

The meeting was called to order at 8:10 p.m. on Tuesday, April 10, 1979, in the Assembly Lounge, with Senator Norman Glaser in the Chair.

PRESENT: Senator Norman Glaser
Senator Carl Dodge
Senator William Raggio
Senator Mike Sloan
Senator Don Ashworth
Senator James Kosinski

Mr. Ed Shorr,
Fiscal Analyst

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

Mr. Dan Miles,
Fiscal Analyst

ABSENT: Senator Floyd Lamb

GUEST SPEAKER: Mr. Gary Milliken, Clark County Assessor's Office
Mr. Ed Greer, Clark County School District

Chairman Glaser: The Chairman called the meeting to order and said, "We will continue from where we left off this afternoon. Bob Rusk has a question, so Bob if you want to begin."

Assemblyman Rusk: "Mr. Chairman, I don't really have a question, but I want to continue after we had gone through Mr. Daykin's testimony (Mr. Frank Daykin, Legal Counsel, Legislative Counsel Bureau) in which we had discussed the renter rebate concept. I would like to put forth a general thought as to whether a distinction can be made between a renter, an apartment owner and a homeowner. I think the answer to that is very definitely 'yes'. Historically, who is always 'stuck' paying the tax? Who is the one who loses the housing when he doesn't pay his taxes? The renter is in the position where with five minutes notice, he doesn't worry about equity, because he doesn't have any equity. He doesn't worry about the taxes, the insurance, the maintenance, the upkeep. He can make a decision as to whether he wants to pay the next month's rent or move to new housing. Now the business cycle is a very key part of what we are discussing here. We have had the 'boom and bust' cycle in Reno and Las Vegas... Today, you find yourself in the position where you end up paying a large cleaning deposit, and if you have children and a cat, you are really in trouble. Now in Reno, what is going on? The vacancy factor is starting to change. There are 6,000 multi-family units under construction and according to the paper yesterday, the City Council did something they should have done years ago. They have set aside enough of what remains of the sewer allocations to build several thousand low-cost

Assemblyman Rusk (Cont.):

family units, and they will receive first priority, as \$300.00 rentals, or less. With the tough rental and housing market in Reno today, the American dream can still be achieved for a 5% down payment on a \$50,000 condominium. That is \$2500. This is an alternative for a renter.

I don't think that anyone in this room would argue that 90% of the motivation for Proposition #13 in California and subsequently Question #6 in this state, was that the property taxpayer was being burdened with taxes like no other entity. But what happened once Proposition #13 was established? What happened is that politically a lot of people got on the 'bandwagon'. That was a politically astute thing to do, and I don't think it is completely wrong. But, I think that if we are going to show equity in the tax bills, we are considering here today, rent rebates do not fit. I think renters are first class citizens, who will gain tax relief in other areas of the bill.

If an apartment owner gains more profit through tax relief, he'll build more units, there is more competition, there is lower competitive rents, and the benefits naturally accrue to the owner. In that case, that owner is in the position to meet the competitive market which then accrues to the renter. Mr. Chairman, I wanted to be concise and to the point on why we on the Assembly side vehemently object to the rental rebate program.

Chairman Glaser: "You were precise and to the point, and stated that very well. Now, I could respond to that, but as Chairman, I am not in as good a position as some members of my Committee are, but if there isn't anyone who wants to respond, I will."

Senator Kosinski: "I think the gist of our position is very similar to what Mr. Weise (Assemblyman Robert Weise) was talking about earlier. You're looking at it from a different perspective. I think an equally valid one is to talk in terms of what portion of the rent is going toward paying taxes. What is the purpose of taxation? To pay for services. So, the renter is providing for some of those services out in the community, and if we are talking about providing relief from the point of equity, I think it is equitable to give the renter a portion of that relief. To me, the strongest reasons against the rent rebate are the difficulties in expensive administration, not a lack of equity."

Chairman Glaser: "...the way I viewed it, and believe me I like A.B. 616, because it does more for me than S.B. 204, as I own a ranch. But, I rationalize it this way, this money was generated from two of our major tax sources, gambling and sales. Most of this was generated by tourists, so we have accrued in the treasury, \$98 million the first year, and \$120 million the second year. We are in the process of distributing this back to our citizens. The renters are part of our citizens; they are 40% of our population."

Assemblyman Marvel: "Mr. Chairman, if you didn't take it from them, why give it back to them? Are renters there by force or by choice?"

Senator Sloan: "Whether they are there by force or by choice, they are still paying the tax."

Assemblyman Price: "One of the problems when we decided with A.B. 616, was that if we reduced the tax rate as a means of property tax relief, that did not leave money for renters. We held two hearings on S.B. 204, and at that point in time we were looking at the cost of rent rebate as well as the cost of tax credits back to the homeowners. The rent rebate cost from the Department of Taxation was \$483,000; and on the same day and time, the Clark County Assessor's Office gave us an estimate of \$135,400 for the homeowner's rebate.

