

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON FINANCE

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
January 30, 1981

The Senate Committee on Finance was called to order by Chairman Floyd R. Lamb, at 8:10 a.m., Friday, January 30, 1981, in Room 231 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS 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 Clifford E. McCorkle

COMMITTEE MEMBER ABSENT:

Senator Norman D. Glaser

STAFF MEMBERS PRESENT:

Ronald W. Sparks, Chief Fiscal Analyst
Dan Miles, Deputy Fiscal Analyst
Candace Chaney, Secretary

OTHERS PRESENT:

Roy E. Nickson, Department of Taxation
Bryce Wilson, Nevada Association of Counties
Trish White, Associated Press
Ed Vogel, Las Vegas Review-Journal

Mr. Roy Nickson, Executive Director of the Department of Taxation, presented a description and explanation of the department's budget. (See Exhibit C.)

DEPARTMENT OF TAXATION (Pg.137)

Mr. Roy Nickson, Executive Director of the Department of Taxation presented the department's budget requests. (See Exhibit C.)

Senator Gibson queried Mr. Nickson about additional monies requested for out-of-state audits, particularly if Nevada withdraws from the Multi-State Tax Compact. Mr. Nickson noted that out-of-state audits had already been built into the budget and had received funds for this item since 1969.

Senator Gibson asked the Director how the 1% of revenues were lost, as he indicated, by membership in the MSTC. Mr. Nickson said that, mechanically, Nevada laws provide no provisions for his department giving credit for a purchase made in another state where the individual pays sales tax in that state. Under the compact, they are required to give such credit.

Senator Wilson asked if the article is sold in one state and transported to a second state, did the second state call it a "use tax". Mr. Nickson said yes, the "use tax" is to protect the Nevada retailers from unfair competition.

Senator Wilson requested clarification of the Director as to whether the "use tax" was a requirement of the Compact and not required by Nevada State law. Mr. Nickson said it was a requirement of the Compact. He commented that Nevada was not an exporting state, but an importing one. He added that Nevada was the one who took the beating.

Senate Committee on Finance
January 30, 1981

Senator Gibson noticed that in most of the agencies' budgets that communication expenses were up more than the inflationary rate. He asked Mr. Barrett as to what the reason might be. Mr. Barrett said it was due to anticipated postage rate increases, from 15¢ to 20¢.

Senator Gibson inquired the reason for the 35% increase in building rent. Mr. Barrett indicated that Mr. Nickson had a request in for supplemental funding for this year. The department had to move because the rent of their old building rose after the Retirement Board sold it. They moved after obtaining other space but will still cost additional monies.

Senator Echols asked if Mr. Nickson said that Utah was not collecting any "use tax". Mr. Nickson stated that Utah was collecting a "use tax" on material destined for Nevada. Mr. Nickson noted that if Nevada were to withdraw from MSTC, the State would also be able to collect a "use tax".

Senator Jacobsen inquired if Nevada withdrew from the MSTC, would the State lose its voice on the commission. Mr. Nickson explained that the original intention of the MSTC was to avoid Federal legislation. He said that in 1965 there was a tremendous push to enact a Federal Law. A bill has been introduced in every session of the Congress since then, with no success. The bill mainly dealt with state income taxation and taxation of multi-nationals but included a provision under the sales tax portion that would mandate this credit. If Congress enacted the law, Nevada would be forced to give credit.

Senator Jacobsen asked if Nevada would be any worse off by withdrawing. Mr. Nickson said no, the detriment to Nevada from loss of revenue more than offset the advantages of joining with the Western states in such a membership.

Senator Lamb inquired as to why "board and commission" salaries were eliminated. Mr. Barrett noted that a mistake had been made the salaries should be in the budget. Also, he added, there should be monies requested under "longevity pay".

Senator Lamb requested Mr. Barrett to provide the figures for these items to the committee. Mr. Barrett acquiesced.

