

The meeting was called to order at 8:00 a.m. Senator Floyd R. Lamb was in the chair.

PRESENT: Senator Floyd R. Lamb, Chairman  
Senator James I. Gibson, Vice Chairman  
Senator Eugene V. Echols  
Senator Thomas R. C. Wilson  
Senator Lawrence E. Jacobsen  
Senator Norman D. Glaser  
Senator Clifford E. McCorkle

OTHERS: Mr. Ronald W. Sparks, Chief Fiscal Analyst  
Mr. Eugene R. Pieretti, Deputy Fiscal Analyst  
Senator Keith Ashworth  
Mr. Howard Barrett, Director of Administration  
Representing the State Chamber of Commerce:  
Mr. John Nash  
Mr. Art Boecher  
Mr. Ted Harmann  
Mr. Jim Cashman  
Mr. Frank E. (Pete) Walters  
Mr. Burlyn Miller  
Mr. George Aker  
Mr. Fred Davis  
Mr. Fred Dressler  
Mr. Neil Plath

Senator Lamb presented Mr. Barrett from the State Budget Office who introduced the Executive Budget for Fiscal Years 1979-80 and 1980-81.

#### PAGE A-I PROJECTION OF GENERAL FUND CASH BALANCES

Mr. Barrett stated that figures in the left column are historical figures and figures in the right hand column are summaries of the budget itself and a projection of what expenses and income will be. Mr. Barrett drew attention to the Cash Balance figure for July 1, 1978 of \$78 Million and the projections of income, reversions and appropriations for this year. He stated the reason they were so high is that approximately \$28 Million of the Distributive School Fund will revert is because the income from the 70 cent property tax and the 1 cent sales tax is considerably higher than projected so that \$28 of the total \$38 Million (see Reversions) will revert from the Distributive School Fund to the General Fund this year.

He stated that if these appropriations were made, there will be an estimated \$30 Million unappropriated balance on July 1, 1979. The \$168 Million General Fund unappropriated balance that is talked about is used up by making those appropriations for the Capital Improvements, One-Shots, Park Improvements, and Supplementals bringing the balance down to \$30.9 Million.

#### Supplementals

Mr. Barrett stated the "Supplementals" were largely for prison expenses.

#### Income

Senator Gibson asked why there was only a 2 percent increase in income in 1979-80 compared to income in 1978-79. He asked if it was because of tax reductions.

Mr. Barrett answered yes. Mr. Barrett said that much larger increases were being projected but tax reductions decreased this amount. He said the decreased amount is the 12 percent taken off of the sales tax due to removing the sales tax on food, for removing the 25 cent property tax, and for the decrease of the county gaming tax and real estate transfer tax.

#### Reversions

Mr. Sparks commented that the Distributive School Fund is a biennial appropriation and is available for expenditure for two years which is why the unevenness is seen in the reversions. For example, in 1977 reversions were \$20.8 Million in 1978 \$10 1/2 Million, then up to a projected \$38 Million for this year because of biennial appropriations.

Senator Echols, referring to the income of 1979-80 and 1980-81, asked if these figures represented a 14 percent increase in income for that one year period and if so did that mean a 14 percent increase in inflation, since tax reform occurs in the first year. Mr. Barrett replied that there was a 14 percent increase in growth in the economy, not a 14 percent increase in inflation.

Senator Echols asked, regarding reversions, if the increase in the income this year accounts for \$28 Million, why wouldn't that increase the reversions in 1980-81 also. Mr. Barrett replied that the reversions have nothing to do with the income. The reversions are simply the amount of General Fund appropriation that the legislature has given the State Agencies that they have not spent and therefore able to give back.

Senator Echols responded that he understood Mr. Barrett said the reason for the \$38 Million was because of increased income. Mr. Barrett repeated that the reason for the \$38 Million was that he thought \$28 Million of that amount comes from the Distributive School Fund. He stated that it is General Fund money that is in there which will not be spent and will be transferred back to the General Fund. He added, however, that additional income is in the Distributive School Fund because of the 70 cent property tax and the increase in the sales tax.

Senator Lamb asked Mr. Barrett if he was predicting gaming will hold up. Mr. Barrett replied that he was not predicting it would continue to increase at the 22 percent increase rate projected for this year. A more accurate estimate would be about 15 percent for next year.