Senator Dodge: "Are you talking about administration costs?"

Assemblyman Price: "Yes. Then we speculated about what the cost would be in Washoe, Lander or wherever, and it could conceivably be \$750,000 or a million dollars. If we look at rent as being a part of property tax, doesn't the price of any product include the operating cost, which includes the property tax?...If this is going to be a consumer 'present' then why not give anything?"

Senator Dodge: "We had testimony that told us, whatever you do, why don't you try to work out a tax program that amounts to people relief. What we had in mind...was to reach every household in Nevada. I think the distinction is that in a household, the situation is not income producing. I would take issue with Bob Rusk about one thing. It would seem to me that the real concern, the real 'howl' we had from people about property taxes, was from homeowners and residential owners, rather than on commercial property. We were trying to make a general distinction between what we perceive to be income and non-income producing property in residences, whether they are rented, or whether they are owned. I would like to point out that the concept we have would offer everybody that tax relief in their homes."

Assemblyman Craddock: "I am sure that we all know that the very basis for taxes, and government itself, was to provide services that we are unable to provide as individuals. The more valuable the property, the more expensive it is to maintain and protect. I think that we all agree that part of the cost of the rent check evolves from the fact that the owner of the property pays the tax. We agree that we are taking some of the money from the renters to pay the taxes, so if we are in fact doing that, and we all agree, why don't we give it back the same way we took it? In a nutshell, to the extent that the free enterprise system works, the renters will get tax relief through A.B. 616."

Assemblyman Weise: "What is the argument that rent will not be adjusted based on taxes, considering operational costs of these commercial 'money-making' ventures?"

Senator Dodge: "That depends upon the competition and marketplace at the time."

Assemblyman Weise: "Obviously, if you have zero occupancy factor, like Reno had a year and one-half ago, there isn't going to be relief."

Senator Dodge: "That's right. I think that we are all aware of the situation in California where there was a terrific 'howl' by renters because their relief was not passed on. What was the next step? They asked for rent control, which is the last thing we need in Nevada. Obviously, the situation where the rent was not passed on was where there was a tight market, so all I can say is you do have 'ebbs and flows'."

Assemblyman Mann: "Another point we have to consider on that same principle, Senator Dodge, is the fact that one of the basic things that California failed to do was put a spending cap on local governments. Local governments then went out and raised other tax areas to generate income and pass this out to these same apartment owners. I think that has been one of the tremendous problems that we will not have here. I would also point out, that California at this date, has an initiative petition that has qualified to put spending caps on local governments, because most landlords did not pass on the savings, based upon the increase in other taxing areas, which local governments went to, to make up their lost revenues. I think one of the things we are seeing here is basically a difference in philosophy, and I think that is the reason that we wanted to come together and talk about these things. I feel very strongly that Nevada has been famous for the free enterprise concept that we have held and cherished in this State. And, I think we have the conditions that will allow the free enterprise system to work because we have not been a welfare state as has been the case in California. I have no fears that the free market system will pass this relief on."

Assemblyman Rusk: "In making that comment, Senator Dodge, I agree that it certainly is the homeowner who does not have the benefit of a commercial business, who is complaining about his taxes. I did not hear from any apartment owners who said, 'I have a similar problem, lower my taxes for me.' They were so busy in Reno raising the rents, they didn't have enough time to think about things like that, and they were making money hand over fist. We will overkill as sure as we are sitting here, and that benefit will accrue to the renter. But, doesn't it strike you as unusual that a new apartment with a 25% to 30% vacancy factor, could have an owner filing for bankruptcy, and at the same time the renter that resides in that apartment building is receiving rebate checks. My point is, that the benefit should go to the risk-taker, because he is not always in a market that we presently are enjoying."

Senator Sloan: "When I look at the figures on, 'Comparison of Effect on Major Hotel/Casino' (See Exhibit "A" - 4/10/79 Hearing, 2:00 p.m.), it appears that your bill will give greater tax relief to a hotel. And, it seems to me that we haven't heard one piece of testimony from a hotel, bank or utility talking about their problems of meeting property taxes. I think Senator Dodge is 100% correct in that we have tried to give relief to homeowners. The person who has non-income producing property. It seems to me, to a degree, to be irresponsible to have a bill that gives greater relief to the gaming industry, the utilities, and the banking industry, at the expense of the homeowner."

Assemblyman Bergevin: "Let's take two homes, the one worth \$100,000 and the other is worth \$50,000. The man with the \$100,000 home is going to get twice the relief. The businessman will get more of a dollar break, but percentage wise, he will get exactly the same break as the other man. The businesses are presently subsidizing the schools, counties and cities for more than receiving services for the money they put into taxes."

