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Boulder City Library District

Duncan R. McCoy, Director, Boulder City Library District
Testimony before the Senate Committee on Taxation on SB-308
April 1, 2003

Mr. Chairman, ladies and gentlemen of the Senate Committee on Taxation, my name is Duncan McCoy. I am Director of Boulder City Library District, not the largest but one of the many local government entities which would be adversely affected by the passage of SB-308. I've held my present position at Boulder City Library District for the past 14 years and have been a public library director continuously since 1978.

The bill summary for SB-308 simply states: "Revises manner in which revenue from property taxes is distributed." I and many of my colleagues in local government find this summary a concise but sublime understatement.

The principal effect of SB-308 would be to require that 50% of local government's future property tax revenue, such as may be attributable to growth in ad valorem assessed valuation after June 30, 2003, be rebated to the State of Nevada. I have drafted a long version of this testimony and a short one. This is the short version.

I calculated the effects of SB-308 on projected ad valorem revenues for Boulder City Library District for the 20 years subsequent to the base year in the bill. The amount to be rebated to the State, in accordance with SB-308, starts very small at about \$6,595 for the first year of the rebate (1.92 % of total projected ad valorem revenue) and grows to a much larger amount of about \$182,286 at year 20 or 26.22% of total projected ad valorem revenue. This assumes a steady growth of 3.99% in the value of the tax base and a stable operating levy at next year's level of .0855/\$100 of assessed valuation. Under this scenario, over 20 years, Boulder City Library District would rebate to the State a total of \$1,610,959.

From the perspective of the budget of the State of Nevada or the Clark County School District, \$1,610,959 might seem to be a trivial amount. Please consider, however, that this library district, like many other local governments, adjusts to revenue "hits" by reducing elective expenditures - that is, by reducing expenditures outside fixed costs of operation. For a library district, that mainly means reducing expenditures on library materials (books, magazines, audio-visual and digital information resources) and equipment (computers, shelving, furniture). The projected property tax rebates described in SB-308 start very small and grow very large over time.

By establishing a "base year," in this case 2002/2003 with a CPI adjustment, the expectation is that the State will receive a rebate not only on ad valorem valuation growth from one year to the next, but on the same years over and over and over. The language of SB-308 allows ad valorem valuation growth to compound like a savings account. This compounding effect allows an initial, fairly insignificant, rebate to grow very large over a fairly short period of time.

There is no language in SB-308 to allow local governments to compensate for the loss of ad valorem revenues lost to these rebates. The lack of such provisions will serve to cripple not only local governments' operating budgets, but also any voter-approved operating levy overrides a local government might have and future voter-approved debt service levies to retire general obligation bonds.

When economic times get tight, governments tend to respond in one of two ways. Most local governments - counties, municipalities, and special districts "hunker down" when times get tough. They become circumspect in their decisions to expand programs, to increase elective spending, and to replace worn equipment. And that is how most of Nevada's local governments are presently responding to current economic realities. We are not asking for additional revenues,

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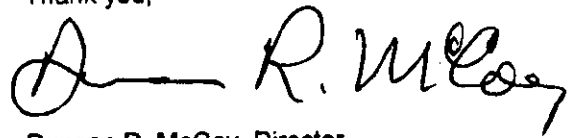
EXHIBIT V Committee on Taxation

Date: 4/1/03 Page 1 of 3

we are "hunkering down." The other way governments sometimes respond to tough times is to hit the public relations trail, describing to the public the dire consequences of not getting more money, and working to either increase their revenues through new taxation or through redirection of revenues other government entities are now receiving. The second described response to tough times is the motivation behind SB-308.

All of us in local government are facing tough times right now and all of us have our jobs to do. SB-308 begins with a fairly insignificant contribution from all local governments (except public school districts) to the State to accomplish, I presume, an assistance to State and school district revenues. The effects of SB-308 loom larger and larger as time goes by and will, I am confident, create very serious problems for local government funding, just a little farther down the line.

Thank you,



Duncan R. McCoy, Director
Boulder City Library District
April 1, 2003

BOULDER CITY LIBRARY DISTRICT
 SB308 ANALYSIS
 March 31, 2003

AV Growth Factor =
 Levy =

1.03988
 0.0855

YR	FISCAL YEAR	FY03 AV W/CPI BASE AV	GROWTH AV	LEVY	PROJECTED TOTAL AV REVENUE	SB308 STATE 50% REBATE	LEFT TO OPERATE LIBRARY DIST	% AV REVENUE REBATED TO STATE
1	FY 0304	386,850,934	0	0.0855	330,758	0	330,758	0.00
2	FY 0405	402,278,549	15,427,615	0.0855	343,948	6,595	337,353	1.92
3	FY 0506	418,321,418	31,470,484	0.0855	357,665	13,454	344,211	3.76
4	FY 0607	435,004,076	48,153,142	0.0855	371,928	20,585	351,343	5.53
5	FY 0708	452,352,038	65,501,104	0.0855	386,761	28,002	358,759	7.24
6	FY 0809	470,391,838	83,540,904	0.0855	402,185	35,714	366,471	8.88
7	FY 0910	489,151,064	102,300,130	0.0855	418,224	43,733	374,491	10.46
8	FY 1011	508,658,409	121,807,475	0.0855	434,903	52,073	382,830	11.97
9	FY 1112	528,943,706	142,092,772	0.0855	452,247	60,745	391,502	13.43
10	FY 1213	550,037,981	163,187,047	0.0855	470,282	69,762	400,520	14.83
11	FY 1314	571,973,496	185,122,562	0.0855	489,037	79,140	409,897	16.18
12	FY 1415	594,783,799	207,932,865	0.0855	508,540	88,891	419,649	17.48
13	FY 1516	618,503,777	231,652,843	0.0855	528,821	99,032	429,789	18.73
14	FY 1617	643,169,707	256,318,773	0.0855	549,910	109,576	440,334	19.93
15	FY 1718	668,819,315	281,968,381	0.0855	571,841	120,541	451,299	21.08
16	FY 1819	695,491,829	308,640,895	0.0855	594,646	131,944	462,702	22.19
17	FY 1920	723,228,044	336,377,110	0.0855	618,360	143,801	474,559	23.26
18	FY 2021	752,070,378	365,219,444	0.0855	643,020	156,131	486,889	24.28
19	FY 2122	782,062,945	395,212,011	0.0855	668,664	168,953	499,711	25.27
20	FY 2223	813,251,615	426,400,681	0.0855	695,330	182,286	513,044	26.22

1,610,959

TOTAL TO BE REBATED TO STATE IN 20 YEARS: