted to amend that part of the statute so that it would be a moving 3 year average rather then just frozen on that 3-year base.

Senator Dodge then went through the language that they had developed which is found in Exhibit A. He explained that the first paragraph had to do with the 50¢ levy. They wanted to apply this into the future and to apply automatically depending upon whatever relief might be developed by virtue of the trigger in the second year.

Senator Dodge: I have a little question about #5. The Consumer Price Index that we are talking about as described here is for all Urban Consumers, published by the United States Department of Labor. Is that the same one you are using in the rest of yours?

Mr. Miles: That is the wording that was in AB 616.

Senator Dodge: I would like to offer something and it is something that we didn't discuss in the Senate committee. There is another reference which is used for a lot of purposes and it is an all items CPI. Published nationally and also it is published for the San Francisco-Oakland Metropolitan area. That is part of the CPI. We thought at one time that that was more reliable for us to use because it represented better what costs were in our part of the United States.

Senator Raggio: Isn't there a Western Regional Index?

Mr. Miles: I contacted the Employment Security Department and there is no such thing as a Western Regional Index any longer. There may have been one at some time. What is being used here is the National Index of All Items. There are two National Indexes produced. One is All Consumers and the other is Urban Wage Earners and Clerical Workers. This is an all items index.

Senator Dodge: Just before this meeting we ran into a situation where taking these three years and averaging them is like going back to 1976-77, which is the middle, To base your assessed valuation on and you are two years from your present assessment base. What I want to point out by that is, if you move closer to your current assessment level, you also have some figures that there is some additional relief offered to schools by virtue of levy against a higher assessment base. We haven't got everything worked up on that yet. What we are actually trying to do is to show you some comparative figures about 80¢ cap, the 50¢ cap on this basis. What it would do if you get on the moving base and then what it would do if there was a way of bringing it up closer to the present assessed valuations. I don't think that any one of these things is going to distort the total available relief to school districts, but we haven't got all that calculated out.

Senator Dodge presented some total figures and explained that these were not percentages, which as yet had not been calculated out. These figures are attached to these minutes as Exhibit B. Senator Dodge asked Doug Sever of the Education Department to explain the last column on this chart.

Mr. Sever: The reason that I threw that option in there is because the other day we talked about the CPI inflationary increase be adopted as the Assembly version and the 80% measure where you take the average of 5 years and then take 80%. In that process you really only allow 1 year for inflation. If you average 5 years you get an average and that represents the one year average. Because we intermesh that with the base period in the Senate version, which deals with 3 fiscal years, when you average those three years as a base, you are really centering an average around that middle year. That is two years away from the budget year, so if you intermesh an inflationary increase that is an average and take an average which represents one year and you are two years away from the budget year, we feel that it is sort of an equitable option to show you. Adding two years to that CPI rather then just one. Simply because the base period is two years away from the budget year.

Senator Ashworth: That is exactly what AB 616 does.

Mr. Mann: I spent some time on the phone with Ed Greer last night and went over these figures. The only problem that I have with them is that I think that it kicks it up a little bit too high.

Senator Dodge: I am not advocating any figures at this time but just trying to show you them.

Mr. Bergevin: Did you roll up the enrollments also?

Mr. Sever: Yes.

Mr. Mann: We are so close to a decision that maybe we could show some comparisons that are done on the second page.

Senator Dodge: The only problem with that is that on the second page he didn't show how that transfers into it by way of percentage of increase revenue.

Mr. Mann: The thing that bothers me with this is if you look at the 1979-80 cap and where they came down the second year to 6.2%. I wanted to look at that in terms of the Governor's recommendation so I got on the phone to Ed, and he finally admitted to me last night that we were right to be worried about it. The problem you get in the weighted enrollment is that they have under estimated by 500 students each year. So we are not playing with a full set of facts. If you add the 500 students into the cap that we agreed on yesterday, you are kicking that up a pretty good chunk of money. They admitted to me on the phone last night that they have under estimated it. So you are looking at probably close to \$500,000-\$600,000 each year additional money because being good fiscal experts they gave us the lowest possible estimate that they could so that they would have some hedge room. Ed told me last night that those figures should be increased by about 500. They have no problem with the cap that we agreed to yesterday.