Assemblyman Weise: "We have a philosophical problem of where that dollar goes. There is another aspect of that I would like to spend a moment on. On our side we are talking about a million dollars as a high figure. That million dollars -- and I want to apologize in all sincerity, I never took SB-204 seriously, I mean I knew you were working on it, but I assumed that this was an exercise that we go through biennially, and I really didn't do a lot of homework on your bill. We had hearings, and we kicked it around. On our side we were so cohesive in our attitude that I didn't give the attention that probably was necessary to your bill. In the last two hours, I sat down with a pencil and started writing down problems that I think will be inherent in the administration."

The figures that we have are only the State Department of Taxation's figures for handling the mechanics that they have to go through, and we have some very superficial figures that come from counties; and they don't address the major expense items...In a county dealing with just the property tax (referencing S.B. 204), a dollar figure...is credited when you receive your tax bill. People who are living in single-family homes or mobile homes are never going to pay that tax to begin with. I think that is a weak argument. But, assuming it holds up, and that credit comes along, and the people come in and they file an application for a rebate...the assessor has to prepare a form for them, the individual fills out the form, takes whatever their tax bill is and applies the appropriate credit. The assessor has to come in behind them and make sure that they own the parcel that they are talking about, and that the numbers are right."

Assemblyman Weise (Cont.): "If you are going to have to assign new parcel numbers to any parcel that is in excess of two acres, we are talking about an assessment of every parcel that is a single-family home, which has more than one residential unit on it; we are talking about the reassessment of every parcel that might have a commercial type of use to it; the reassessment of any parcel that has a rental unit on it; and any house where they rent out a room. We have 75,000 parcels in Washoe County...so, now they are not only going to have the reassessment process, but we are also talking about having appraisers go out to the houses; estimate the value of the rental space; estimate the value of the property; and show where improvements are, or are not located. Then the county goes and files with the State for the rebate by February 1, the money is redistributed back and the credit comes back from the State. The county then turns around and allocates that money to the units within the tax districts.

One of the provisions of your bill is that if there is a delinquency on that tax for which the person has filed, that credit has to first go against that delinquency. So now, the assessor has to come back and say, well this person is delinquent in the first quarter's taxes. Now, he has to credit some portion of that dollar, not against your tax bill which they prefigured when they made the application, but part to your delinquent taxes and part against the taxes for which the credit was originally developed. If you are delinquent, they have to turn around and send you another bill for that portion which your rebate didn't cover. This is a complex situation when you have to stop and think about it. They have to verify each parcel that has been sold under contract of sale, because none of them would be in their name. They have to run down every piece of property that was in escrow at the time that they handled the tax roll, because all those properties will show up in either the name of the escrow company or a title company, or a bank. A lot of properties are held in another name or in trust.

We are also saying that if they didn't live on that property for a full year, we are going back and pro-rate that in 1/12's, depending on how long they lived in that house.

The Washoe County Assessor estimated \$80,000 to hand out the form, take the form back, make sure the numbers on it are right, and bill the State...There is no cost in there for computer time. There is no cost in there for appraisals, for assessments, for parcelling, for verification, or for split-billings, or any of the things we have talked about.

Now, let's get to the rentals, and this really gets 'tacky'. The process again for someone who is a renter who wants to get the portion back for which they were taxed is to fill out an application which is available through their assessor, and send it to the State Department of Taxation. Let's take the furnished apartment...we have to come up with a figure without utilities and furnishings, and someone to verify that."

Assemblyman Weise (Cont.): "They are obviously going to have to subpoena the records of the landlords, because the landlords are not going to give them the records. We have to track the renters who move. We have somewhere in the neighborhood of 104,000 rental units in this State...each rental unit will have to be identified with brand new parcel numbers. The assessor has not figured this cost in either. They would have to determine what is being applied for, and in the case where a room is rented, this would have to be consistent with the appraisal of the house itself.

This stuff I just thought up in one hour...."

Senator Dodge: "Let me ask, is this the result of assessor's testimony before your Committee?"

Assemblyman Weise: "No."

Senator Dodge: "Do you want to listen a little to the excessive testimony heard before our Committee?"

Assemblyman Weise: "The word came to us that the Clark County Assessor said it will cost them \$15,000 or something like that. --Addressing his question to Mr. Gary Milliken, representing the Clark County Assessor's Office -- In the figures you provided for testimony, did you plug in any figure for reappraisals of the properties for two acres? Properties that had rental units? Properties that had quasi-commercial uses? Properties with more than one residential unit?"

Mr. Milliken: "Rental units, yes. Property over two acres, no. The figure we gave was \$135,000."

Assemblyman Weise: "Are you figuring about 60,000 new parcel numbers in Clark County?"

