

**MINUTES OF THE
NEVADA LEGISLATURE'S
INTERIM FINANCE COMMITTEE'S SUBCOMMITTEE TO CONDUCT A REVIEW OF
NEVADA'S REVENUE STRUCTURE
S.C.R. 37, 2009 SESSION**

August 24, 2009

A meeting of the Nevada Legislature's Interim Finance Committee's Subcommittee to conduct a Review of Nevada's Revenue Structure (S.C.R. 37, 2009 Session) was called to order by Chairman Steven Horsford on August 24, 2009, at 9:46 a.m. in room 4401 of the Grant Sawyer State Office Building in Las Vegas and videoconferenced to the Great Basin College High Tech Center, room 121, 1290 Burns Road, Elko, Nevada and the Nevada System of Higher Education System Administration Office, Chancellor's Office Conference Room, 2601 Enterprise Road, Reno, Nevada.

COMMITTEE MEMBERS PRESENT IN ELKO:

Senator Dean A. Rhoads

COMMITTEE MEMBERS PRESENT IN RENO:

Senator Bernice Mathews

Senator William J. Raggio

Senator Randolph J. Townsend

Assemblyman Bernie Anderson

Assemblyman James Settlemeyer

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Steven Horsford, Chairman

Senator David R. Parks

Senator Mike Schneider

Senator Valerie Wiener

Assemblyman Marcus Conklin

Assemblyman Pete Goicoechea

Assemblywoman Marilyn Kirkpatrick

Assemblywoman Kathy McClain

Assemblyman John Ocegüera

Assemblyman Lynn D. Stewart

COMMITTEE MEMBERS ABSENT:

None

OTHER LEGISLATORS PRESENT:

Assemblywoman Debbie Smith

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division
Gary Ghiggeri, Senate Fiscal Analyst, Fiscal Analysis Division
Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division
Michael Nakamoto, Deputy Fiscal Analyst, Fiscal Analysis Division
Joe Reel, Deputy Fiscal Analyst, Fiscal Analysis Division
Brenda Erdoes, Legislative Counsel
Becky Lowe, Secretary, Fiscal Analysis Division

EXHIBITS:

[Exhibit A:](#) Agenda and Meeting Packet
[Exhibit B:](#) Attendance Record
[Exhibit C:](#) Fiscal Affairs of State and Local Governments in Nevada, Executive Summary, prepared by The Urban Institute and Price Waterhouse (1988)
[Exhibit D:](#) Analysis of Fiscal Policy in Nevada, Executive Summary, prepared by the Governor's Task Force on Tax Policy in Nevada (2002)

I. ROLL CALL.

The meeting of the Nevada Legislature's Interim Finance Committee's Subcommittee to Conduct a Review of Nevada's Revenue Structure was called to order by Chairman Steven Horsford at 9:46 a.m. The secretary called roll and all members were present.

II. OPENING REMARKS AND INTRODUCTION OF SUBCOMMITTEE MEMBERS AND STAFF.

Chairman Steven Horsford noted there was a quorum. He thanked the members for attending the meeting and Legislative Counsel Bureau staff for their assistance in preparing for the meeting.

Chairman Horsford said the Subcommittee would meet until about 11:30 a.m. due to previous commitments of Subcommittee members. There would be an overview of the objectives of S.C.R. 37 by staff. The primary objective for the meeting was Agenda Item V (Discussion and Adoption of Request for Proposal to Conduct a Study of Nevada's Public Revenue Structure and Quality-of-Life Areas). Due to the timeline to which the Subcommittee must adhere, and the fact that input was needed from all members, the majority of the meeting would probably be spent discussing that item.

Regarding the Nevada Vision Stakeholder Group, Chairman Horsford intended to discuss with the Subcommittee the size, categories of representation, and the mechanism to receive nominations in order that the Subcommittee could make appointments to the group at its next meeting. The Subcommittee would also review the Technical Working Group outlined in the resolution.

Chairman Horsford said the Subcommittee's focus was to develop a strategic plan for the next legislative session that would offer specific recommendations in two areas: revenue structure and quality-of-life. The revenue structure has been covered in previous studies and it would be appropriate to review those recommendations, in addition to the ideas brought forward by the current study. The other objective was to develop a visioning process for Nevada for the next 5, 10 and 20 years based on key quality-of-life indicators in education, health care, and infrastructure. These are quality-of-life areas which Nevadans expected and deserved. The consultant would work with the Nevada Vision Stakeholder Group to study and evaluate where Nevada stood in regard to quality-of-life indicators and how to move forward in those quality-of-life indicators to a more respectable standing for the state of Nevada and its citizens.

Chairman Horsford asked for any remarks from the Subcommittee. There being none, the Chairman moved to the next agenda item.

III. ELECTION OF VICE-CHAIR.

Chairman Horsford asked for nominations for Vice-Chair.

ASSEMBLYMAN OCEGUERA MOVED TO NOMINATE ASSEMBLYMAN CONKLIN TO BE VICE-CHAIR OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S SUBCOMMITTEE TO CONDUCT A REVIEW OF NEVADA'S REVENUE STRUCTURE. THE MOTION WAS SECONDED BY ASSEMBLYWOMAN KIRKPATRICK AND CARRIED UNANIMOUSLY.

IV. OVERVIEW OF SENATE CONCURRENT RESOLUTION 37.

Russell Guindon, Senior Deputy Fiscal Analyst, Fiscal Analysis Division, said the membership of the Nevada Legislature's Interim Finance Committee's Subcommittee to conduct a Review of Nevada's Revenue Structure was appointed by the Interim Finance Committee (IFC) at its August 3, 2009, meeting, as directed in S.C.R. 37 (2009 Session).

