

PRESENT: Chairman Norman Glaser
Vice-Chairman Floyd Lamb
Senator Carl Dodge
Senator William Raggio
Senator Don Ashworth
Senator Mike Sloan Mr. Ed Shorr,
Senator James Kosinski Fiscal Analyst

GUESTS:

Mr. Roy Nickson, Department of Taxation
Mr. Homer Rodriguez, Carson City Assessor
Mr. Charles Hunsberger, Clark County Library District
Mr. Ed Greer, Business Manager, Clark County Sch. District

The meeting was called to order at 2:00 p.m. on Thursday, February 22, 1979, in Room 213, with Senator Norman Glaser in the Chair.

Chairman Glaser stated that Mr. Roy Nickson has suggested amendments to Senate Bill #204 (See Exhibit "A" - Memorandum to Mr. Frank Daykin which outlines the suggested and adopted amendments).

Mr. Nickson passed out the Operating Cost Estimate for the Department of Taxation in implementing the tax rebate procedure stated in S.B. 204, (Exhibit "B").

Mr. Nickson said that the rental rebate program was consolidated with the Senior Citizen's rebate program, by using the same employees, but the handout only shows the net cost of the renter's rebate over and above the Senior Citizen's program. Mr. Nickson said that his Department would attempt to audit at least 10% of the claims, and his figures were based on that assumption.

Senator Dodge asked what the County Assessor's responsibility would be in the renter's rebate? Mr. Nickson felt that it should be the Assessor's responsibility to actually check that an individual is in fact residing at the stated address, and is on the property tax rolls for that particular parcel of land. Mr. Homer Rodriguez, Carson City Assessor, said that he didn't feel there was any great problem in implementing the mandates of S.B. 204. Senators Lamb and Glaser stated that they would contact the Clark County and Washoe County Assessors and ask them to testify on Tuesday, February 27, 1979, on their estimates of the costs involved.

Mr. Nickson said to Senator Dodge that he doesn't see much prospect of abuse of the rebate in regards to owner-occupants, excepting those individuals who have purchased their land on a contract of sale, where they are not listed as the legal owner.

Senator Don Ashworth asked how does the renter who rents from three different individuals in one fiscal year receive a rebate? Mr. Nickson said that he also would like to know the intent of S.B. 204 on this area. Senator Raggio said that his intent was that the renter had to have a six-month Nevada residency, and would receive a rebate for the entire year, regardless of where he lived. Mr. Nickson said that the various addresses and different rental rates can be accounted for on the one rebate form. And, Mr. Nickson added that the only safeguard against abuse would be the 10% audit and the computer processing the forms will reject identical names.

Chairman Glaser asked if the Committee wanted to process Amendments #119 to S.B. 204, and then take further action on the bill at a later date? Senator Dodge said that he felt the Committee should wait for any action on S.B. 204, until a determination is made that the bill is going to be processed.

Senator Raggio stated that the Committee needs to formulate a tax proposal without consideration of how the voters will feel towards Question 6 on the 1980 ballot.

Senator Dodge said that he wants to recognize renters as real property taxpayers, yet the Governor's plan is simple, does not have constitutional questionability, and should have minimal administrative difficulties. Senator Dodge also said that he didn't feel that passage of Question 6 "was the end of the world", and he felt that any questions about the proposal will be answered by a court decision under the Equal Protection Clause of the 14th amendment.

The Committee members discussed in length which of the tax proposals was the most equitable. Senators Raggio and Dodge had serious questions about the constitutionality of S.B. 204; Senator Lamb felt that S.B. 204 reached the greatest number of people; Senator Kosinski concurred with Senator Lamb; Senator Ashworth felt that there were serious constitutional problems, however, he felt that Committee must take immediate action on the proposal which will most benefit the Nevada residents; Senator Sloan said that he has had concern about the possibility of fraud in the renter's rebate program; Senator Dodge said that he hasn't made any final judgement and he would like to get feedback from the county assessors regarding the implementation of the rebate program.

Senator Raggio said that he felt there should be further clarification in S.B. 204 regarding the renter's rebate and the requirement in the bill stated, "Sec. 6. A person who has maintained his primary residence for at least 6 months of the preceding calendar year in a rented home

or in a mobile home on a rented lot is entitled to a refund of 4.9 percent of the rent paid during that calendar year." Many of the Committee members questioned if this meant that the renter had to be in one location for six months, or if he just had to be a Nevada resident for six months.