Mr. Sever: I don't think that Ed is aware of this.

Mr. Mann: I am sure that he is because he told me last night that if we could go this it would be very nice and if we could go 100% of CPI they could get an additional \$500,000. They have enough hedge factor in here - he told me that there is \$900,000 that they can cut from ending balance in Clark County that will give them not only the \$500,000 hedge factor in student enrollment but another \$900,000 so you are looking at \$1,400,000 in addition to the monies that we show here under our cap that we agreed to yesterday. Carson City is better off then this on the second year. It is not a real big problem in Carson City that they are two years from the base period. They are alright the first year and they get a bonanza the second year because they had some massive assessed valuation increases. It is not fair to look at Clark County statistics only. Each county is effected differently and Clark County is one that was effected the worst, but they took care of that with a few hedge factors.

Senator Dodge: The important thing on these percentage increase, and this to me is the bottom line, and we need to look at these percentage increases. We can really only take a look at this on a per student basis. That is what these percentage increases are based on. These are average statewide and they don't fit everybody the same. The important thing I want to point out to you is that if you will notice in the second year of the biennium where you cap the 50¢ the increased revenue in total is 6.2%. On the Senate cap, at 80¢ it is only 5.4% and that gets back to what I told you about the unrestricted levy on the 30¢ on an escalating assessment base. That is what creates that difference in there between 5.4% and 6.2%. The single observation that I would like to make is that it is my judgment that that 5.4%, which we were dealing with, is a little too low as compared with what we are going to do for cities and counties. We haven't had any figures on what those increases are going to be for cities and counties, but our own common sense tells us that if you have a CPI that is moving at 8% or 9%, lets use 8%, and you apply an 80% factor into that, that is 6.4% plus population growth which if it is 3% gives them 9.4% better ability for cities and counties. It is not here in the second year of the biennium for the schools. I am not advocating anything other than that I think that there is more equity and I think that the Assembly agrees in trying to work towards at least capping the 50¢ which would generate 6.2% additional ability in the second year then in the 5.4% that we were working with under the Senate cap.

Mr. Mann: One of the big punch lines for public employees and I always ask this question when I want to find out if they are playing with a full deck, is how much pay raise are you offering the negotiations. I was assured that they think that they have enough money with the cap that we offered yesterday, to go 8% and 6% pay raises for public employees in the school district. That is not a bad pay raise compared to what we have been getting. He stated that he thought they were going to hold us up for 10% and we probably will have to give them that. We could make a few cuts and make that. So I don't think that we have done anything with the compromized cap on the 50¢ that have hurt school districts. I think that the money is there, especially when you count the hedge factors that they have used. I would hate to see us go to this new thing that is going to generate $3,000,000 more. I think that we have generated about as much as we can generate and still have an effective tax proposal.

Mr. Bergevin: On your language where you are talking about the levy, did we not agree that the county "shall" rather than "may" levy 50¢?

Senator Dodge: Yes, we did agree.

Mr. Bergevin: On your explanation of your rolling rates, on the base enrollment on your assessed value average, you said you include in your base dropping the old fiscal year and adding the recent one. You did not do that on the explanation of base Enrollments. It was our intention that we do. (Exhibit C)

Mr. Miles: If you look at the first paragraph on the first page (Exhibit A), the very last sentence tries to do that. This is very rough language.

Mr. Daykin: Same three years as the base amount is the base enrollment. I may want to elaborate upon that.

Mr. Bergevin: What we are trying to do is roll both the enrollment and assessed value by one year.

Mr. Daykin: I seized Dan's intention and yours, but I am going to wrestle with the language.

Mr. Weise: On that shall and may on the 50¢ does that run into a conflict where we have talked about by virtue or running a cap we would also be reducing the property rate. Are we backing up on that now where we might not be able to reduce that property rate.

Senator Dodge: That is a different section which we haven't dealt with here. There is another section in the back of your bill that has to do with that reduction which actually stands independent of the bill.