Senator Gibson asked Mr. Nickson if the items to be done as a result of the 1978 audit had been taken care of. Mr. Nickson said in most instances they had been completed. He indicated that the legislative audit was recommending some statutory revisions to provide for confirmation from the way the department was currently handling monies, to law. He noted a problem concerning the receipt of money. This problem resulted from a statute that requires any funds in excess of \$10,000 to be deposited in the bank daily by every State agency. Mr. Nickson said that under normal circumstances there was no problem in complying. However, when quarterly reports and sales and use tax returns come in, it is physically impossible to deposit those checks on the same day. He indicated that they had improved their collection system.

Senior Citizens Tax Assistance Program. Mr. Nickson noted that, by law, insurance proceeds must be considered as income. He said there were many cases concerning elderly couples where one spouse has passed away leaving a small insurance policy, usually around \$2,000. He said that the insurance money was received by the surviving spouse, and, in most cases, the entire amount spent on the funeral expenses. Mr. Nickson stated that these monies received usually put the individual just above the \$11,000 limitation and therefore, received no property tax allowance.

Senator Gibson inquired if the law was that specific on income allowance that covered insurance receipts. Mr. Nickson said the law was specific, it was not a regulation.

Senator Lamb asked the committee members how they felt about repealing that certain portion of the law. Senatore Echols said, if it were to be done, there be a ceiling on the exemption for life insurance. The committee informally agreed with Senator Lamb.

Senate Committee on Finance
January 30, 1981

Senator McCorkle noted that tax relief in the Taxation Department's Senior Citizen program would be much less if the Governor's tax program goes through. Mr. Nickson commented that the senior citizen's tax relief program would be reduced dramatically.

Senator Gibson inquired if their data processing budget was something new to the department. Mr. Nickson said that was a change made in the method of funding; before it was included in the overall program. He noted that specific spending authority was obtained from the Interim Finance Committee.

Senator Jacobsen asked what employee training monies were to be used for. The Director said there was a requirement for property appraisers to update their qualifications. He noted that monies were needed to train auditor trainees, employees that were to be shifted to other areas, etc.

Senator Lamb asked why the County Assessors had to be trained. Mr. Nickson said that any assessor had to be trained and certified by the department before he could physically appraise property.

SECRETARY OF STATE (Pg. 45)

Mr. William Swackhammer, Secretary of State, introduced himself and presented his budget to the committee.

Mr. Swackhammer said that the office of the Secretary of State was in the last quarter of the best biennium the State had ever had in revenue. He noted income for fiscal 1980 at \$2,449,000, while expenditures were approximately \$507,000.

The Secretary indicated that the number of corporate filings they had experienced during the last 3-4 years ranged in the area of a 15% increase per year. He noted that the increase had dropped from the last year to 4%, indicating the economic decline of the State and the country.

Mr. Swackhammer stated that inflation was helping materially their revenues because corporate treasurers had to increase their capitalization to have working capital. As of January 29, 1981, the fiscal 1981 receipts were \$1,541,939 as opposed to the same day of last year when receipts were \$1,175,911. He anticipated that his office will generate for the benefit of the General Fund about \$4,000,000 in this biennium.

The Secretary said that \$113,000 of his budget was attributed to things of which his office had no control; salaries, communications, printing, insurance, EDP, etc. He remarked that the budget represented his best estimate of funds needed to run the office and maintain services. He said service was very important because the office of the Secretary of State was the only State agency that had to run like a business; they are in direct competition with other states.

Mr. Swackhammer noted four points of interest concerning his office's budget. He said two positions had been eliminated because they were not needed as the office was running more efficiently. His second point was that he objected to the salary of the Corporate Filing Coordinator; he thought this position was woefully underpaid. The third point of interest concerned building rent being cut from \$40,000 to \$24,000. Mr. Swackhammer said the last item concerned his request for \$15,000 for the first year of the biennium to be used for election expense to train county clerks to do a better job. The Governor cut this request to \$1,500 which will not allow the program to be pursued. Aside from these four items, Mr. Swackhammer did not object to the Governor's budget recommendations.

Senator Gibson noted that funds requested for the election was decreased from \$55,000 to \$40,000. The Secretary said that his office no longer had to furnish ballot paper. They had found out by experience, he noted, that \$55,000 was more than they needed.

Senator Wilson asked Mr. Barrett if he disagreed with Mr. Swackhammer's view concerning the Corporate Filing Director position. Mr. Barrett said that the position was a classified one, and his department only makes recommendations on

Senate Committee on Finance
January 30, 1981

unclassified positions. He noted that Mr. Swackhammer had asked State Personnel to reclassify the position but they would not.

Senator Jacobsen inquired of the Secretary if all his office's facilities were in the Capitol and if they had any other rentals. Mr. Swackhammer said they had an office in Las Vegas, no other buildings or rentals.

Senator Echols inquired as to the length of service of the individual holding the Corporate Filing Director Position. The Senator also asked if the Secretary felt any difficulties might arise from the salary of this position. Mr. Swackhammer said the woman who holds this position has been employed for 16 years. He noted that she was going to leave, but that it did not have anything to do with salary.

STATE TREASURER (Pg. 48)

Mr. Stan Colton, State Treasurer, introduced himself and Mr. Robert Cameron, Chief Deputy Treasurer, to the committee. Mr. Colton presented the budget for the State Treasurer's Office.

Mr. Colton said his office was asking for a greater appropriation this year than requested for prior years due to a different method of assessing other State agencies for investment. The Treasurer indicated that a new fee scheduling process had to be developed that would be uniform to all agencies. He noted that his office had developed an assessment fee based on commercial rates and increased their request for appropriation.

The Treasurer commented that his office was asking for no new positions. He noted that there were two unclassified positions, that of the Deputy Treasurer and Cashier. He said that the Deputy position had a much higher degree of responsibility and therefore should be compensated accordingly. He asked for the committee's consideration of raising the Chief Deputy Treasurer's salary to at least \$30,000. He felt the Cashier's position should receive the same remunerative increases that the classified employees will be receiving.

Operating Expenses. Mr. Colton said that the communication expenses had been an impact item for his office. He remarked that when his office moved from temporary facilities back to the Capitol, more equipment was required than previously. He added that collaterals were being placed directly by phone to New York, resulting in savings in excess of \$20,000.

Insurance. Mr. Colton said that this request included vault insurance, insurance for individuals transferring securities and funds from the bank to the vault, etc. He noted one piece of insurance coverage that he believed could be deleted if a bill was passed, the removal of the \$1,000,000 bond requirement for the State Treasurer, a savings of \$4,000 annually.

Contractual Services. Mr. Colton said this was a major impact item in his budget. These are funds requested for continued use of two pieces of equipment. One is the Portfolio Management System, a cash flow matrix, the other is the Teller Rate System which provides information on types of securities.

Senator McCorkle questioned whether a position might be added to staff, that of a money management specialist, that would improve the returns of the office. Mr. Colton thought his office was doing the best job possible under the circumstances.

Senator Wilson asked if Mr. Colton thought his authority to invest should be liberalized. Mr. Colton replied that he thought it might to a certain degree but not too far.

Other Governmental Services. Mr. Colton said this request was to establish a microfilming schedule of all documents in the State Treasurer's Office. He also requested funds of a Reader-Copier to gain access to the microfilm information.

Senate Committee on Finance
January 30, 1981

Senator Gibson inquired as to their return on investments for the past year. Mr. Colton said they ran right at 13%.

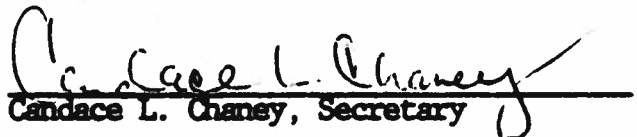
Senator Jacobsen asked what the EDP request was for. The Treasurer indicated it was for computer service they thought they would be requiring in-house. He concurred with the Governor's recommendation that the requested be deleted.