Mr. Milliken: "On the rental units, all that we are going to do is put an additional number at the end of the parcel number they already have. All we do with that information is put it on the computer."

Assemblyman Weise: "Are you going to have to coordinate that parcel number with an actual apartment?"

Mr. Milliken: "Yes. The original \$135,000 figure is on the original S.B. 204. The rental parcel number will increase the cost some, and it will increase when we have to determine how many months someone is living in a house."

Assemblyman Weise: "Any house that has a rental unit will have to be reappraised, isn't that correct?"

Mr. Milliken: "How do you read that into the bill?"

Assemblyman Weise: "I am assuming that someone who rents a bedroom

Assemblyman Weise (Cont.): out, and the renter applies for a rent rebate, that you are either going to have double relief, or you are going to have to adjust the rebate given to the homeowner and determine the dollar amount to which they are entitled. That's a reappraisal."

Mr. Milliken: "On our terminal we carry acreage with the parcel number, so it would be fairly simple to break out the two acres from say, 7.6. But, in the other counties you may have problems with this."

Assemblyman Weise: "Yeh, how about 16? Washoe County said that they will have to buy a new computer...and, you will also have to break down any property that has a commercial use to it."

Mr. Milliken: "Under our \$135,000 figure, we have eight new employees, three of which would be field people, who would do nothing but verify."

Assemblyman Weise: "How will you verify each contract of sale?"

Mr. Milliken: "We will manually have to do each one."

Assemblyman Weise: "What about the delinquent tax roll?"

Mr. Milliken: "That is handled by the County Treasurer."

Assemblyman Weise: "This cost is not figured into your budget?"

Mr. Milliken: "No."

Assemblyman Weise: "I think you have a real administrative nightmare. There is a one year provision in S.B. 204 which gives them one year to put this stuff on the rolls."

Assemblyman Price: "Gary, if a property has more than two acres with a home on it, how would decide which two acres would receive the rebate?"

Mr. Milliken: "The two acres contiguous to the house."

Senator Raggio: "The bill says 'surrounding land'."

Senator Kosinski: "I would like to say to Bob Weise, that obviously after all of these weeks of hearings, these administrative problems did not escape the Senate Taxation Committee. We were all concerned about it, and if there is any weakness in the bill it is those administrative problems and the inherent costs. I think what the Senate Taxation Committee did, if I can speak for some of the members here, over the weeks that we deliberated on this issue; I think we started from a much different position than the Assembly did. We very early in our deliberations decided that we wanted to give the 'homemakers', including the residential property owners and the renters, a greater tax relief. Maybe we locked ourselves into that a little too tightly, and maybe we tended to become a little blind to the administrative

Senator Kosinski (Cont.): problems, but we did make a very conscious decision that we did want to give most of the relief to the homeowners. That philosophical issue is what lead us to design the bill or 'Christmas Tree' that we finally came up with, and I think that is one issue that we should be talking about tonight...."

Assemblyman Weise: "Well, I think I can summarize it...the Committee believe that tax relief, across the board relief, is going to provide tax relief to renters."

Senator Kosinski: "O.K. that's a basic disagreement, I might add, because we don't...."

Assemblyman Weise: "I guess we are married more to a free enterprise effort and believe that the vacancy factors that are available now in a number of the areas, will reflect back to the renter. You look at real estate transactions and see what's happening. At least we believe that we are talking about a tax package that has zero administrative costs relative to what you have talked about, as high as a million dollars. And, I have no reservations saying that estimate is so conservative, it is naive."

Senator Glaser: "That's your opinion."

Assemblyman Weise: "...We have zero administrative cost, we have a zero constitutional problem, we have a package that we believe will provide relief, not only to property owners, but to renters in some form, either direct, immediate reduction or delay of increases....If there was no administrative cost, we are still talking \$20 million in round figures of relief to renters...."

Senator Dodge: "\$23 million in the first year."

Assemblyman Weise: "\$23 million? Well, we can go through the gymnastics of going to court; we can burn up a little more money in this, it is so complicated. Each of these things compounds to the point where I don't understand why ours doesn't look awfully good."

Assemblyman Tanner: "The biggest problem you have is that once you create a monster like the rebate program, you are never going to get rid of it...."

Assemblyman Craddock: "I'd like to turn just a moment to the utility companies. The taxes that utility companies paid last year, we have in fact repaid through utility rates. Now the utilities' bill will also take on the interest that accrued on the taxes paid between the time they were paid out and the rates authorized by the Public Service Commission. Last year the interest alone on Sierra Pacific Company's deferred taxes amounted to \$118,000 which is nothing more, nothing less than a plank in the platform for an increased utility rate."