Senator Lamb asked Mr. Barrett if he thought gaming was slipping off a little. Mr. Barrett replied that it was not, but he did not think it could continually increase at 22 percent because 22 percent is a large percentage of increase. Mr. Barrett added that 22 percent has been the largest increase, last year was 12 and the previous year was 13. Mr. Barrett was asked if 15 percent was a conservative estimate. He replied that it was somewhat conservative, but not extremely.

#### PAGE A-2

Mr. Barrett pointed out that he is projecting taxes to decrease over the next two years.

### Property Tax

Mr. Barrett pointed out that nothing is projected for property tax for the next two years because the Governor is suggesting that the state not receive any property tax for the next two years.

### Gaming - County Tax

This tax is collected by the counties with 25 percent of it coming to the state. The Governor is suggesting that the full amount stay with the counties and the cities, thus there is no revenue projected to come to the state for the next two years.

### Real Estate Transfer Tax

The administration is suggesting that this income stay with the counties. Presently it is levied by state law, collected by the counties, with 75 percent coming to the state. The administration is suggesting that 100 percent stay with the counties.

### PAGE A-3

State Hospital - Medicare and SAMI  
Collections are now deposited in the General Fund by the State Hospital from Medicare, and SAMI. Now the administration proposes to put them in the Hospital Budget instead of the General Fund and to make them part of the financing for the State Hospital for the next biennium.

### State Park Fees

The administration proposes that State Park Fees be increased and that these fees be put into the parks' operating budgets.

Senator Lamb asked why Mr. Barrett wanted to do that, that this money was hard to manage. Mr. Barrett replied that by putting it in their budget he felt that park managers would be more diligent in collecting fees, since they would be able to spend the fees.

Senator Lamb asked if that was proper budget control. Mr. Barrett replied it was. Senator Lamb said that park personnel would be able to put money in their budgets, spend it, without controls on how they were spending this money. Mr. Barrett replied that the money was budgeted and that parks cannot spend more until they come to the State with a legitimate reason for spending it. He said a surplus would probably revert to the General Fund.

### Hoover Dam

Senator Wilson asked Mr. Barrett to comment on the Hoover Dam item. He asked if the lower estimate of \$300 thousand meant that our agreement had terminated. Mr. Barrett replied that \$300 thousand is the amount set by the Federal agreement and is an amount the State always gets. He explained that there was a lawsuit involving the City of Los Angeles and Clark County and for a number of years the State did not get the \$300 thousand. The lawsuit was settled last year in favor of the State which explains the increase last year.

PAGE A-4  
Assessed Valuations

This is a listing of the Assessed Valuations of the counties. The 1979 list is the amounts estimated to be collected by county assessor. We have listed the increases to show how much the assessed valuation is going up. This of course has no effect on the General Fund because we are proposing not to collect anything from property tax over the next biennium.

Senator Gibson asked what the reason was for the large increase in Nye County. Mr. Barrett replied that these were figures from a January 3 survey by the various county assessors.

PAGE A-5 SALES TAX

Mr. Barrett referred to the estimated 1978-79 and percentage of increase Sales Tax for December. He stated that the Percentage of Increase is cumulative and hasn't changed much so far this fiscal year and he anticipates that it will not change much. He stated that this budget is built on the 23 percent increase (see December). He expects it will not increase that much again the following year, but will still be a healthy increase of about 16 percent, and the following year, 15 percent. Last year it was 23 percent, the previous year it was 17, and the previous year it was 12. Mr. Barrett said there have been times in the past when there was no increase or there were 6, 8, or 9 percent increases. The 16 and 15 percentages might be conservative estimates. He referred to the bottom of the page, the last 2 columns, where 12 percent has been subtracted in anticipation of removing the sales tax on food.

PAGE A-7 GAMING TAXES

The Quarterly State License Fee is the major gaming taxes collected by the state. Mr. Barrett noted that during the first quarter, 1978-79, the State collected a 22 1/2 percent increase; the second quarter as a 23.7 percent increase. A 22 percent increase is projected for the year. Next year a 15 percent increase is projected and the following another 15 percent increase.

PAGE A-8 FEDERAL SLOT TAX

Higher Education

Mr. Barrett explained that the Special Higher Education Capital Construction figures are earmarked for a Sports Arenas both in the north and south.

PAGE A-14 REQUESTED APPROPRIATIONS FOR 1978-1979

Classified Salaries

The increases are being recommended retroactively to January, 1979 and these funds are the amounts necessary for this retroactive increase. There are other monies in the budget for the increases for the next two years which are included in the salary adjustment budgets.