Mr. Daykin: In the section to which you referred on this page, (Exhibit A, page 3) that other reduction of rate is the next batch of italicized language about three lines below the shall and may. That refers to the lesser or greater amount that the State Board of Examiners fixes. That is the tie between the section you described.

Mr. Bergevin: But they cannot levy greater then 50¢ under any circumstances. This on the presumption that we are going to pick the dollar up on our tax relief. We talked about language yesterday to the effect that the cap would be on that amount of the 80¢ which is not picked up by the state; in case we don't pick up the 30¢ by the state. Sort of a safety clause.

Mr. Daykin: That is why the language "lesser or greater" is in the draft.

Senator Dodge: This was the one that was suppose to move automatically with however the trigger or detrigger would dictate after the first year. If you notice there is some language which says "lesser or greater" amount. That language is directed towards a method of automatic setting of those factors after the Board of Examiners makes a finding in the second year. That goes to the concept of the trigger and detrigger.

Mr. Bergevin: But in no case should it exceed 80¢ under any circumstance.

Mr. Mann: I move to accept the subcommittee report using the 1979-80 cap on 50¢ figures granting a 7.9% increase and 6.2% in the second year.

Mr. Bergevin: I second it.

The motion carried unanimously with the Assembly Committee but failed with the Senate Committee on a vote of 2-4.

Senator Raggio asked that the figures be made available on how this would effect each school district and to express it as a percentage.

Mr. Miles: Based on the 50¢ cap, Washoe would have to cut 13¢, coming from 50¢ down to 37¢. Clark County would have to cut 10¢ in the first year, based on the 50¢ cap. You realize that we don't in fact have 50¢ and have less tax relief and that rate is somewhere between 50¢ and 80¢ the impact of the cap becomes more severe the higher the tax rate under which the cap is found.

Senator Dodge: How long would it take to extend the information which we have done collectively for the school district and show how it would effect each school district and express this percentage? Based on per student. I don't think using the total budget is a valid way to know exactly what you are doing. The total budget is influenced by increases and decreases in school population among other things. If you are going to take a comparison of what you are doing for a child that has a seat in a school room today as against next year, you have to do it on a per student basis. I have a sheet that was an earlier sheet that was based on the 80¢ cap that did express it on a per student basis and showed the percentage increase. I think that while the 50¢ cap gives you a little different result I can go down through the school districts and tell you what -

Mr. Mann: As long as we keep exploring the more figures that we get sent to us, sooner or later we have to make a decision. You are never going to satisfy every school district by the fact that you have to use one formula for everybody. We are going to have to make a decision somewhere along the line. The thing that I like about the cap that we developed yesterday is that it is almost identical to the Governor's cap. What they would get under the Governor's proposal.

Senator Sloan: Why don't we just postpone this until we get the figures because you are not going to get four of us to vote for it until we have the figures.

Senator Glaser requested Senator Dodge to work with Mr. Sever and Mr. Miles to develop these figures for a meeting on Monday afternoon.

Senator Dodge: I would offer this suggestion for the purpose of going ahead and drafting the bill. To use this base, this information tentatively for the purposes of proceeding with the drafting subject to a review of all of us of what the impact on individual schools districts is.

Mr. Mann: We could go ahead and draft it and then make amendments to it. You can't change individual school districts but you could amend the formula.

Senator Sloan: The only thing that is flexible in these last three caps is whether or not you use a full CPI, an 80% CPI or what. The drafting would be almost identical no matter which you took.

Senator Dodge: We're now talking about the development of the information on column 3.

Mr. Mann: I think this same amendment could hold with an amendment that would say that we hold open the prospect of being able to amend the proposal based on figures that we will have.

Senator Raggio: Carl, I gave him a letter that I would like to have checked on referring to a Western Region CPI. Would you see if you can verify that? (Talking to Dan Miles) There is a difference, it follows through over a period of 5 years. That is a recognizable factor and it might be truer to our situation.

Senator Dodge: If that is not available, does anybody have any appetite for the San Francisco-Oakland Metropolitan Area Index?