Chairman Glaser asked if the Committee would like to consider S.J.R. 2 at this time in conjunction with S.B. 204? Senator Dodge stated that probably this should be held until further study of S.B. 204 on Tuesday, February 27, 1979.

S.B. 225 & A.B. 438

Senate Bill 225: "Limits certain expenditures of government to expenditures in base period except for changes related to population and inflation or deflation."

Assembly Bill 438: "Limits certain expenditures of government to expenditures in base period except for changes related to population and inflation or deflation." (Governor List's "cap" bill)

Mr. Ed Shorr, Fiscal Analyst, distributed a package handout, (see Exhibit "C") which gave a detailed explanation of the two "cap" proposals. Mr. Shorr suggested that the Committee may want to look into how in A. B. 438 the smaller entities are going to be able to ascertain their 1975 population figures; and he also said that the "cap" applies to the General Fund of each entity, and it should be determined which enterprise funds, etc., from the general operating funds will be unaffected by the "cap", (Line 18, Page 2 of S.B. 225).

Mr. Roy Nickson, Department of Taxation, stated that in many of the local entities their ad valorem tax is primarily constructed of school district debt service, and this fund would be excluded from the "cap". Mr. Nickson said as a result of this, the property taxpayers would probably not see "much relief". Senator Kosinski stated that an alternative might be to allow local entities to go to another body, i.e., Interim Finance, for exceptions.

Mr. Charles Hunsberger, Clark County Library District, stated that his district was a 97% tax ad valorem district. Mr. Hunsberger said if the "cap" were enforced, the budget would have to be reduced to what is provided within the county library branches, (a reduction of 18.1%).

S.B. 225 & A.B. 438 (Cont.)

Mr. Hunsberger said that the use has increased from 1977, 99.4% for the library, and the basic population only increased 13.3%. Senator Raggio asked how a "user" is measured? Mr. Hunsberger said this is an individual who applies for a new library card. Senator Sloan asked how individuals who no longer use their cards are purged from the "user" list? Mr. Hunsberger said that no one has been purged from the list since 1975.

Senator Raggio asked if there are other districts that have problems with the "cap" conception where use could not be directly connected to population? Mr. Nickson said that there will be areas that have problems, however, he felt that the county population increase would be fairly representative for almost all such entities.

Mr. Hunsberger said that his district's main problem is using 1975 as the base year, and that was a particularly low year for library use, and the Clark County community is just currently beginning to develop better service.

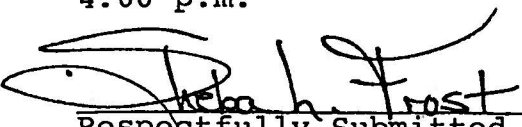
Mr. Ed Greer, Business Manager of the Clark County School District, stated that if their district's food service fund was considered under a "cap", it would be impossible to manage. Mr. Greer said their insurance fund would also be impeded by a "cap", as it responds to incurred costs, and the district's employee-health fund also responds to need.


The Senators discussed how budget expenditures could be "capped" generally under the general fund, with exceptions provided for, and no deviations intentionally established by local entities.

Senator Raggio asked if it would be possible to state in the bill that use of a special fund or transfer-in of a special fund in any other manner than those utilizing the base year, could be made subject to approval of the Tax Commission? Mr. Nickson said that he felt this would work. Mr. Greer said that this could work out.

Senator Lamb suggested that the Committee's fiscal analyst do further research on this in order that all funds could be taken into consideration.

There being no further business, the meeting adjourned at 4:00 p.m.


Respectfully Submitted By:
Sheba L. Frost, Secretary


Approved By: Norman Glaser,
Chairman



Nevada Legislature

SENATE

M E M O R A N D U M

TO: Frank Daykin,
Legal Counsel, L.C.B.

DATE: February 23, 1979

FROM: Ed Shorr,
Fiscal Analyst,
Senate Committee on Taxation

SUBJECT: Senate Bill #204 - Amendment request.

The Senate Committee on Taxation request the following amendments on S.B. 204, as voted on during February 22, 1979 meeting:

Amend Sec. 6, Page 2, Line 19, by deleting "calendar" and inserting "fiscal".

Amend Sec. 6, Page 2, Line 21, by deleting "calendar" and inserting "fiscal".

Amend Sec. 10, Page 3, Line 10, by deleting "January 1 and April 30" and inserting "July 1 and October 31".

Amend Sec. 10, Page 3, Line 12, by deleting "August 15" and inserting "February 15".

