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Superintendent's Oral Testimony, Senate Bill 442

Hearing Scheduled April 3, 2003

Senate Taxation Committee

Good afternoon, Chairman McGinness, members of the Committee, and staff . . .

For the record, I am James L. Hager, Superintendent of the Washoe County School District. My remarks will focus upon the background for SB 442 and establish a context for why the Washoe County School District has brought forward this proposal.

How did this begin? The involvement of the Washoe County School District with this issue began when Sierra Pacific Power Company sold its water division to Reno, Sparks, and Washoe County to form the Truckee Meadows Water Authority (TMWA). This happened in spring of 2001.

What has been the impact? As a result, the property owned by TMWA became tax exempt causing a loss in revenues from property taxes and franchise fees paid to the Washoe County School District. The total loss for fiscal year 2001-2002 was approximately \$524,000. In future years, the loss was mitigated by the Nevada Plan formula and has been reduced to approximately \$277,000 for 2002-2003. The chart shown below projects future losses.

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
General Fund Property Taxes	\$288,032	\$27,478	\$29,127	\$30,875	\$32,728	\$34,692
Debt Service Fund	223,800	237,228	251,462	266,550	282,543	299,496
General Fund Franchise Fees	12,000	12,720	13,483	14,292	15,150	16,059
Total Lost Revenues	\$523,832	\$277,426	\$294,072	\$311,717	\$330,421	\$350,247

The school district has been in negotiation with TMWA regarding these losses.

Why are we here? We are here because we need to reach a final interlocal agreement with TMWA on these issues. Because we have not been

able to reach a finalized local agreement, the Board of Trustees sought to ensure that revenues were recovered by bringing forth this bill. It should be noted that since the bill was brought forward in August 2002, there have been very active and on-going discussions with TMWA that have resulted in significant progress toward an interlocal agreement.

We seek to partner with TMWA on water conservation measures, developing well sites, and xeriscaping where appropriate at school sites. Because we are TMWA's largest customer, we are most concerned with this partnership.

Another bill has emerged during this Session that also addresses this issue. Assembly Bill 361 is very much like our bill with two exceptions:

1. The language of SB 442 names school districts as one of the several local governments affected by the proposals of the bill. The language of AB 361 does not name school districts.
2. The language of SB 442 refers to entities in existence as of January 1, 2001, which includes TMWA. The language of AB 361 refers to entities that will come into existence after July 1, 2003.

Our goal with this legislation is to codify a process by which interlocal government agreements must be reached to mitigate lost revenue for school districts when taxable property is purchased by governmental units and becomes tax exempt. Such an entity gets the benefit of not paying the property taxes yet they continue to collect fees from us for which we get no relief.

Why is this important? We emphasize the importance of having such a process to protect such interests and strongly encourage you to amend NRS 360 with the language contained in SB 442, so that this process is incorporated in Nevada law and will afford other affected local governments a process by which they can pursue the recovery of lost revenue.