Mr. Weise: The motions that were made and the decisions that we are coming to are not to have formal amendments drafted for a bill per se but to have this drafted into final language for our committee.

Senator Glaser: We can get our own staff (Dan and Ed) working with Doug (Mr. Sever) on language and some figures for Monday afternoon.

Mr. Bergevin: We originally bought this package and came to an agreement; we agreed to go with the Senate version of the school capping procedure at 80¢. We met yesterday and we have considerably improved that for every school district in the State of Nevada and I don't see the reluctance to go along with this.

Mr. Mann: This makes it better than what you guys voted on.

Senator Raggio: There may not be any reluctance but let us see the application of it and then we can vote on it.

Senator Dodge: Can we give Frank (Daykin) the authority to proceed on the basis that the language is in a state of flux.

Mr. Daykin: I think that probably I can work around the problem that you have here, leaving that open until Monday afternoon.

Mr. Mann: I think that we can go ahead and have it drafted under the original motion and we can always change it because it is not a bill and it is something that we can take a pencil to.

This motion again passed unanimously in the Assembly Committee and failed with the Senate Committee.

Senator Glaser declared the motion lost and told Mr. Daykin to work around it.

Senator Glaser called upon Mr. Tanner to report on his subcommittee:

Mr. Tanner: I have nothing to report. The subcommittee will meet tonight at 7:00 to review some other material and that same material will be presented to Mr. Daykin in the morning for his review. We have already drawn up potential amendments and the only thing that we are looking for now is to see if we can improve it.

Senator Glaser then called upon Senator Kosinski to report on this subcommittee.

Senator Kosinski: The only thing that I am going to report is what change recommendations we have from the report that I gave and we agreed to last Saturday. Most of our work has been involved with changing the defintion of general fund. As it turned out it was one of the more critical aspects of devising the cap formula. The changes that we have made since we last discussed the issue are these: 1. Originally we had proposed that the Fair and Recreation Boards and Hospitals be included under the cap if they receive any funds other than the user fees or room tax that are usually associated with the two types of operations. The lodging taxes in the case of the Fair and Recreation Boards and obviously the user fees in the case of the hospital. We ran into some problems primarily in Clark County so we have changed our recommendations to you. We recommend to you the change that we only cap those funds in the Fair & Recreation Board operations and the hospital operations which come from outside source whether it is ad valorem, gaming taxes or any other source. As an example Lincoln County General Hospital, Southern Nevada Memorial Hospital and the Clark County Fair & Recreation Board, their treatment would be different under this other proposal. The case of Fair & Recreation Board in Clark, I think it was a half a million dollars in gaming fees. That would be the only cap on that particular budget fund. In the case of Southern Nevada Memorial Hospital, they are getting a million dollars in fees, I wasn't clear whether it was straight from the ad valorem or not, but there are other fees going into those two operations. (Exhibit D)

Senator Raggio: I understand that that is gaming money but it goes to county general fund as pledged up to a million dollars.

Senator Kosinski: We discussed the sanitation and water districts throughout the state and believe that they were included within the enterprise fund exception that is already contained in the language. The other thing that we discussed Saturday, would be the Metro amendment. We also adopted on Saturday, an amendment to NRS 354.599, which permits the local governments to submit amended budgets if the previous legislature session mandated some changes in their budgets. We are recommending to you an amendment which all of you should have received on your desk which clearly provides that those changes do not effect the expenditure cap. It only permits them to go in and change their budget itself, it doesn't permit them to spend more money they are permitted under the expenditure formula. Outside of those particular changes, our recommendations to you remain the same as we adopted on Saturday. (See also Exhibit E)

Mr. Price: I am not sure that I understand what the effect of the cap on the other funds other then room tax would be on the Fair & Recreation Boards.