Ed Shorr, Fiscal Analyst

ES/slf

SB 204

DEPARTMENT OF TAXATION
OPERATING COST ESTIMATE

FUNCTION		ONE	CONTINUING	
		TIME	1979-80	1980-81
Computer Systems and Programming		\$ 25,000		
Computer operations			\$ 14,400	\$ 15,840
Equipment				
Calculators	9	2,700		
Desks, chairs, etc.	8	4,900		
Terminal work stations	4	650		
File cabinets	6	740		
Counters	3	3,000		
Telephones	6	450	2,600	2,900
Terminals	4		5,040	5,040
Printers	2		2,460	2,460
Postage			78,000	78,000
Certified mail for denials		25,000		
Mail rebate checks and other		50,000		
Audit		3,000		
Printing				
Envelopes	165,000		3,000	3,300
Application forms	200,000		3,000	3,300
Copy machine costs			1,500	1,650
Operating supplies			1,000	1,100
In-state travel-training-auditing			7,500	8,250
Space rental			12,100	12,100
Operating cost		37,440	130,600	133,940

PERSONNEL REQUIREMENTS

3 Account clerk/receptionist	Grade 21	29,202	30,699
1 Administrative aide II	Grade 20	9,351	9,838
1 Principal account clerk	Grade 26	11,920	12,531
2.5 Senior account clerks	Grade 23	26,365	27,740
1 Auditor	Grade 31	14,727	15,487
1 Tax examiner	Grade 30	14,107	14,840

UPGRADE PRESENT JOB

1 Senior auditor	Grade 34 to		
Principal accountant	Grade 36	1,793	1,883
Total personnel requirement		\$107,465	\$111,135
Total cost of administration		\$ 37,440	\$238,065
			\$245,075

S.B. 225 -- CAP ON SPENDING

This bill is essentially the same as the Governor's cap, A.B. 438. The differences are all in Section 2, Page 2, Lines 22 through 50.

Bill Provides:

1. Cap on the state budget at the preparation stage, based on total expenditures for the biennium beginning July 1, 1975 and adjusted for CPI increases.
2. Cap on all local governments General Fund expenditures. The base year of 1975-76 would be adjusted for increases in the CPI, and in population or enrollments in the case of schools. Increases in population would be certified by the Governor. The cap can be exceeded for emergencies or by a majority of the voters.

The Committee will want to determine whether or not reasonably accurate 1975 population figures can be developed for small local entities. Also, the Committee will probably want to deliberate on the effect of applying the cap only to the General Fund.

COUNTY, CITY, DISTRICT FINANCES 354.474

LOCAL GOVERNMENT BUDGETS

354.470 Short title. NRS 354.470 to 354.626, inclusive, may be cited as the Local Government Budget Act.
(Added to NRS by 1965, 725; A 1971, 1012, 1340; 1973, 1080; 1977, 509)

354.472 Purposes of Local Government Budget Act.

1. The purposes of NRS 354.470 to 354.626, inclusive, are:
 - (a) To establish standard methods and procedures for the preparation, presentation, adoption, administration and appraisal of budgets of all local governments.
 - (b) To enable local governments to make financial plans for both current and capital expenditure programs and to formulate fiscal policies to accomplish these programs.
 - (c) To provide for estimation and determination of revenues, expenditures and tax levies.
 - (d) To provide for the control of revenues and expenditures in order to promote prudence and efficiency in the expenditure of public funds.
 - (e) To enable local governments to borrow money to meet emergency expenditures.
 - (f) To provide specific methods enabling the public, taxpayers and investors to be apprised of the financial preparations, plans, policies and administration of all local governments.
2. For the accomplishment of these purposes the provisions of NRS 354.470 to 354.626, inclusive, shall be broadly and liberally construed.
(Added to NRS by 1965, 725; A 1971, 1012, 1340)

354.474 Applicability to local governments; "local government" defined.

1. Except as otherwise provided in subsection 2, the provisions of NRS 354.470 to 354.626, inclusive, shall apply to all local governments. For the purpose of NRS 354.470 to 354.626, inclusive, "local government" means every political subdivision or other entity which has the right to levy or receive moneys from ad valorem or other taxes or any mandatory assessments, and includes without limitation counties, cities, towns, boards, school districts and other districts organized pursuant to chapters 244, 309, 318, 379, 474, 541, 543 and 555 of NRS, NRS 450-550 to 450.700, inclusive, and any agency or department of a county or city which prepares a budget separate from that of the parent political subdivision.
2. An irrigation district organized pursuant to chapter 539 of NRS shall fix rates and levy assessments as provided in NRS 539.667 to 539.683, inclusive. The levy of such assessments and the posting and publication of claims and annual financial statements as required by chapter 539 of NRS shall be deemed compliance with the budgeting, filing and publication requirements of NRS 354.470 to 354.626, inclusive, but any such irrigation district which levies an ad valorem tax is required to comply with the filing and publication requirements of NRS 354.470 to