PAGE A-16 DEPARTMENT OF TAXATION

This appropriation is to be made to the Department of Taxation for a Senior Citizens Property Tax Deferral Program. The appropriation will be deposited in an interest bearing account and used for the payment of Senior Citizens' deferred property taxes. Through this method, annual appropriations will not be required to support the program.

### General Obligation Bond Retirement

The administration is asking for outstanding \$16.5 Million to be invested in an interest bearing account and the principal and interest will pay the state bonded indebtedness. This allows us to not have to budget \$2 Million each year for this purpose.

Senator McCorkle did not understand why the money was being set aside instead of budgeting it each year. Mr. Barrett explained that budgeting it each year would require the operating budget to be increased each year. He referred Senator McCorkle to pages 787-788.

Senator Lamb asked what the bonds cost. Mr. Barrett said the average cost is no more than 5 percent. Mr. Barrett explained that the State is investing \$16 Million at something greater than the 5 percent and using that to pay off bonds. So the total money from the General Fund that is paid out is much less than actually paying the amount every year. Senator Lamb said it sounded like a good business deal. Senator McCorkle requested that his question be brought up again.

A recess was called to hear the State Chamber of Commerce.

Mr. Ted Harmann, Past President of the Nevada State Chamber of Commerce, was introduced. Mr. Harmann announced that this year is the eighth year the Chamber has arranged a tour of Nevada for businessmen and legislators prior to the legislative session. Mr. Harmann explained that the tour was conducted by bus and carried the participants to 4 or 5 large and small communities per day. He said the tour has drawn the participants closer to the citizens of Nevada and given them insights into Nevada's constituency. He mentioned that Senators Lamb and Keith Ashworth have participated in these trips.

Mr. Harmann announced that Chuck Ruthe, the new President of the Nevada State Chamber couldn't be here today, and Mr. Jim Cashman will present his statement.

Mr. Cashman read Mr. Ruthe's statement (see Attachment A) which remarked on the 5 day, 1500 mile tour of Nevada. He stated that Federal Government overregulation, especially the BLM and Environmental Protection Agency, were invading day-to-day business. He also emphasized providing tax relief and maintaining a reasonable surplus. Also, he felt that due to increasing population, Nevada will need more funding of law enforcement to protect citizens. Mr. Cashman added that these comments reflected the opinions of all those who took the tour.

Mr. Harmann introduced Frank E. (Pete) Walters, a former Nevada Assemblyman. He gave his impressions of the tour of Nevada stating that major problems are taxation and possible excessive spending of reserve funds. He encouraged those who live in larger towns to get out into smaller towns to be reminded of what Nevada is like. He expressed gratitude for the opportunity to tell the Finance Committee what they had learned.

Senator Lamb asked what were the things they had learned. Mr. Walters replied that in addition to the tax matters and funding, each little area has its specific problems and they feel they do not have enough voice in their own communities to get attention. Some of these problems are important, such as schools for the community.

Senator Lamb asked what the public feeling was about spending the large surplus that now exists. Mr. Harmann replied that the citizens are aware there is a large surplus, and some think it is even obscene. He said Nevadans are independent and conservative, people who believe in having a nestegg and Mr. Harmann didn't think that people wanted the legislature to spend the entire surplus.

Senator Wilson said a large surplus usually means people are over-taxed. He asked Mr. Harmann where he would reduce taxes. Mr. Harmann replied that people did feel over-taxed and there was a lot of antagonism against the Federal Government.

Senator Wilson asked what level of surplus would he recommend. Mr. Harmann replied one hundred million, increased by increases in the budget and by the amount of inflation each year.

Senator McCorkle asked if that was Mr. Harmann's personal opinion or a concensus among Chamber members. Mr. Harmann replied, an informal concensus.

Senator Glaser asked Mr. Harmann who, from his group, could testify during the coming months on individual pieces of legislation. Mr. Harmann replied himself, Chuck Ruthe or Fred Davis.

Mr. Harmann introduced Burlyn Miller, President of the Greater Las Vegas Chamber of Commerce, who gave his impressions of the tour. He remarked that all Senators and Assemblymen should have been there. He said that everyone was concerned about maintaining the State surplus, about no increases in taxes, and about Federal Government control of land, and about broadening the economic base. For example, if a community was involved in tourism, they were looking at industry, if involved in agriculture, they were looking at tourism.

Senator Lamb said that the State has a healthy surplus, but some counties, for example, Alamo in Lincoln County which needs a new gynmasium, are not bonded to their limit. He asked if the legislature should help these people when they are not bonded to their limit. Mr. Miller replied that individual communities have a responsibility to take care of themselves but if these people have been taxed to create this surplus then they deserve some consideration. He said the business community would like to see the surplus spent on a one time item, not on an on-going program.

Senator Lamb said he felt responsible and would like to see more schools built.

Mr. Miller said that in answer to Senator Wilson's question regarding where to cut taxes, he thought that we were making a good start on the inventory tax and personal property tax, kinds of taxes that are extremely difficult to make equitable, that affect everyone, and that benefit the majority of people.

Senator Lamb asked where does it stop. Mr. Miller replied at some point where we find a balance. Senator Lamb said, when you go broke; when people revolt and they don't want any more taxes. Mr. Miller said he didn't think Nevadans were revolting against taxes; he felt that the majority of Nevadans feel they are not greatly overburdened by taxes. Senator Lamb remarked that he felt that property owners were looking to the legislature to do something about taxes, and if the legislature doesn't, they would do something about it. Mr. Miller agreed that people did expect the legislature to do something. Senator Lamb said that the tough question for the legislature is how far to go.

Senator Echols asked Mr. Miller to relate people's feelings about taxes to the vote on Proposition 6. Mr. Miller replied that Proposition 6 indicated that people did want tax relief but they think the legislature will give this to them.

Senator Echols remarked that he had talked to one of the prime movers of Proposition 6 and this person didn't express that opinion. This person had said that it made no difference what the legislature did, that Proposition 6 was going to pass. People did not trust the legislature and wanted a permanent solution. Senator Echols said he felt the vote on Proposition 6 was a revolt against the Federal Government and Federal income taxes.

Senator Wilson remarked that he thought Proposition 6 is a reality, and is not just people's frustration with the Federal Government. He said it will pass again in two years.

Senator McCorkle mentioned that a national survey showed that people were not greatly concerned about taxes unless they were on fixed incomes, which is a minority of the population. He also said they weren't as concerned about the amount of the tax as they were about what was being done with the tax. Senator McCorkle asked if Chamber members would rather see the money used more effectively and taxes kept high. Mr. Miller replied he felt people were more concerned with sound fiscal responsibility and not high taxation. He added that this was the opinion of businessmen.

Senator Lamb interjected that he agreed with Mr. Miller in part but that the wage earner who pays high bills are hurting and will vote for Proposition 6.

Senator Glaser remarked that he felt people were reacting against over-regulation and stifling of the private sector by Federal regulatory agencies, particularly the Bureau of Land Management and Environmental Protection Agency.

Senator Wilson asked if the Chamber had perceived a reaction to the effects of inflation. He said he sensed people weren't doing very well and were reacting to taxes and government in general. Mr. Miller replied that there was no question about that.

Senator McCorkle remarked that this morning's news showed that, nationally, people were 7 to 1 in favor of a balanced budget. Senator McCorkle said he felt that people were in favor of this because they understood that deficit problems caused inflation.

Mr. George Aker, President of Nevada National Bank, was introduced. Mr. Aker reported that significant economic benefits have come from the conservative posture taken during the last legislative session. It has encouraged external investors to become interested in Nevada. He stated that he hoped similar management of the State surplus would occur during this legislative session. He said the economy of Nevada is very healthy at the moment but that there may be a recession nationally and it will have an impact in taxes that come to the State of Nevada. He said he regards the \$30 Million surplus of last legislative session as the "threshold" at which the national money markets were interested in the State of Nevada -- they bought State issues and stepped across into the private sector. He said he knew the present surplus could not be saved to increase the credit rating of the State of Nevada but that hopefully expenditures out of the surplus would be one-time, rather than on-going, commitments. He suggested \$30 million as the threshold

which encouraged outside investors in Nevada and that \$30 Million and up would continue an investment flow to Nevada.

Senator Wilson asked why \$30 million as the threshold. Mr. Aker replied because it worked. Mr. Wilson replied that while this figure worked during the last biennium, it may not be the correct figure for this biennium. Mr. Aker said he did not know the amount necessary to retain external investors.

Senator McCorkle asked if the State of Nevada was insulated from the national economy in the event of a recession. Mr. Aker answered that Nevada was somewhat insulated because Nevada is in a period of growth but that it would be affected, especially interest rates.

Senator Wilson asked if \$30 Million is a threshold and a recession is imminent, how much surplus beyond the \$30 Million should be maintained. He said he felt that national recession would translate to Nevada as a slowing down, not a halt in the growth rate in tax revenues. Therefore, the State could probably feel comfortable with a \$30 to \$50 Million surplus to provide assurance to external investors.

Senator McCorkle asked Mr. Aker if he could draw up an opinion paper representing the business community. He asked Mr. Aker to take revenue sources, item by item, and make a projection on varying degrees of recession. He suggested that Mr. Aker give a couple of variables, severe and minor, and tell the impact on each of these major revenue sources, particularly sales tax, property tax, and gaming revenues. Mr. Aker said that he could give no more than intuitive judgements for this legislative session but that such a task could be built into the next legislative session, paying the private sector for the analysis.

Senator Gibson remarked that there was a political reality attached to the large surplus, that people felt a large surplus was wrong. Senator Gibson said he agrees with the Governor's Message that this problem has to be balanced, that there is an obligation to not collect more money than is needed and this money should be returned to the people and yet Nevada should remain fiscally strong.

Senator Echols asked if the Chamber members would like to address specific issues as issues come before the Finance Committee. Mr. Herman replied that their group is cautious about doing so because there is much they don't know about government.

Mr. Aker responded to Senator Echols question saying yes they would be available to help the Finance Committee any way they could. And to Senator Gibson, he said he hoped that they had partially answered his remarks as to why maintaining a surplus is good management.

Mr. Harmann made final comments and asked Mr. Fred Davis to introduce other members of the Chamber: Mr. Neil Plath, Mr. John Nash, Mr. Art Boecher and Mr. Fred Dressler. Mr. Dressler addressed the Committee, saying that we musn't forget that a basic resource is food and that those in agriculture should be kept economically stable and not told how to use their natural resources and water.

Senator Jacobsen remarked that he made the trip a couple years ago and it was one of the greatest insights into Nevada he has had. He said he felt most Nevadans despised over-government and wanted to be left alone and that legislators should see the problems of Nevadans first hand.



The members of the State Chamber of Commerce were excused and Senator Lamb called for comments about the message just received. Senator Lamb asked if the Committee could agree what amount the surplus should be. He stated that the better condition Nevada was in, the more income the State would realize. He said he felt Mr. Barrett had taken into consideration what the State's threshold needed to be so that the interest of outside money in Nevada would be good.

Senator Wilson asked Mr. Barrett if he was recommending a \$30 to \$34 Million surplus. Mr. Barrett replied, a \$34 Million surplus at the end of the biennium.

Senator Gibson commented about other programs being recommended such as funding the outstanding bond debt and other such programs. These funds are committed to an extent but are also held out of the normal expenditure program so it would be a strength if someone were analyzing the fiscal condition, such as Moody's looking at the debt.

Mr. Barrett said that another thing Moody looks at is the retirement system and one reason the State was not getting the AA rating before was because the retirement system was not put on a basis where it was going to be funded. Mr. Barrett said the reason the AA rating was given was because the retirement system was improved and was going to be fully funded over a period of approximately 40 years.

Senator Lamb asked Mr. Barrett to continue reviewing the Governor's Budget.

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Bonded Indebtedness of the State of Nevada

He pointed out the \$19 Million Amount Outstanding as of June 30, 1979, and said that if the \$16½ Million is appropriated into an investment fund, the State would buy up the \$19 Million with the principal and interest over the next 16 to 18 year period, the length of time the bonds would be outstanding.

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Retirement Board - Post-Retirement Increases

Mr. Barrett referred to appropriation for the Post-Retirement Increases of \$17 Million. Senator Lamb asked if Mr. Barrett was positive this amount will do the job. Mr. Barrett replied that the retirement system's actuary in New York ran the figures on the computer, based on the actuary table they had been using and based on a 9 percent anticipated income on the declining balance, and determined that this figure will do it for the actuarial lives of people who retire before July 1, 1980.

Senator Lamb said that he had a bill on this subject and that he would amend this bill to fit Mr. Barrett's figure. Mr. Barrett said that his office was figuring this amount as \$20 Million until a few days ago when they received the report from New York.

Senator McCorkle said he thought the theory in setting this money aside was that the interest only be used. Senator Lamb replied that it was.

Senator McCorkle said he thought Mr. Barrett meant interest and principal. Mr. Barrett said yes, this would take the principal and interest.

Senator Echols asked if we were addressing ourselves only to the people who are retired now. Mr. Barrett replied no, people who are not retired and retire before July 1, 1980. Anyone who retires after that time will not be subject to these increases and the legislature will not have funded the increases for those people from this amount of money. That will have to be considered some other time. Senator Wilson said to Mr. Barrett that Mr. Barrett was asking the Committee to set aside both interest earned and the principal for these payments. Senator Lamb said he didn't want to do that.

Senator Wilson asked if that was the proposal last night at the Governor's State of the State Message. Mr. Barrett replied that it was. Senator Lamb said to Mr. Barrett that Mr. Barrett had not told him of this. Mr. Barrett replied that he had not had the chance.

Senator Wilson said that this is going to require a biennial appropriation if the Committee goes with this program. Mr. Barrett replied that it would not. It would only continue for those people who have retired by July 1, 1980, for their expected lives. The \$17 Million figure will buy up their benefits for as long as they live.

Senator Gibson remarked that the Committee will have to examine this. Mr. Barrett said that if increases were given after 1980 for those people who retire after 1980 then the legislature will have to consider it again, just as now the legislature must consider people who are retired and are going to retire.

#### Department of Highways

Mr. Barrett reviewed the proposed General Fund appropriation for the Highway Department to use State dollars to match Federal dollars for maintenance or construction.

Senator Lamb asked what would happen if the legislature didn't approve this \$5 Million. Mr. Barrett replied that there would be a lot of maintenance that would not be done, a lot of equipment not purchased, and some Federal dollars that will not be matched for highway construction. The highway balance will be around \$2 1/2 Million balance at the end of the biennium. Senator Lamb said that he used to work for the Highway Department and he felt they already had too much equipment.

Senator Wilson asked why wasn't replacement, maintenance, and repair expenses included in the normal budget the Highway Department submits; why did they need a one-shot appropriation. Mr. Barrett replied because their revenues are declining and they are faced with not maintaining the roads or with increasing taxes. Mr. Barrett said the Governor's Office chooses to give them \$5 Million from the General Fund rather than support an increase in taxation.

Senator Lamb asked Mr. Barrett if this wasn't a switch from policy in the past. Mr. Barrett said yes, that the legislature had not done this before.

Senator Wilson asked where we have addressed this item (maintenance of equipment) in the budget in the past. Mr. Barrett replied that it has not been addressed in the past because the Highway Fund has always been able to squeak through but with a declining balance. He said they will no longer be able to do this.

Senator Glaser asked what will happen two years from now. Mr. Barrett replied that the legislature will be faced with continuing it, considering an increase in fees to the Highway Department, or letting the roads further deteriorate.

Senator Wilson said he did not understand the management of a department that has to come in for a one-shot appropriation for management and replacement of wornout equipment, when that is the kind of thing normally managed on an annual or biennial basis and part of every budget submitted. Mr. Barrett replied that the problem has been growing because of declining revenue and increasing expenses. He said their cash is going to be depleted to about a \$2 Million balance at the end of this next biennium without this boost of \$5 Million.

Senator Wilson asked if the Highway Department has an inventory of the equipment and an itemized list of what they are going to buy with the \$5 Million. Mr. Barrett replied that they did. Senator Wilson asked if they were adding to the inventory or replacing equipment. Mr. Barrett said replacing existing equipment and nothing more.

Senator Lamb said that there was no doubt in his mind that the Highway Department is not well managed, and that he felt it was wrong to get in the position of spending money this way.

Senator Glaser said that the Highway Department has been the "fat cat" of the State Departments, often having the best buildings in rural areas and having lots of good equipment.

Senator McCorkle asked how the legislature guards itself against saying no and then during the next two years having the Highway Department prove that they had to have the money. Senator Lamb answered that it is a risk that must be taken.

Senator Gibson remarked that the State now has a surplus and there are areas where there are real problems and one area is the Highway Department. He said, for example, congestion in Las Vegas will eventually strangle the community and the Highway Department has no money. He stated that he didn't know if the one-shot appropriation was the right thing or not but the alternative is to increase the gas tax and he doesn't think the State can do that. He suggested looking at what the Highway Fund is used for and if there are areas that can be changed, to change it so money is available to take care of highways.

Senator Lamb replied that the Highway Department allows the problems to pile up and without taking action, that many of these problems were discussed eight years ago. Senator Gibson said he didn't think it was that simple.

Senator Lamb said the lanes should have been widened long ago not now. Senator Gibson replied that there wasn't money to do it. He cited as an example the access from Henderson to Las Vegas. He said it takes an hour to get from Henderson to the Union Plaza. The Highway Department says they will not be able to get to that until 1992. They don't have the money. Senator Gibson said the legislature ought to get the Motor Vehicle Department and other expenses out of the Highway Fund and use the gas tax to build highways and maintain them and some of this surplus may have to be used to do that.

Senator Lamb said he has seen thousands of dollars of new equipment owned by the Highway Department stored and not used because it was obsolete.

Senator Glaser suggested that the legislature dispense with the Repair Section of the Highway Department and farm it out to the private sector. Senator McCorkle said he had talked to the Highway Department about that last week and they said almost all of their overlaying now is contracted but they do maintenance work themselves because it has to be timely; they can't give a contractor chuckhole work.

PAGE A-19Lincoln County School District

Mr. Barrett said that \$225 thousand was recommended for a gym and building in Alamo. Senator Lamb said he and Senator Gibson had just had a meeting yesterday with Bill Hancock and people from the school there and the school is in deplorable condition; it has been condemned and classes are being held in the basement where the furnaces are and if there were a fire, the children would be killed. He said he told them to go to bid and that labor unions and contractors were interested in helping. They should come back with a bid around February 3 and the Committee will then know the difference between their bonded amount and the bid price.

PAGE 172Distributive School Fund

Senator Gibson interjected that Mr. Barrett was going to have to go into great detail here because Mr. Perkins had approached him, very upset, because the Department of Education doesn't understand what Mr. Barrett is suggesting; it looks as if they are taking away local control. Senator Gibson said he tried to explain that was not the case but that he saw that Mr. Ryan had a comment in today's paper to the same effect. Senator Gibson suggested to Mr. Barrett that when he prepares his presentation, he might want to meet that objection. Mr. Barrett said that according to present law, the State is making no changes. The schools will get exactly the same amount of money they would have before, the difference is that the money comes from a different source. There are no additional controls proposed for schools, no taking away of local authority.

Mr. Barrett referred to the percentages for Enrollment and Basic Support (See 1979-80). He explained that his office is recommending an 8 percent increase in Basic Support, which is mainly for increases in teacher's salaries, and in keeping with Presidential Guidelines; a 6 percent increase is recommended for 1980-81.

Special Education Units

Mr. Barrett said that the Committee would be hearing more from the Special Education people because they are not happy with the \$18 thousand allotted as is being recommended per unit. They want an additional \$1.8 million, for an additional 100 units, not 10 units.

Mr. Barrett described the Total Need and where these monies were coming from (see 1979-80 column). He drew attention to the bottom of the page which shows the Total General Fund needed.

Senator Gibson asked if there was any county in the State which was not assessing at least 30 cents on the optional property tax levy. Mr. Barrett replied, Storey County might be the only one.

Senator Gibson stated that the 30 cents was outside the basic formula. He said the Distributive School Fund now finances the basic school formula and this does not include any reference to the 80 cents because that is an optional local tax outside the basic formula. He asked Mr. Barrett how he proposed to work the funding of this. Mr. Barrett answered that it would be outside the basic formula but it would be within the Distributive School Fund and will give them 30 cents times their assessed

valuation. Mr. Barrett said the bill came in yesterday and he hasn't read it yet. Senator Gibson said that the Committee will have to look at that. He said that the worry he has is if other counties, were not even assessing the 30 cents, that in those cases you would be making available to them more money than they have now. Mr. Barrett remarked that Storey County is more than \$1.50 but that includes an amount of school bonds.

Senator Gibson said that he did not fully understand the Governor's statement on the \$3.50, it sounded as if the Governor said school bond redemption was outside of that. Mr. Barrett replied that school bond redemption and school bond and general improvement district, existing bonds, are outside of the limit of \$3.50 the first year, and \$3.20 the second year.

Senator McCorkle said that the net property tax cut that the Governor announced was a 30 percent cut.

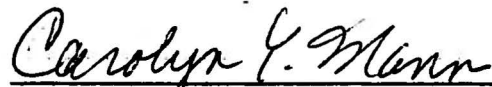
Mr. Barrett said if the limit of \$3.50 could be held, it would be a 30 percent cut. Mr. Barrett explained that Clark County's total after adding the bonds to the \$3.50 would be \$3.93.

Senator McCorkle asked if the 30 cents is optional. Senator Gibson explained that right now the law requires that as part of the equalization on the property tax to support schools, a mandatory assessment of 70 cents is required, and in addition the law allows them to go up to 80 cents but Mr. Barrett was talking about the 30 cents off the 80 cents.