Senator Kosinski: Under our proposal, if a Fair & Recreation Board received any funds other then those that they would get through their operation, which would be the room tax and user fees. If they received any other funds as ad valorem, sales tax, gaming the entire budget would come under the cap. Our intent there was two-fold. One was to prevent them from using the Fair & Recreation Board to "wash" funds from other sources and put it back into the community and secondarily, was to encourage them to get the other funds out of the budget. We would then have a more correct picture of just what is going on in a particular community. We recommended the change because we were all reluctant on the one hand to actually cap the Fair & Recreation Board spending. The revenues should and in most cases do come from room tax. We felt that if the economy in that particular community is good enough so that they are generating extra revenue, if they wanted to use that revenue as they do in Clark County to go back to the local governments for parks and things of that nature, you would except that from our cap, even though in two years you might look at that and find that it is a substantial amount of money. I think in Clark County it is almost $2,000,000 that is going back into the community through the Fair & Recreation Board. It is being excepted, except to the extent that they were getting funds from these other sources. In other words the gaming tax revenue would be capped. They could not increase the amount of gaming tax revenue they are receiving except as per the formula.

Senator Kosinski: On Saturday we talked about and accepted the "Mann" amendment for Metro which permits the Department of Taxation to make adjustments to the base of both the city and the county if that base changes either by statute or formula.

Mr. Dini: I would like to have you explain the hospital cap. There are some small hospitals that are county hospitals that are really self supporting. Lyon Health Center is self supporting. I don't think that it has ever been on ad valorem for operating budget.

Senator Kosinski: No cap then.

Mr. Dini: The hospital in Hawthorne, I think, is 60% of Mineral County budget goes to support that hospital. How would the interplay there be.

Senator Kosinski: Does the revenue flow through the general fund of the county. Then there would still be no cap on the hospital. If they get any ad valorem direct or any gaming tax directly, that portion would be capped in the hospital's budget.

Mr. Weise: I move for the adoption of this report.

Mr. Marvel: Second that.

The motion passed unanimously by both the Assembly and Senate Committees.

Senator Glaser: We had one other understanding in our general sessions that didn't get worked into the agreement Saturday and that was on the Real Estate Transfer Tax and the quarterly Gaming Tax back to the cities and counties. Senate Taxation today thought that ought to be in this tax package bill so that it could be subject to the repealer in the event that Question 6 passed.

Mr. Price: You are correct, that was not part of the agreement that we made as far as our agreement Saturday. However, as was shown by a show of hands earlier, the Taxation Committee on the Assembly side was in favor of doing that. We have no problem with it except that we had previously agreed that that particular bill because it effects the budget would go through the money committees. When we met with our money committee that was one of the recommendations that we made, but they wanted it sent over to them to take a look at it. We are not in a position of doing anything other than saying that we think it should go back as long as it is affordable by money committees. It is our intent to send that over in this coming week or perhaps even tomorrow.

Senator Kosinski: We are talking about having it incorporated.

Mr. Price: I don't think that we can have it incorporated unless we already had an okay from the money committee. We had intended to p self distruct in every bill that came out concerning the tax package and as it turned out after we grouped everything up the only couple of bills that we had come was the personal property tax and the food tax. If the transfer is separate you can still put a self distruct on it. I personally, and I don't think that the committee has any problem, with putting it in there other than the fact that we cannot do it until we get an okay from our money committee. Even Senator Lamb had said that this is going to be one of the last things that is done based on what money is left. I know in the Senate that the money has already been worked in their proposed budget because we were talking about it in Taxation when Senator Lamb was over before us a couple of days ago on entirely separate matter.

Senator Sloan: Aren't we acting to a degree precipitous if we pass a tax package which takes away substantial money from the cities and counties, put into a separate package how we are going to replace it, and then leave that out in left field. For all I know we could pass this tax package and keep that separate and leave the cities high and dry. I don't think that has ever been part of the Senate program and I thought we had an implicit understanding when discussed that in joint meetings before that it would be part of the overall package. I would hope, at least from the Senate's point of view, that you process that through the Assembly.

Senate Sloan: I think that we would leave the cities and counties in rough shape if we don't give that money back to them.

Mr. Price: I think that it is fair to say that it will be processed out of the Taxation Committee butIcan't speak for the money committee.

Senator Raggio: You can't take that city and county money away and not replace it somewhere.