Senator Gibson noted that the committee members who did not study their informational materials before the committee meetings commenced would not be able to probe the budgets satisfactorily. He suggested that the members take their budget material home for study to better develop pertinent questions concerning the budgets. Senator Lamb concurred with Senator Gibson.

Mr. Sparks said he would supply budget highlights even earlier than already supplied. He suggested that the committee members also read their budget narratives before the meetings.

There being no further business, the meeting was adjourned at 9:30 a.m.

Respectfully submitted by:


Candace L. Chaney, Secretary

APPROVED BY:


Senator Floyd R. Lamb, Chairman

DATE: 2/6/81

SENATE AGENDA

COMMITTEE MEETINGS

Committee on Finance , Room 231 .
Day (See Below) , Date (See Below) , Time 8:00 a.m.

Monday, January 26, 1981

1. Comprehensive Statewide Planning.
2. Four Corners Regional Commission.
3. Office of Community Services.
4. Statewide Comprehensive Employment and Training Office.
5. Commission for Veteran Affairs.

Tuesday, January 27, 1981

1. Department of General Services (All divisions except Central Data Processing and State Printing Office).

Wednesday, January 28, 1981

1. State Employee's Salary Increases. (Pg. 1034 - Jim Wittenburg)
2. Economic Development. (Pg. 124 - Walt McKenzie)
3. Nevada Magazine. (Pg. 126 - C. J. Hadley)

Thursday, January 29, 1981

1. State Welfare Division. (Pgs. 556-588 - George Miller)

Friday, January 29, 1981

1. Department of Taxation. (Pg. 137 - Roy Nicksen)
2. Secretary of State. (Pg. 45 - William Swackhammer)
3. State Treasurer. (Pg. 48 - Stan Colton)

STATE OF NEVADA

Department of Taxation

Capitol Complex

CARSON CITY, NEVADA 89710

Telephone (702) 885-4892

In-State Toll Free 800-992-0900



ROBERT LIST, Governor

ROY E. NICKSON, Executive Director

Department of Taxation

The Department of Taxation's budget for the coming biennium requests a total of 119 employees - a decrease of 11 positions from current staffing. This decrease is based solely on the need for a reduction in expenses due to the current economic conditions. The criteria utilized for determining which positions were to be eliminated were:

- (1) Ceasing recruitment action on three vacant positions.
- (2) The pending retirement of two senior supervisors.
- (3) The consolidation of responsibilities for calculation of net proceeds of mines with a utility valuation position. The 1979 session changed the reporting of net proceeds of mines from semi-annual periods to an annual period thus reducing the workload in this area.
- (4) The elimination of a supervisory position in the Reno office, by assumption of this responsibility in the Carson City headquarters.
- (5) The elimination of 3 non-revenue producing positions in the Carson City office and 1 supervisor in the Las Vegas office.
- (6) The transfer of responsibility for collection of motor vehicle use tax in Reno and Las Vegas to the Department of Motor Vehicles.

Positions eliminated and anticipated savings are:

Executive Division:

1 Personnel Officer - Grade 35	(\$24,271.00)
1 Administrative Secretary - Grade 25	(\$15,346.00)
1 Management Analyst II - Grade 35	(\$24,271.00)
1 MCST Operator - Grade 22	(\$10,501.00)

Audit Division:

1 Supervising Auditor - Grade 37	(\$26,639.00)
----------------------------------	---------------

Division of Assessment Standards:

2 Property Appraiser IIs - Grade 34	(\$36,176.00)
1 Engineering Tech V - Grade 33	(\$22,114.00)
1 Tax Examiner - Grade 30	(\$19,251.00)

Reno Office:

1 Tax Administrator III - Grade 37	(\$26,639.00)
1 Tax Document Examiner - Grade 27	(\$13,425.00)

Las Vegas Office:

1 Tax Administrator I - Grade 33	(\$22,114.00)
1 Tax Document Examiner - Grade 27	(\$13,425.00)

Substituting positions and costs requested are:

Reno Office:

1 Revenue Officer - Grade 32	(\$16,797.00)
------------------------------	---------------

Las Vegas Office

1 Auditor - Grade 31	(\$16,053.00)
----------------------	---------------

The net savings to the Department would be \$221,322.00 in salary costs alone.

The elimination of the 5 supervisory positions will place a heavier burden on the Deputy Directors, Division Chiefs and District Manager of the Las Vegas Office. The physical appraisal of operating mines will be shifted from a 2 year to a 3 year cycle. It is believed that the DMV can absorb the responsibilities of use tax collection without additional personnel but the individuals assigned this function will require training by the Department of Taxation and should be compensated for the assumption of the new responsibilities. The positions chosen for elimination were carefully selected to have a minimal affect on revenue collection capabilities and, in fact, the substitution of 2 revenue producers for 2 supervisors will enhance the collection capabilities of the Department. It is emphasized that I consider the positions recommended for elimination, ones that facilitate the smooth functioning of the Department and I will recommend that they be considered for reestablishment when economic conditions improve.

The designation of DMV employees to act as agents of the Department of Taxation in the collection of use tax will require legislative action and a bill to achieve this objective has been drafted. Should this bill not be enacted into law, the two Tax Document Examiner positions should be reinstated. (NRS 482.225.4)

It is anticipated that almost all of the reductions will be accomplished by normal attrition and every effort will be made to retrain affected employees that desire to remain with the Department so that they may qualify for any vacancies that may occur. It is recognized that such action may necessitate the affected employee taking a lower classification grade. No recruitment for vacant positions from outside the Department will be undertaken until each affected employee is given the opportunity to apply and train for the vacancy.

In-state travel has been reduced by \$7,733 or 6.8% in the first year of the biennium from the current years work program and \$6,187 or 5.5% in the second year. However, the requested amounts are based on current per diem rates and, if these are increased by legislative action, it is requested that a compensating increase be made in each year of the biennium. The in-state travel is utilized, primarily, in revenue collections actions and in the conduct of the ratio study. The amounts also include the necessary travel for members of the Nevada Tax Commission and the State Board of Equalization.

Printing and duplicating expenses indicate a reduction of 18.4% in the first year of the biennium and 6.4% in the second year from the current years work program. This savings has been accomplished by limiting the distribution of Departmental publications to actual requests and by utilizing copy machines in lieu of printing to produce just the actual number of copies required.

An increase in operating supplies has been requested for each year of the biennium. This has been necessitated, primarily, by the need to procure fuson cigarette tax stamps in the amount of \$71,500 in each year of the biennium. NRS 370.190 would appear to give the Department authority to require the cigarette wholesalers to pay for the actual cost of the stamps in addition to payment of the cigarette tax. However, the Attorney General has determined that more specific language would be required. Since the cigarette wholesalers are given an allowance of 4% for services rendered in affixing the stamps or meter impressions and since the wholesaler has the option of utilizing the meter impressions at no cost to the state, it would appear appropriate that the state be reimbursed for the additional expense incident to procurement of the fuson stamps. Should the legislature determine that such action is appropriate, the dollar requirements in this category could be reduced and a revolving fund of \$30,000 established to permit stocking and sale of the stamps to cigarette wholesalers.

The other expense categories of communication, contract services and building rent have been increased based on inflation and actual increases in the cost of these services.

The legal and court expense category request is based on the recommendation of the Attorney General for the retention of 2 full time Deputies assigned to the Department of Taxation.

Office supplies and expense, equipment repair, advertising, office furniture equipment and employee training requests have each been reduced from the current years work program based on the obvious need for retrenchment and belt tightening at all levels of operation.