Senator Don Ashworth: "Mr. Chairman, there is one thing. Maybe their testimony was different on an issue that really sticks in my craw. That is the issue that Bob (Weise) keeps pointing out about that computer in Washoe County. It is my understanding from what he (Mr. Donald Peckham, Washoe County Assessor) told us in our department, that thing is so full right now they are going to need a new computer whether or not they put the program in."

Assemblyman Weise: "There are fifteen counties that are going to spend a lot of hours and a lot of bodies making the adjustments we are talking about...."

Senator Dodge: "Bob, I would just like to comment that our testimony from the small counties finally was not in opposition. As a matter of fact, the Elko Assessor said that he thought this was positively the right way to go. I can tell you that one of the counties I represent, the assessor came in originally, he had some reservations, and the last time I talked to him, he said...the equity in this thing looks better all the time. Maybe he was involving his own personal feelings, but he didn't indicate that there was any particular problem...I just wanted to tell you that on the basis of our testimony, we didn't sense that...there was that much concern among the assessors."

Assemblyman Weise: "...it's like statistics, you can do what you want with it...."

Senator Dodge: "I will say that Peckham came in and said that their computer was loaded where he didn't see where they could put the parcel numbers that were required to police this thing...."

Assemblyman Weise: "Your Committee said earlier that there are states who have rent provisions, where there is very little abuse. Didn't someone say that in testimony?"

Senator Sloan: "Andy Grose (Andrew Grose, Research Division, Legislative Counsel Bureau) gave us a handout on that."

Assemblyman Weise: "Do you know how many states provide direct rent rebate? There are none."

Senator Sloan: "...the majority of the states in my understanding have either between a homestead exemption or a split-role procedure, the type of assessment that we are talking about. I have not read in all of these states that the assessors are jumping out of windows...."

Assemblyman Weise: "There are eight states that have split-roles that I know, and of the eight I don't know which have the exemption (homestead exemption). There are no states which have just the homestead exemption and nothing else...."

Senator Glaser: "Bob, are you and the Assembly aware that we are presently providing renter rebate to Senion Citizens? Roy Nickson testified that he has three men in the Department who are handling this and could augment that Department with eight or ten more, and he testified that there really wasn't too much of a problem. It would cost us \$240,000 to administer \$23 million worth of rebate, so we don't feel this was out of line administratively."

Assemblyman Weise: "Well, I agree, that's where I came from. I said the State's budget is probably accurate, and the bugaboo in the whole mess is going to be at the local level; the appraisals, the assessments, the reparceling and the mechanics that go into it...."

Senator Glaser: "With the exception of Assessor Peckham, none of the rest of them indicated they had that problem, once they got on the program."

Assemblyman Marvel: "I just talked to my Humboldt County Treasurer, and he said he just couldn't live with S.B. 204."

Assemblyman Weise: "By the way, the Treasurer is the unspoken person, the assessor is only part of it, the Treasurer comes in for just as much workload as the assessor."

Senator Glaser: "One of the things we want to know is why the Assembly Taxation Committee was fiscally irresponsible in allocating \$18 million more than we had to spend?...Are you reducing the surplus below \$35 million? We wanted to maintain a general fund balance between \$35 and \$50 million, so we designed a this to float with this trigger mechanism...."

Assemblyman Price: "May I ask you a question? Are the figures in S.B. 204 reflective of the new assessed valuation?"

Mr. Ed Shorr: "They do not reflect the new evaluation figures, however, we expect that it wouldn't make any difference whether you increased the assessment figures or not...I don't know that you can make a case for saying the projections for homeowners in S.B. 204 were low, because assessments are about 3% higher and it is difficult to say that the 20% increases are due to homes...."

Assemblyman Mann: "I asked the question of Mr. Barrett when he was here before, and we attacked it from the philosophical position that we wanted the full impact felt a year prior to the voting on Proposition 6, so we wanted to go on the line in July of this year. He indicated the first year that you would have a problem which would put us maybe less than the \$35 million (surplus), in fact, the projection might be as low at this point as \$11 million (surplus). He thought...in the second year you would make up that kind of a deficit. Also, he suggested...someone suggested it; the gaming revenues for this quarter are 20% higher than had been anticipated, and he felt that this would allow some leeway...I think our Committee established philosophically, we want this thing on line and we want it on line by July 1st, and we are

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Assemblyman Mann (Cont.): willing to go into other areas if we have to, to get the \$35 million...."

Senator Glaser: "Have you discussed with your Ways and Means Committee to see if they are going to go along with that?"

Assemblyman Mann: "Well, I think you'll find that the Ways and Means Committee has supported this tax concept. I think what will happen is that the Ways and Means Committee has proven itself to be always conservative in the kinds of money they want to keep on board. If we pass A.B. 616, I can assure you, you are going to see some things cut out. And we will have a \$30 to \$35 million fund left...I think one of the things we may need to decide, Mr. Glaser, do we need the \$98 million capital improvement program intact?...."