(1977)

Local Government Spending Limitations:

EXHIBIT C - 1

This proposal is an adjunct to the tax rate reduction proposal and would prevent excessive expenditures by local governments merely because their tax base has been dramatically increased due to a sometime artificial growth in assessed value. Such growth has occurred, particularly, in Washoe County and in Carson City, where residential construction has been limited due to the constriction of such natural resources as water and man-made resources such as sewage disposal facilities. In these situations the total assessed valuation has increased at a rate far exceeding a combination of population and inflation. This ready availability of funds from the ad valorem tax has, in certain instances, resulted in the inclusion of such peripheral benefits as subsidization of enterprise activities from general fund revenues and generous donations to the causes of small special interest groups.

On the other side of the coin are those entities that have had a declining economic base and have been unable or unwilling to reduce expenditures in recognition of the decline. Thus, the tax rates of these entities climb to the maximum \$5.00 rate and non-property tax levies are increased as they continue to budget for services that prudence would dictate should be eliminated or reduced based on the decline in population. Examples are Mineral and White Pine County.

There is no question in my mind that the actions indicated contributed to:

- a) The fact that in 1977 Nevada's local governments had the third highest per capita rate of expenditure of any state in the Union. (exceeded only by Alaska and New York) This is from the U.S. Department of Commerce "State Government Finances in 1977" publication
- b) The 77% voter approval of Question 6 on the November, 1978 Ballot.

In general, the counties and cities, with certain notable acceptance, have exercised good fiscal management and have responded to changing economic conditions with typical Nevada conservatism. The school districts with their guaranteed tax rate have, almost unanimously, not shown such restraint and fiscal responsibility.

The proposal would establish fiscal year ~~1975-76~~ as the base period and would limit maximum expenditures in the entities' general fund for fiscal year 1979-80 to that base multiplied by both the accumulated percentage changes in population growth (provided by the State Planning Coordinator for counties and cities and the State Department of Education for school districts. and by an accumulative inflation factor - the consumer price index. Again, as in the case of the property tax "override", this proposal has an "escape" clause. Limits can be exceeded in situations where there is a threat to life, property and if the electorate, by a majority vote, approves increased expenditures for a new or expanded program of services. Thus, a need for additional police protection due to rising crime rates could be accommodated if the voters so desire.

FISCAL IMPACT OF SB 71-466
 LIMITATION ON GENERAL EXPENDITURES

	COUNTY	SCHOOLS	CITIES
Carson City County	(2,753,847)		
Carson School		(693,309)	
Churchill County	(223,271)		
Churchill School		333,460	
Fallon City			128,259
Clark County	2,361,665		
Clark County School		(11,589,320)	
Boulder City			49,106
Henderson			(630,439)
Las Vegas			1,235,046
North Las Vegas			1,049,726
Douglas County	745,247		
Douglas County School		(121,199)	
Elko County	(233,067)		
Elko County School		(499,611)	
Carlin City			(45,341)
Elko City			(183,469)
Wells City			126,975
Esmeralda County	(103,600)		
Esmeralda County Schools		(22,000)	
Eureka County	(166,226)		
Eureka County Schools		(79,780)	
Humboldt County	(281,845)		
Humboldt County School		(56,276)	
Winnemucca			72,365

EXHIBIT C

	COUNTY	SCHOOLS	CITIES
Lander County	367,902		
Lander County School		187,614	
Lincoln County	95,234		
Lincoln County School		248,970	
Caliente			51,817
Lyon County	70,934		
Lyon County School		(417,172)	
Yerington			(6,516)
Mineral County	(369,379)		
Mineral County School		(281,168)	
Nye County	902,072		
Nye County School		(164,027)	
Gabbs			38,059
Pershing County	189,920		
Pershing County School		(195,875)	
Lovelock			59,203
Storey County	51,100		
Storey County School		35,232	
Washoe County	1,703,885		
Washoe County School		(7,215,718)	
Reno			1,094,665
Sparks			(317,692)
White Pine County	(278,300)		
White Pine County School		(577,065)	
Ely			(76,166)
TOTALS	2,085,424	(21,107,244)	2,645,598
TOTAL FISCAL IMPACT TO LOCAL GOVERNMENTS			(16,376,222)