One area that must be addressed by the legislature is Nevada's continued membership in the Multistate Tax Compact. The 1967 session of the legislature adopted the Compact as Chapter 376 of the Nevada Revised Statutes. During the current biennium the legislature appropriated \$35,000 in each year to permit Nevada to participate in the Multistate Tax Commissions joint audit program. The Commission guaranteed a 20 to 1 return for such participation. However, the Multistate Tax Commission has not only been unable to meet this rate of return but failed to produce any revenue in FY 79-80. As a result we did not expend any of the \$35,000 authorized for FY 80-81 and the Commission is still committed to obtain a return of \$700,000 for our FY 79-80 participation. It is doubtful that any of these funds will be generated and I would, at this point, be delighted to obtain the return of just the \$35,000 that was expended.

The wisdom of Nevada remaining a member of the Multistate Tax Compact is in serious doubt. I estimate the loss in revenue incident to our membership at 1% of total sales tax revenues or \$2.1 million per year (including the Local School Support and City-County Relief taxes). This loss is caused by a provision of the Compact that mandates a credit against taxes collected by another state on property destined for ultimate use in Nevada. The States of Utah and Idaho have modified their laws to impose a "use" tax on manufactured items destined for Nevada. Since we are not an exporting state, we are unable to retaliate against this unfair practice. I note that the State of Wyoming withdrew from the Compact in 1976 for just this reason.

The Compact had, at its peak, a membership of 24 states. However 4 states, Illinois, Indiana, Florida and Wyoming, have withdrawn and the current membership consists of 19 states. From its inception, the Multistate Tax Commission has dealt, almost exclusively, with problems inherent in state income taxation. In the past two years the Commission embarked on an ambitious data processing venture that has, literally, drained the Commission's resources and necessitated significant increases in the annual dues assessed member states according to the Compact. Our annual dues have risen from about \$1,700 to \$3,387.45 for 1980-81. The Commission's budget anticipates the need for a further increase for FY 81-82 somewhere in the magnitude of \$5,000. Dues are calculated based on 10% of the budget divided equally among the member states and the remaining 90% based upon a ratio of total tax collections by a member state

to the total of all taxes collected in each member state. Thus, California, Michigan and Texas bear the brunt of the Commission's budget but, on a relative basis, the burden is heavier on Nevada and South Dakota.

No funds have been requested for the coming biennium for Nevada's participation in the Multistate Tax Commission with the belief and recommendation that the legislature repeal Nevada's adoption of the Compact. However, should the legislature determine that continued membership in the Compact is beneficial to Nevada, a minimum appropriation of \$5,000 in each year of the biennium to cover the annual dues will be required.

County Assessor Training & County Appraisal Programs

These are revolving funds with actual expenditures dependent upon County participation. These categories are mandated by NRS 360.215.

Senior Citizens Tax Assistance Program

In FY 79-80 we expended \$1,261,630 in credits and refunds for a total of 11,174 eligible claims. An additional 1,107 claims were received and disallowed. In FY 80-81 we have expended \$1,381,280 for 11,294 claims. We are requesting \$1,750,000 for FY 81-82 and \$1,900,000 for FY 82-83 for this category. These sums include personnel expenses for part time employees and data processing services for the program. Major revisions to the program, eligibilities or in ad valorem tax reform will affect the financial needs for this category. The sums requested anticipate no major changes.

Renewable Resources Tax Allowances

This appropriation covers rebates to the Counties for allowances granted for the value of solar, geothermal, wind, conversion of solid wastes and water power units utilized to heat or cool residential properties. The total of such allowances in FY 79-80 was \$8,262 and we have authorized \$8,215 in FY 80-81 to date. \$20,000 has been requested in each of the next two years of the biennium. Actual costs are difficult to anticipate.

Preservation of Certain Railroad Lines Allowance

This provision was added by the 1979 session. However, to date, no allowances have been granted under this statute and I am not aware of any anticipated claim under the law. No appropriation for the coming biennium has been requested and it is recommended that, should a claim arise, the states obligation be funded through a request to the Interim Finance Committee.