

SENATE BILL NO. 432—SENATORS HORSFORD, CARE, SCHNEIDER, WIENER, LEE; BREEDEN, CARLTON, COFFIN, COPENING, MATHEWS, PARKS AND WOODHOUSE

MAY 20, 2009

Referred to Committee on Finance

SUMMARY—Provides for the creation of the Nevada Stabilization and Advancement Commission to address the economic, fiscal and long-term needs of the State of Nevada. (BDR S-1321)

FISCAL NOTE: Effect on Local Government: No. Effect on the State: Contains Appropriation not included in Executive Budget.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to governmental financial administration; providing for the creation of the Nevada Stabilization and Advancement Commission to address the economic, fiscal and long-term needs of the State of Nevada; creating additional entities to assist the Commission in its activities; making appropriations; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Section 2 of this bill creates the Nevada Stabilization and Advancement
2 Commission to oversee and direct the process to develop state revenue strategies
3 for the State of Nevada, with the assistance of a consultant, during the interim. The
4 Commission is required to ensure that the State is prepared to realign the collection
5 and distribution of state and local revenues, to implement the imposition of a net
6 profits tax, a business transaction tax or any alternative tax, and to redistribute,
7 realign or change the allocation of public revenues. The Commission is also
8 required to collaborate with the Department of Taxation regarding the status of its
9 computer hardware and software used to collect tax revenues to ensure readiness
10 for any modifications to the revenue system. Finally, the Commission is required to
11 submit a report of its findings and recommendations to the Governor and the
12 Legislature by August 1, 2010. Section 3 of this bill creates the Technical Advisory
13 Committee on State Revenue to assist the Commission with analyzing any
14 modification of the State’s existing revenue system and preparing a plan for
15 implementation of any such modification. Sections 4 and 6 of this bill create the
16 Advancement Stakeholder Group to assist the Commission by developing, under



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17 the guidance of a facilitator, a visioning process to address the economic, fiscal and
18 long-term needs of the State and by proposing strategies and recommendations for
19 advancement of the State in the nationwide rankings in key quality-of-life areas.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** The Legislature hereby finds and declares that:
2 1. A prolonged recession has underscored the need of the State
3 of Nevada to broaden and diversify its revenue base and reduce its
4 dependence on sales taxes and gaming taxes to support essential
5 state services.
6 2. It is critical to Nevada’s economic future to provide
7 adequate funding for K-12 education and higher education, because
8 significant new economic development will not occur without an
9 educated workforce to attract and retain companies.
10 3. Nevada currently ranks poorly when compared to other
11 states in many of the areas that specifically contribute to whether the
12 citizens of this State enjoy a good quality of life, including
13 education, health and human services and public safety, such as:
14 (a) In K-12 education:
15 (1) Nevada ranks 47th in per pupil investment, ranks 47th in
16 student-to-teacher ratios and ranks 44th and 45th, respectively, in
17 proficiency among 4th graders in math and reading.
18 (2) Nevada ranks 46th in the percentage of high school
19 students who successfully complete high school.
20 (b) In higher education, Nevada ranks 49th in per capita state
21 and local spending, ranks 41st in the percentage of enrolled persons
22 18-24 years of age and ranks 45th in the percentage of residents
23 with at least a bachelor’s degree.
24 (c) In public safety, Nevada ranks 2nd in the percentage of the
25 male population in prison, ranks 5th in the percentage of females in
26 prison and ranks 4th in the percentage of violent crime per 100,000
27 residents.
28 (d) In public health, Nevada ranks 46th in the number of
29 physicians to the population, ranks 49th in the number of registered
30 nurses to the population and ranks 42nd in the number of dentists to
31 the population.
32 (e) Nevada ranks 3rd in the percentage of children without
33 health insurance, ranks 1st for the rate of women who fail to receive
34 prenatal care and ranks 50th in the number of eligible children who
35 are covered by Medicaid, who are immunized and who receive
36 preventative dental and medical care.
37 4. Although the Nevada Constitution states that “taxes may be
38 levied upon the income or revenue of any business in whatever form



1 it may be conducted for profit in the State,” Nevada is one of only
2 five states in the nation without a corporate income tax, and is
3 surrounded by states that impose a corporate income tax.

4 5. A corporate net profits tax or any alternative tax, such as a
5 business transaction tax or any other alternative for the generation of
6 revenue should be evaluated for viability and implemented only
7 after determining the manner in which such a tax can be most
8 effectively levied.

9 6. Diversification of the State’s revenue base will provide a
10 stable and fair allocation formula for the citizens of Nevada.

11 **Sec. 2.** 1. The Nevada Stabilization and Advancement
12 Commission is hereby created to oversee and direct the process to
13 develop state revenue strategies for the State of Nevada.

14 2. The Commission consists of:

15 (a) Two members appointed by the Majority Leader of the
16 Senate;

17 (b) Two members appointed by the Speaker of the Assembly;

18 (c) One member appointed by the Minority Leader of the
19 Senate;

20 (d) One member appointed by the Minority Leader of the
21 Assembly; and

22 (e) One member appointed by the Governor.

23 3. The members of the Commission shall elect a Chairman and
24 Vice Chairman by majority vote.

25 4. The Commission shall ensure that this State is prepared to
26 do the following on or before July 1, 2011, should the 2011 Nevada
27 Legislature determine that it is in the best interests of the State of
28 Nevada to:

29 (a) Realign the collection and distribution of revenues between
30 the state and local governments;

31 (b) Realign the collection and distribution of state and local
32 revenues between large and small counties;

33 (c) Implement the imposition of a net profits tax or any
34 alternative business tax;

35 (d) Implement the imposition of a business transaction tax or
36 any alternative business tax;

37 (e) Redistribute, realign or otherwise change the allocation of
38 public revenues between capital and operating expenditures; and

39 (f) Undertake any other analyses that it determines appropriate
40 to improve the stability, equity, transparency and competitiveness of
41 the State’s revenue system.

42 5. The Commission shall collaborate with the Department of
43 Taxation regarding the status of the computer software and
44 hardware currently utilized to collect revenues from the taxes
45 imposed in this State. Upon recommendation of the Commission,



1 the Executive Director of the Department of Taxation may request
2 an allocation from the Contingency Fund pursuant to NRS 353.266,
3 353.268 and 353.269 to acquire a technologically sound computer
4 system necessary for the collection of taxes in this State.

5 6. The Commission shall direct the activities of the Technical
6 Advisory Committee on State Revenues created pursuant to section
7 3 of this act, the Advancement Stakeholder Group created pursuant
8 to section 4 of this act and the consultant with whom a contract is
9 entered into pursuant to section 5 of this act and may request such
10 assistance as it deems necessary from those entities.

11 7. The Commission is subject to the provisions of chapter 241
12 of NRS and shall hold public hearings designed to ensure that each
13 revenue alternative is fully analyzed, that the revenue alternatives
14 are efficiently constructed and that the recommendations consider
15 the unique economic and fiscal structure of the State of Nevada.

16 8. On or before August 1, 2010, the Commission shall submit a
17 final report that summarizes its findings and recommendations and
18 the activities of the Technical Advisory Committee on State
19 Revenues, the Advancement Stakeholder Group and the consultant
20 to the Governor and the 76th Session of the Nevada Legislature. The
21 report:

22 (a) Must include:

23 (1) A summary analysis illustrating the manner in which
24 each revenue-generating alternative recommended by the
25 Commission would impact the State, local governments, the
26 different regions of the State and various types of businesses,
27 including, without limitation, large and small businesses, capital-
28 intensive and labor-intensive businesses and high-margin and low-
29 margin businesses.

30 (2) A summary of any upgrades to software that have been
31 made by the Department of Taxation, which provides in detail any
32 additional work that is necessary to ensure that the necessary
33 administrative infrastructure is in place to:

34 (I) Appropriately reallocate state and local revenues as
35 recommended by the Commission;

36 (II) Impose a net profits tax;

37 (III) Impose a business transaction tax; and

38 (IV) Impose any other alternatives for generating revenue
39 deemed appropriate by the Commission on or before July 1, 2011.

40 (b) May include, without limitation, recommendations for
41 legislation and regulations, including, without limitation, legislation
42 and regulations relating to:

43 (1) Any proposed realignment of collections or distribution
44 of state or local government revenue;



1 (2) The imposition of a net profits tax or a business
2 transaction tax; and

3 (3) Any other revenue-generating alternatives deemed
4 appropriate by the Commission.

5 9. In addition to the summary of findings, the Commission may
6 submit to the Governor and the Legislature on or before
7 November 15, 2010:

8 (a) One or more bill drafts setting forth any proposed
9 realignment of collections or distribution of state or local
10 government revenues, or both;

11 (b) Bill drafts which impose a net profits tax, a business
12 transaction tax and any other revenue-generating alternatives
13 deemed appropriate by the Commission;

14 (c) Draft regulations for any proposed realignment of collections
15 or distributions of state or local government revenues, or both; and

16 (d) Draft regulations for the implementation of a net profits tax,
17 a business transaction tax and any other revenue generating
18 alternatives deemed appropriate by the Commission.

19 **Sec. 3.** 1. The Technical Advisory Committee on State
20 Revenues, consisting of six members, is hereby created.

21 2. The members of the Committee are the persons serving in
22 the following positions or their designees:

23 (a) The Senate Fiscal Analyst;

24 (b) The Assembly Fiscal Analyst;

25 (c) The Chief of the Budget Division of the Department of
26 Administration;

27 (d) The Director of the Department of Taxation;

28 (e) The Vice Chancellor for Finance of the Nevada System of
29 Higher Education; and

30 (f) The Chairman of the Committee on Local Government
31 Finance.

32 3. The Committee shall:

33 (a) At the direction of the Nevada Stabilization and
34 Advancement Commission, analyze any modification of the State's
35 existing revenue system, including, without limitation, any upgrade
36 or replacement of equipment or software required for such a
37 modification, and prepare a plan for implementation of the
38 modification on or before July 1, 2011; and

39 (b) Provide all assistance requested by the Nevada Stabilization
40 and Advancement Commission pursuant to section 2 of this act.

41 **Sec. 4.** 1. There is hereby created the Advancement
42 Stakeholder Group consisting of members appointed by the Nevada
43 Stabilization and Advancement Commission created by section 2 of
44 this act from a list of names submitted by representatives of the



1 sectors of the State's economy, including, without limitation,
2 business, taxpayers and community-based interests.

3 2. The Chair of the Nevada Stabilization and Advancement
4 Commission serves as the Chair of the Advancement Stakeholder
5 Group.

6 3. Under the guidance of the facilitator who is awarded a
7 contract pursuant to section 6 of this act, the Group shall:

8 (a) Develop a visioning process for the State of Nevada for a
9 5-year period, 10-year period and 20-year period;

10 (b) Using current statistical information, propose strategies and
11 recommendations to advance the State of Nevada in the nationwide
12 rankings in key quality-of-life areas, including education, health and
13 human services, public safety, economic diversification and creation
14 of jobs; and

15 (c) Provide all assistance requested by the Nevada Stabilization
16 and Advancement Commission pursuant to section 2 of this act.

17 **Sec. 5.** 1. There is hereby appropriated from the State
18 General Fund to the Legislative Fund created by NRS 218.085 the
19 sum of \$500,000 for use by the Nevada Stabilization and
20 Advancement Commission created by section 2 of this act to
21 contract with a qualified, independent consultant through a process
22 of competitive bidding to conduct an evaluation of the State's
23 existing revenue system and to consider and analyze alternatives to
24 that system.

25 2. At the direction of the Nevada Stabilization and
26 Advancement Commission, the consultant shall evaluate best
27 practices, outline and analyze alternatives for the State of Nevada
28 and provide technical expertise to the Commission concerning the
29 design and implementation of alternatives to the existing revenue
30 system.

31 3. Any remaining balance of the appropriation made by
32 subsection 1 must not be committed for expenditure after June 30,
33 2011, by the entity to which the appropriation is made or any entity
34 to which money from the appropriation is granted or otherwise
35 transferred in any manner, and any portion of the appropriated
36 money remaining must not be spent for any purpose after
37 September 16, 2011, by either the entity to which the money was
38 appropriated or the entity to which the money was subsequently
39 granted or transferred, and must be reverted to the State General
40 Fund on or before September 16, 2011.

41 **Sec. 6.** 1. There is hereby appropriated from the State
42 General Fund to the Legislative Fund created by NRS 218.085 the
43 sum of \$50,000 for use by the Nevada Stabilization and
44 Advancement Commission to contract with a facilitator to assist the
45 Advancement Stakeholder Group created by section 4 of this act in



1 developing a visioning process to address the economic, fiscal and
2 long-term needs of the State of Nevada.

3 2. The facilitator shall prepare a report of the activities of the
4 Advancement Stakeholder Group for submission on or before
5 August 1, 2010, to the Nevada Stabilization and Advancement
6 Commission created by section 2 of this act for inclusion in its
7 report.

8 3. Any remaining balance of the appropriation made by
9 subsection 1 must not be committed for expenditure after June 30,
10 2011, by the entity to which the appropriation is made or any entity
11 to which money from the appropriation is granted or otherwise
12 transferred in any manner, and any portion of the appropriated
13 money remaining must not be spent for any purpose after
14 September 16, 2011, by either the entity to which the money was
15 appropriated or the entity to which the money was subsequently
16 granted or transferred, and must be reverted to the State General
17 Fund on or before September 16, 2011.

