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April 17, 2003

Assemblyman David Parks, Chairman
Assembly Taxation Committee
Nevada State Legislature
Legislative Building
Carson City, NV 89701

Re: Senate Bill 465 - Makes certain changes to basic governmental services tax distribution.

AN ACT relating to education; making certain changes to the method of calculating the amount of the basic governmental services tax to be distributed to a county school district; and providing other matters properly relating thereto.

Chairman Parks and distinguished members of the Assembly Taxation Committee:

Assembly Bill 501, passed by the 2001 Legislature, changed the apportionment factors used in distributing the basic government services tax (formerly motor vehicle privilege tax) to school districts, cities and counties. Prior to the passage of this bill, property tax rates enacted pursuant to NRS 387.3285, were not included in this formula. AB501 included this rate to the apportionment formula. This change created additional dollars for school capital projects at the expense of the school's general operating budgets. Additionally, the general operating funds of the county and all other incorporated cities and towns were also negatively impacted.

The pay-as-you-go tax rate established by NRS 387.3285 was intended as a capital related property tax, this is substantially different from a debt rate. Historically, the debt rates are relatively low, while to establish a capital rate under pay-as-you-go tax requires a significantly higher rate to ensure the success of the capital project plan. Elko County taxpayers have approved a capital related property tax pursuant to NRS 387.3285 since Fiscal Year 1986-1987 under the belief that it was fiscally prudent to pay for improvements as the school district grew rather than the issuance of 30 year bonded indebtedness. It should be noted that Elko County School District is the only District to have successfully received a voter approved capital project rate under NRS 387.3285. It should be noted that the School District lost operating revenues of approximately \$214,000. These dollars were shifted to capital. With the current pay as you go tax rate of .75 cents the School District has sufficient capital dollars for their infrastructure needs.

Senate Bill 465 is intended to restore the language prior passage of Senate Bill 501. The attached schedule identifies the impacts to the School District and other local governments.

This bill was presented to the Legislative Committee for Local Government Taxes and Finance and received their approval for submission during this legislative session.

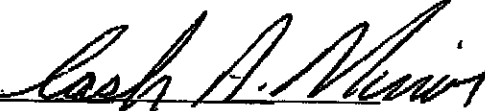
ASSEMBLY COMMITTEE ON TAXATION ^{2 pages}
DATE: 04/17/03 ROOM: 3142 EXHIBIT E
SUBMITTED BY: Stephanie Licht

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We appreciate your careful consideration of SB465 and encourage your support and passage of this bill. Should you have any questions do not hesitate to contact us.

Respectfully submitted,

John Ellison, Chairman
Board of Elko County Commissioners

By: 

Cash A. Minor
Chief Financial Officer
Elko County

Attachment: Fiscal Impacts