Senator Dodge: "Well, Mr. Chairman...There are some differences now, both as far as the dollars involved, and that doesn't concern me, I think that finally what we are going to have to do is adapt this tax bill to the consensus that has been developed between the Ways and Means Committee and the Finance Committee; and, about what you are going to cut off of the capital improvements program, or off the Highway Department, or something else, I really don't think we ought to spend too much time on that at this point...."

Assemblyman Mann: "I think the whole point is that the money committees are going to have to both conform to what the tax package is. I think the pure money issue in this Session is tax relief. I do not want us to pass a tax bill and then allow the option of the money committees to decide to overspend that tax bill...We conformed to it already in the Assembly Taxation Committee by cutting some 'mom and pop' issues that were scheduled for funding. Now, I think this is the point -- I don't want to base any tax proposal on what Ways and Means or Senate Finance is going to do...."

--Senator Glaser then asked Mr. Shorr to continue with his discussion of the comparison of the two bills.--

Mr. Shorr: "Both bills pick up basically the same revenues or triggers...The Senate version has, if you can call it that, a 'de-trigger'. It's what would basically happen if revenues fall sharply below projections, then the renters rebate and homeowner's allowance would decrease a little bit. That's an additional safety feature when you have triggers. Both bills would exempt food from taxation. There is a big difference in the subject of food as defined to be exempt from sales tax in the two bills. That would be a point that the committees would have to take a look at and see if their differences are resolvable. I don't think they would take a lot of time to resolve. Both bills would exempt household property tax. The local cost, basically, aside from administration, is the same...Now, in accounts, there is a difference. Both bills would self-destruct if Question 6 were to pass. One difference with the Assembly is tied to the

Mr. Shorr (Cont.): difference in the kind of tax relief at the point where the 50¢ levy, which is now a 80¢ levy, would be reduced to 50¢, where the school would become competitive with other local government entities...."

Senator Glaser: "Do you mean the school districts now are taking the full 80¢, and under the Assembly bill, this would mean that part of that 50¢ which the school district is now taking, would be subject to city/county acquisition?"

Senator Dodge: "It would be subject to negotiation...they wouldn't have priority on the rate...."

Assemblyman Mann: "I would point out, if I might, Mr. Glaser, that in talking with the representative from Clark County, it was indicated that they felt that the decision would probably end up being made by the Tax Commission anyway."

Mr. Ed Greer: "As long as I am quoted here, I'd like to introduce myself: Ed Greer, Clark County School District. I did make that statement, but I said that when we were in the tax rate battle years ago, it was an exercise in futility for school districts to publicly take on counties and cities, and the net result was generally not discernible in results. We very much oppose that."

Mr. Shorr: "The next item is the expenditure limitations, or caps, they are not all expenditures...The Assembly bill will be based on the 1978-79 budget, as distinguished from the Senate bill which will be based on the 1977-78 expenditures. In the Assembly version, 80% of the five-year moving average of the C.P.I. would be used, one factor for increasing the permissible budget. One hundred percent C.P.I. would be used in the Senate version to increase the permissible level of expenditures. Both bills would use populations as certified by the Governor. With respect to the schools, I think everyone is aware of the major differences there. The same formula used for cities and counties and other districts in the Assembly would be applied to schools. In the Senate version, only the optional property tax levy would be capped and the base period would be an average of a three-year period, 1975-1978, past the assessments which are collected the following year, so those are assessments that produced revenue for 1976-79. Again, one hundred percent of C.P.I. and enrollments for the years that match the assessments will be used, that is to say, the enrollment is the average of the same 1975-78 years. Again, in the Assembly version, there is an appeals process that allows the Department of Taxation to arbitrate problems that may be relative to determining the population of the years used."

Senator Don Ashworth: "Do both bills provide for the same thing for fair and recreation?"

Mr. Shorr: "Yes."

Senator Dodge: "And is that C.P.I., plus population growth?"

Mr. Shorr: "Yes."

Senator Dodge: "And does that represent then, the Governor's request?"

Mr. Shorr: "Yes. It is the State General Fund."

Senator Dodge: "What you are saying then, is that the Governor's budget would have to come in, under those restraints."

Mr. Shorr: "The thing we are trying to indicate here is that it is not a limitation on the legislature because one legislature can't limit another."

Assemblyman Weise: "There really is no limit to the State level in the bill. We are just saying technically that the Governor can't produce a document that exceeds something, that is people can come in and ask for whatever they can justify and the legislature can give them whatever they want...."

Senator Dodge: "I am not sure that I agree with that. I think that as far as I am concerned, after 115 years of statehood, we are at a point where we have got the opportunity to place some constraints on it, including the State budget, that we should never remove. So, what I am saying is that they invite nothing but problems on themselves if they don't live within the disciplines that I hope we are now creating. I hope there would be enough discipline in the thing that we would maintain not only for local governments, but for the State budget, the same sort of constraints that we are now imposing. And, I think there is a reasonable chance to do it. I hope I am not guilty of wishful thinking about that."

Senator Raggio: "I think this is where we have a second major difference. If there is a flaw in the Assembly version, I would suggest that the flaw is in the placing of a limitation on the budget. These should be on expenditures, which the Senate does for the most part. This has been something I would be interested in hearing...why do you choose your limitation or cap on budgets as opposed to the actual expenditures? It seems to me that if you are going to have a meaningful cap or a limit, that it ought to be on actual expenditures rather than on budget. You've got balances to contend with and it seems to me it is inviting a lot of distortion by imposing that kind of limitation. I haven't heard your approach to that, but I'd be very interested in that."

Assemblyman Bergevin: "Well, I think if you look at the facts, we looked at a lot of things and finally put the cap on the present year's budget of 1978. That was our base period."

Senator Raggio: "What if they don't spend it?"

Assemblyman Bergevin: "If they don't spend it, it would build more equity. When I look at yours, you have about the same kind of inequities that ours has."

Senator Raggio: "I am not concerned, I don't think any of the

Senator Raggio (Cont.): "arguments you make about the budget are necessarily valid. I am more interested in what the relationship was to actual expenditures for the current fiscal year, than I am to tentative budgets."

Assemblyman Bergevin: "We don't have any expenditures for the current fiscal year."

Senator Raggio: "Well, I realize that. You've got a budget, but the cap is imposed upon the expenditures in the Senate version, not on the budget. My point was that I don't think you get a true cap that is equitable by imposing it upon budgets because different entities have approached budgets in different manners...."

Assemblyman Bergevin: "If I would agree with anything in the Senate bill, I would agree that your school cap is probably a little more equitable in approach than ours."

Senator Raggio: "Well, that is a cap on revenue."

Assemblyman Bergevin: "And, you've had real problems with it too, because it left the Distributive School Fund wide open."

Senator Glaser: "We have had considerable testimony on carry-over balances, particularly from Washoe County, where they wanted to carry over large balances to start up school costs or for legal contests, and I'm not sure that the 3% to 5% would handle that."

Assemblyman Weise: "We resolved that in the sense that the overall budget, as you reach that expansion factor, (if you have picked up a pupil-ratio factor), is providing a surplus at the time prior to going into the expansion, and there should be some elasticity in going for the 'swelling up' of going into that new improvement. You should have fluid in there to allow them to go in and staff another school; go into double sessions, longer hours, larger classroom sizes, or whatever. The factor that allows you to expand your budget is the pupil-ratio. As long as the pupils are growing, the elasticity in the budget should be available."

Senator Glaser: "Marvin Picollo (Washoe County School District Superintendent) did not indicate that."

Assemblyman Weise: "I am sure that he said that. One of the problems we have in our Committee is looking at the enrollment growth in the Washoe County School District versus the dollar consumption over the last few years."

Senator Dodge: "We started out thinking the same thing in the Senate, but the legislature is just as guilty as the school districts for two reasons. We permitted them the priority of the \$1.50 and they didn't have to negotiate that with the other local entities. Secondly, we appropriated the money out of the Distributive School Fund each biennium to support them and the only flexibility they really had was on the 80¢. The reason they spent more money than we thought they should is because of the growth of the

Senator Dodge (Cont.): "assessment base upon which that 80¢ was levied. But, you know it is easy enough to be critical, but if you were sitting on the school board, I'm not so sure I wouldn't have done the same thing. I could've seen things that ought to have been done by lowering pupil-teacher ratios, and I was permitted to do it within the law. So, I made up my mind that I was going to let the past be the past as far as the school districts were concerned, and go from this point forward."

Assemblyman Weise: "That is exactly why we went to the current year as the base year. For that very reason we took their current budgets that they have been able to build up without a lot of resistance, or with the help of the Distributive School Fund. So, I don't think we are being regressive."

Senator Dodge: "I don't either. But, you made some observations about their spending patterns. Let me offer some observations on the other side of the coin. One of the problems about the approach you take, where you permit them the C.P.I. increase, plus any enrollment growth, is that you assume the validity of the present relationships of those budgets. And, they may or may not be true. For the same reason that Louis Bergevin points out, you take any given base year and you will get distortions on that type of thing. I can tell you that I am sure that those school budgets are not in perfect relationship to each other as far as the equity concept of dollars behind students. To the extent that they are, you freeze in the distortion. The biggest reason for the "cap" on the 80¢ spending ability is that it still retains the desirable aspects of the formula as far as adjustments from year to year on changing conditions within those school districts. I assume that even though that negotiation process may go on in the legislature as far as the Distributive School Fund, that if the legislature has the wisdom to retain the state spending cap, they are going to have restraint upon them to allocate their funds not only to public education in Nevada, but to the University System, and to all the institutions and public employees. I don't think they will be able to go 'hog-wild' with the amount of money appropriated under the Distributive School Fund to public education. I don't think this plan perpetuates the surplus in the future, the thing that mitigates against that is the triggering mechanisms."