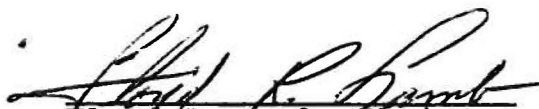
Senator Lamb asked the Committee's permission to introduce a bill regarding the retirement question and refer it to the Finance Committee. The Committee agreed.

Senator Lamb adjourned the meeting at 10:35 a.m..

Respectfully submitted:

  
Carolyn Y. Mann  
Secretary

APPROVED:

  
Floyd R. Lamb, Chairman

ATTACHMENT A

1/17/79

. . . . TESTIMONY FOR CHUCK RUTHE BEFORE

SENATE FINANCE COMMITTEE:

Mr. Chairman and members of the Senate Finance Committee, my name is Chuck Ruthe. I am a Las Vegas businessman and realtor and am appearing before you as the president of the Nevada Chamber of Commerce Association.

It is the State Chamber's custom every two years to gather a group of business leaders to take a five day bus tour of the state. The purpose is to visit with business and government leaders in each community; to determine their concerns, the state of economy in their area and how the State Chamber can work to better the interests of the state and business as a spokesman for the private enterprise system. Attached, you will find a list of those people who made the trip this past November, some of whom are with us today.

Each of these busy people pays his own expenses during the five day, 1,500 mile often hectic trip.

First, let me tell you of my own observation that traditional personal independence and pride is alive and well in the State of Nevada. Without exception, we were advised of deep concern and sometimes antagonism at unproductive, costly and unnecessary over regulation. Favorite targets seem to be the Bureau of Land Management and the Environmental Protection Agency and those areas of the federal government which have invaded day to day business adding substantial costs to the consumer. Perhaps, we should explore ways of working to minimize federal interference in state affairs which came about through federal funding of state projects.

From the overwhelming response to Proposition Six (6) and the number of bills regarding tax reform introduced to date, the message of too much government has been received here at the Nevada State Legislature.

We do not envy you the job ahead, but we will stand ready to assist you if you feel we can be helpful during the days to come. We urge caution in finding a suitable, fiscally conservative tax reform measure that will provide relief for the individual, hoping at the same time you can protect the individual from having the tax relief evaporate by coming at him in a different direction. While the amount of the current surplus is certainly not necessary; sound business policy will dictate the necessity for a reasonable surplus in future years to act as a

reserve to protect all Nevadans.

We believe we can assure you that there would be a resentment from Nevadans at the creation of new agencies. We can suggest with the rapidly increasing population in Nevada that well funded law enforcement at the state and local levels will be necessary to protect our citizens.

Perhaps I can sum up the feeling many of us discussed on the final day of the trip. Nevadans do not mind paying fair taxes, but they expect those taxes to be used to full advantage.

Thank you for the opportunity to appear here today! There are some other members of our group who would like to share some of their thoughts with you.

Good luck with your efforts during the Session!

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EXHIBIT A

Final Confirmed Attendees - Statewide Bus Tour 11/10/78 @ 3:00 p.m.

George Aker  
Nevada National Bank

Paul Argeres  
Fuetsch-Argeres

Bryn Armstrong  
Las Vegas Sun

Keith Ashworth  
Del Webb

Bob Barengo  
Attorney

Bob Bowers  
Lucini & Associates

Bob Brown  
Valley Times

Jim Cashman, Jr.  
Cashman Equipment

Fred Davis  
Reno Chamber

Fred Dressler  
Rancher

Harley Harmon  
Valley Bank

John Heizer  
Mining Consultant

Ted Harmann  
Pacific Freeport Warehouse

Jerry Higgins  
John Ascuaga's Nugget

Richard Hughs  
University of Nevada, Reno

Gary Johnson  
Henderson Chamber

Dean Kerr  
Kennecott Copper

Bill Kottinger  
Paine, Webber, Jackson, Curtis

Jim Marsh  
Jim Marsh Motors

Rollan Melton  
Reno Newspapers, Inc.

Berlyn Miller  
Acme Electric

Neil Plath  
Power Consultant

Ray Rude  
Arcadia Air Products

Chuck Ruthe  
Ruthe Real Estate

Mike Vernon  
Retired (Sea & Ski)

George Vucanovich  
Bally Distributing

F. E. Pete Walters  
Pete Walters Real Estate

Stan Warren  
Nevada Bell

Wallie Warren  
Public Relations

Tom Wilson  
Wilson Advertising

Bill Wright  
Las Vegas Review Journal

Tom Young  
Nev. Environmental Action Trust