Mr. Mann: We all sat here and voted Floyd Lamb's amendment the other day saying that we would not fit the tax package and then ask the money committees to do that. We agreed to let the money committees decide on the spending and then we would fit the tax package to that. That was not our vote. We wanted to take the tax package and pass it and make the money committees conform to that. You didn't want to do that. That was your proposal and we went along with that. We are going to vote those bills out of our committee but it has to go to the money committee for their approval and if they so desire, then we will conform the tax package to that. That is what we voted on Saturday.

Mr. Bergevin: In the subcommittee, that was the whole basis of that agreement coming together that we would allow the money committees to decide what monies were available. That is what brought the package together.

Mr. Price: When the agreement was made, you were gone (Senator Sloan) and it was specifically that the money committees would have the final say so.

Senator Sloan: There was never one word of discussion about the county transfer or gaming tax. If you want to go ahead and cut the cities and counties out say so, if you don't get Ways and Means to go ahead and process it.

Mr. Mann: We will try but we can't guarantee anything. We can't speak for another committee.

Senator Raggio: We have been talking about a so much of a surplus and we have also, at least in our discussion, have compared the fact that by taking away the sales tax and that returning the gaming tax and real property transfer tax would offset that. That is all we have talked about.

Mr. Mann: I agree with that and we aren't saying anything different. We are just saying that we have to send it to the money committee.

Senator Glaser: If the Assembly Taxation Committee will pass that out and then exert any undo influence that they have on the money committee that is about the best we can do.

Mr. Price: I don't know what the problem is but I would say that whoever the county people are that have some problems with the money committee, if they get that settled.

Mr. Mann: The picture has changed so much in the last two weeks that I think that we have a good chance to get this through. When we first appeared before the money committee it was when we had those reports from the Senate saying that we were down to $2,000,000 and that is why we wanted to hang on to it. But now we are looking at $50,000,000 and I don't think that you are going to have a problem trying to move those.

Senator Glaser urged the Assembly Committee to get this processed and adjourned the meeting until 5:00 on Monday, May 7, 1979.

Respectfully submitted,

Sandra Gagnier,
Assembly Attache

EXHIBIT A

SCHOOL CAPS

1. The amount computed by multiplying .005 or the optional school levy as fixed by the Board of Examiners if the Board of Examiners is directed by law to fix a different optional school levy, times the three-year average assessed valuation of the school district, is the base amount from which the permissible amount of revenue to be derived from the tax whose levy is authorized by NRS 387.195 must be calculated. The average enrollment in the school district during the same three years as the base amount is the base enrollment from which changes in enrollment must be calculated.

2. The Board of Trustees shall calculate the amount of permissible revenue from the specified tax for a given year as follows:

(a) The base amount is multiplied by the percentage of change in enrollment in the current year from the base enrollment and this product is added to or subtracted from the base amount.

(b) The amount calculated under paragraph (a) is multiplied by 80 percent of the average annual percentage of inflation or deflation for the 60 months preceding the month of November preceding the fiscal year for which the budget is prepared and this product is added to or subtracted from the amount calculated under paragraph (a).

(c) If the amount resulting from the calculations under paragraphs (a) and (b) represents a net increase over the base amount, the board of trustees may increase its recommended levy accordingly. If the amount represents a net decrease, the board shall decrease its recommended levy accordingly. If the amount is the same, the recommended levy must not be increased.

3. The Department of Taxation shall disapprove any budget of a school district which does not comply with the limitations of subsections 1 and 2.

4. On or before December 1 of each year, the State Board of Education shall certify the percentage of increase or decrease in enrollments for each school district.

5. The Consumer Price Index for all Urban Consumers, published by the United States Department of Labor, must be used in determining the percentage of inflation or deflation.

6. To determine the base amount for the permissible levy for the fiscal year commencing July 1, 1979, the three-year average assessed valuation of the school district for the assessment years 1975-76, 1976-77 and 1977-78 shall be used. For each subsequent fiscal year, the three-year average assessed valuation shall be adjusted to exclude the oldest assessment year previously used and include the next consecutive assessment year not previously used.

NRS 387.195 is hereby amended to read as follows:

387.195. 1. [at the time of levying county taxes, the board of county commissioners of each county shall levy a county school district tax.

2. In 1956 and in each year thereafter when the board of county commissioners levies county taxes:

(a) It shall be mandatory for each board of county commissioners to levy a 70 cent tax. . . . . . . the county school district; and

(b)]When recommended by the board of trustees of the county school district, [in addition to the mandatory levy of taxes provided in paragraph (a),] each board of county commissioners [shall] may levy a tax of not [to exceed 80] more than 50 cents on each $100 of assessed valuation of taxable property within the county for the support of the public schools within the county school district [.] or such lesser or greater amount as the state board of examiners fixes if the state board of examiners is directed by law to fix a lesser or greater amount for that fiscal year further limited to the rate which will produce the revenue permitted by section ? of this act whichever is lower.

[(c)] 2. In addition to [the taxes] any tax levied in accordance with [the provisions of paragraph (a) and (b),] subsection 1, each board of county commissioners shall levy a tax for the payment of interest and redemption of outstanding bonds of the county school district.

Nevada Department of Education

SCHOOL DISTRICT IMPACT
(PROPOSED CAPS)

FISCAL YEAR	REVENUE WITHOUT CAP	CAPPING 80¢ CURRENT SB 204 EFFECT	CAPPING 50¢ MOVING 1 YR - USING ORIGINAL C.P.I.	CAPPING 50¢ MOVING 1 YR - USING 80% C.P.I.	CAPPING 50¢ MOVING 1 YR - USING 80% C.P.I. x 2
1979 - 80	$ 46,268,523	$ 39,498,942	$ 42,037,534	$ 40,179,851	$ 41,768,631
		6.8 mil.	4.2 mil.	6.1 mil.	4.5 mil.
1980-81	53,671,487	44,436,572	50,388,229	47,174,316	48,949,953
		9.2 mil.	3.3 mil.	6.5 mil.	4.7 mil.
	$ 99,940,010	$ 83,935,514	$ 92,425,763	$ 87,354,167	$ 90,718,584
		16.0 mil.	7.5 mil.	12.6 mil.	9.2 mil.

EXHIBIT B

EXHIBIT B

CLARK COUNTY SCHOOL DISTRICT
BUDGET PROJECTIONS

Budget Year	Budget Total	Weighted Enrollment	Total Cost Per Student	Percent Increase From Previous Year	Dollar Loss From Governor's Budget
1976-77	$102,368,218	80,646	$1,269	—	NA
1977-78	115,914,050	82,120	1,412	11.3%	NA
1978-79	133,434,907	84,000	1,589	12.5%	NA
1979-80 (including Governor's 8%)	148,534,568	84,878[1]	1,750	10.1%	NA
1980-81 (including Governor's 6.3%)	159,629,469	85,712[1]	1,862	6.4%	NA
1979-80 Senate Cap on 50¢	145,571,430[2]	84,878[1]	1,715	7.9%	$2,963,138
1980-81 Senate Cap on 50¢	156,367,273[2]	85,712[1]	1,822	6.2%	3,262,196
1979-80 Senate Cap on 80¢	145,314,089	84,878[1]	1,712	7.9%	3,220,479
1980-81 Senate Cap on 80¢	154,697,650	85,712[1]	1,805	5.4%	4,931,819

[1]The weighted enrollments for 1979-80 and 1980-81 are those projected for the District's operating budgets.

[2]The Senate Cap on 50¢ budget figures include an ending fund balance of $1,800,000 because that is the balance included in the projected 1979-80 and 1980-81 budgets.

SCHOOL DISTRICT LEVY LIMITATION

State will replace the mandatory 70¢ levy with money appropriated to the Distributive School Fund.

State will provide additional tax relief by replacing part of the optional 80¢ levy with money appropriated to the Distributive School Fund.

Cap will apply to the amount of the optional 80¢ rate actually levied. The amount of the 80¢ rate replaced by the state will be unrestricted.

Base Period is the average of three fiscal years. The three fiscal years for first year of the cap are 1975-76, 1976-77 and 1977-78. Each ensuing year base period is calculated by dropping the oldest fiscal year and adding the recent consecutive fiscal year.

Base is the amount obtained by multiplying optional levy (this will be 80¢ per $100 or less) by the school district assessment for the base period (this will yield a 3-year average).

Base Enrollment is the enrollment for the base period (this will yield a three-year average).

Measure of Enrollment Change is the index of change in enrollment in the current year from base enrollment.

Measure of Inflation or Deflation is 80 percent of the average annual percentage of inflation or deflation for the 60 months preceding the month of November preceding the year for which the permissible levy is being calculated.

SPENDING LIMITATION

I. Entities Included - All Local Governments

Exception: Schools

II. Funds Under "CAP" - All funds supported in whole or in part by taxes or license fees.

Exceptions:
- Enterprise Fund
- Intergovernmental Service Fund
- Trust or Agency Fund
- Fund to Account for Construction Projects
- Fund to Account for Special Assessments
- Debt Service Fund (this will exempt Tax Increment Districts)
- Fund of a Fair & Recreation Board if not supported by taxes or license fees except room tax
- Fund not supported by any taxes or license fees except a tax on aviation fuel
- Regional Street and Highway Fund not supported by any taxes or license fees except the County Motor Vehicle Fuel Tax
- Fund Structures in the base year and in subsequent years may be adjusted to resolve accounting structure problems if approved by the Director of the Department of Taxation

III. Expenditures to be Limited - Expenditures from the aggregate of all funds (II) above.

Exception:
- Expenditures supported by Federal Funds
- One-time expenditures from funds set aside for a specific purpose (The amount set aside would be included in the base and in the cap)

IV. Permissible Amount of Expenditures - Aggregate of all expenditures that fall within the limitation after adjustment for inflation or deflation and population changes. Inflation or deflation is measured by 80% of a 5-year moving average CPI. Population is population for counties and cities as certified by the Governor.

Exceptions:
- Override by a majority vote
- Emergency or not subject to control by the local entity if approved by the Legislative Commission
- The Director of the Department of Taxation may certify the population to special districts as something other than city or county figures
- Legislatively mandated expenditures are exempted from the cap when specifically excluded by the Legislature

STATE OF NEVADA
Department of Taxation
Capital Plaza, 1100 E. William
CARSON CITY, NEVADA 89710
Telephone (702) 885-4892
In-State Toll Free 800-992-0900

ROBERT LIST, *Governor* • • ROY E. NICKSON, *Executive Director*

April 30, 1979

The Honorable James H. Kosinski
Nevada State Legislature
Legislative Building
Carson City, Nevada 89701

Dear Senator Kosinski:

As requested, the enclosed enumeration of modifications to or clarification of the local government spending limitations specified in Section 11 of AB 616 (2nd Reprint), is forwarded for your consideration.

Highest personal regards.

Very Respectfully,

Roy

Roy E. Nickson
Executive Director

REN:mfs
Enc.

EXHIBIT E

Points Re: Local Government

1. Tax Increment Districts (Sparks).

   Revenues are to go direct to Debt Service Funds and are to be carried as a reserve until bonds are issued to achieve the purpose of the district.

2. NRS 354.599. Add Subsection 4 to Section 1:

   "4. The provisions of this section shall not increase the maximum expenditures of a Local Government as determined by Section 11 of this act unless specifically provided for in the act of the Legislature increasing the authorized expenditures or revenues."

3. Regional Street and Highway Funds, if solely supported by User Fees or Fuel Taxes, are exempt from the spending limitations imposed by SB 204/AB 616.

4. Hospital operating and maintenance funds are exempt from the spending limitations imposed by SB 204/AB 616 providing such funds receive no support from Ad Valorem or other general taxes or license fees.

5. Convention Authorities or Fair Recreation Boards are exempt from the spending limitations imposed by SB 204/AB 616 providing such funds, other than debt service, receive no support from Ad Valorem or other general taxes or license fees.

6. The Department of Taxation is to be the final arbiter in all disputes over the amount of expenditures authorized by Section 11 of the act.