Assemblyman Weise: "Is the trigger for \$12 million?"

Senator Dodge: "I think so, but it may be more money than that."

Assemblyman Weise: "What are we going to do with the money that we do not spend in the Distributive School Fund or at the State level?"

Senator Dodge: "I think that at that point in time, you have to think about the additional tax relief that you offer people. We have to give some thought about the continuation of the public works program, and some other things that do not constitute operation costs."

Assemblyman Mann: "Carl, bowing to your experience with the Nevada Plan for as many years as you have been involved in it, I think this is something that we all want to deal with and come up with what is best for children and the school districts, but also meeting the responsibility of tax reform. I don't think this is as polarized as the renter's rebate. I still believe that we looked at it from the philosophy that education is taking 70% of the dollars, and there has been some waste in education. These are areas that we can sit down and rationalize and come to an agreement. Another area that Russ McDonald (Washoe County) mentioned to me is the ending balances. I think these may have to be addressed in the spending cap. What do you do if a judgement is issued against a local government for \$1.5 million? Does that judgement then go against their spending cap at that particular time? Russ, was not clear in the way that he interpreted our particular spending caps. He felt that probably this would be included in their amount of spending. I don't think a legal judgement should be a part of their spending cap for that particular year. Why did we go 80% of the C.P.I.? We went with that because we heard expert testimony that was the true cost figure in terms of relationship to actual school expenditures, and spending ability."

Senator Glaser: "I am going to run this meeting for twelve more minutes and then we are going to recess until tomorrow at noon."

Senator Dodge: "We have one more difference that I would like to hear more comment on. You have a provision in here for a 2/3's override, and we have a majority. I would like to know what the rationale was in the Assembly for the 2/3's?"

Assemblyman Bergevin: "Our rationale is that this paralleled what Proposition #6 dictated. I think this is an area that could be compromised."

Assemblyman Weise: "I think the best argument on the floor, 'No matter how smart we are in developing a really good package, the best mousetrap available, if we can't sell it, it won't do us any good.' I think the real politics in dealing with the voters is more important...."

Senator Dodge: "Are you saying that it is more important for us to sell this in order to head off Question #6?"

Assemblyman Weise: "Well, local governments are going to have to be happy, and the Governor...."

Assemblyman Craddock: "Since I did handle that issue on the floor, I would like to explain some of the other philosophy. We have cases where the \$5.00 rate was pushed beyond the constitutional amendment, and the Tax Commission was required to solve the problem. We feel that if we set a simple majority, what is to protect us from this same thing happening over again on the

Assemblyman Craddock (Cont.): "\$3.64 rate, or whatever rate we have."

Senator Dodge: "Our idea on the 2/3's was that the minority is actually defeating the will of the majority, so we felt that even though this is a tax safeguard, the general concept of not permitting a minority to nullify the will of the majority was appropriate."

Assemblyman Craddock: "The simple majority is what got us into the problems we are in today."

Senator Dodge: "I think that what got us into our problems today, is that our State revenue structure has been overproducing. It is that simple."

Assemblyman Price: "Going back to the spending limitations, I would like to mention that we have a couple of constitutional amendments that would put those restraints into the constitution. So, those will be coming out for hearings. Also, regardless of which cap we use, there will be inequities. So, in the interest of recognizing there will probably be some taxing districts that could get into a financial bind, we have a bill coming out that will appropriate \$1.5 million to the Interim Finance Committee specifically to be used in case one of these districts gets into trouble."

Senator Dodge: "Did you do any calculations on whether the \$1.5 million might be enough?"

Assemblyman Price: "To be quite frank, no."

Senator Raggio: "I think you better get a \$15 million amendment."

Senator Dodge: "We do have to provide for the serious distortions. These have to be kept viable. Do you think we ought to pursue the establishment of some guidelines on how seriously an entity has to be reduced before they can make claim to Interim Finance."

Assemblyman Price: "Given the general past performance of the Interim Finance Committee, we felt there wouldn't be too many people storming down there."

Senator Dodge: "They will be storming down there if we don't set some guidelines. But, we can explore that."

Chairman Glaser adjourned the meeting until 12:00 noon, April 11, 1979.

Sheba L. Frost
Respectfully Submitted By:
Sheba L. Frost, Senate Taxation
Committee Secretary

Norman Glaser
Approved By: Senator Norman Glaser,
Chairman