Mr. Guindon said the Subcommittee was directed by S.C.R. 37 to carry out the following tasks (page 3, [Exhibit A](#)):

1. Review proposals for broad-based taxes which are fair and equitable.
2. Examine strategies for mitigating tax burdens on both businesses and consumers, including reductions, if possible, in existing taxes, both state and local.
3. Consider the public's willingness to having existing taxes be decreased as other tax revenues become available.
4. Using current statistical information, propose strategies and recommendations to advance the state of Nevada in nationwide rankings in key quality-of-life areas,

including education, health and human services, public safety, economic diversification, job creation, transit and energy use.

5. Develop a quality-of-life vision for the state of Nevada for a 5-year period, a 10-year period and a 20-year period.

Mr. Guindon said there may be other matters for the Subcommittee to address in the process, as determined by the Subcommittee. As noted by the Chairman, the Subcommittee shall appoint a Nevada Vision Stakeholder Group selected from a list of names submitted by the community of statewide groups involved in the quality-of-life areas previously listed. The Nevada Vision Stakeholder Group would assist in developing 5-year, 10-year and 20-year strategic plans for improving the quality-of-life of the state's residents.

In addition, Mr. Guindon said S.C.R. 37 directs the IFC to retain the services of a qualified, independent consultant to review Nevada's public revenue structure and make recommendations to the IFC (page 4 and 5 of [Exhibit A](#)). Mr. Guindon said he would present details of the consultant's charge in Agenda Item V (Discussion and Adoption of Request for Proposal to Conduct a Study of Nevada's Public Revenue Structure and Quality-of-Life Areas). He noted that at its August 3, 2009, meeting, the IFC gave authority to the Subcommittee to develop and recommend the request for proposal (RFP) that would be released to solicit bids.

Mr. Guindon said the consultant was required to deliver a report of findings regarding the revenue and quality-of-life parts of the study on or before July 1, 2010, to the IFC and the Subcommittee for review and discussion. The IFC would hold at least two public meetings to evaluate the findings of the consultant's report.

Mr. Guindon said, as noted by the Chairman, this Subcommittee was also required to create a Technical Working Group. That was not an action item for the Subcommittee's consideration because the appointments were specified in the resolution. The Subcommittee would direct the Technical Working Group to conduct the activities specified on page 6 ([Exhibit A](#)) to implement the recommendations of the Subcommittee or the consultant with regard to the tax study.

Mr. Guindon said the IFC shall, on or before October 1, 2010, submit a report of the results of its review and any recommendations for legislation to the Governor and the Director of the Legislative Counsel Bureau for transmittal to the 76th Session of the Nevada Legislature.

In conclusion, Mr. Guindon reiterated that the key dates in the RFP were the consultant shall deliver its report on or before July 1, 2010, and the IFC, and its Subcommittee, would review that report, and make recommendations on or before October 1, 2010. He noted the timeline was fairly tight with regard to approving the RFP, releasing the RFP to solicit bids, and selecting a consultant so that the work of the study could commence.

Senator Valerie Wiener recalled one particular RFP where only one vendor responded. It was fortunate that the vendor was qualified. She asked, based on the scope, what if no vendor was willing to take on this huge task?

Mr. Guindon replied that the Subcommittee would have to redevelop the RFP if that was the reason there were no bids. He hoped that would not occur because it would upset the timeline with regard to being able to get a consultant online to complete the study on or before July 1, 2010. It was staff's intent for the Subcommittee to discuss how it wanted the RFP to be distributed to solicit bids, and whether it should be sent to specific entities identified by staff and posted nationally. For example, the RFP may be sent to groups that responded to the RFP for the study that was performed by Price Waterhouse Cooper in 1987.

Senator Wiener said she sensed staff was familiar with those entities that would be involved in the financial part of the study. However, for the quality-of-life piece, she was concerned that the RFP might not be distributed broadly enough. Because of the two-pronged approach the study would require, it would be necessary to reach as many qualified vendors as possible. She knew that subcontractors were permitted as part of the process.

Assemblyman Marcus Conklin agreed and said the RFP asked for two sets of questions to be studied: quality-of-life and the stabilization of Nevada's revenue structure. The skills required to study the two areas were very different. It might be prudent to include language in the bid that subcontractors or a joint partnership was expected, as that would make it apparent that varying skill-sets were required to answer some of the questions required of the study.

Chairman Horsford said unless the Subcommittee members had specific questions about the resolution, he would like to allow Mr. Guindon to present the RFP. Some of the questions that arose may be addressed in the RFP. He asked if there were any questions about the scope, directive and objectives outlined in S.C.R. 37. Hearing none, the Chairman moved to the next agenda item.

V. DISCUSSION AND ADOPTION OF REQUEST FOR PROPOSAL TO CONDUCT A STUDY OF NEVADA'S PUBLIC REVENUE STRUCTURE AND QUALITY-OF-LIFE AREAS.

Chairman Horsford asked Mr. Guindon to present the RFP to the Subcommittee, paying particular attention to the deliverables, as well as the scope. The Subcommittee would then present its questions, concerns and changes to the RFP.

Mr. Guindon referred to page 7 of [Exhibit A](#), which began with a memorandum to prospective vendors. Fiscal staff hoped to have the RFP posted for solicitation by September 1, 2009. The prospective vendors would be given until October 1, 2009, to submit bids. Given the number and types of bids expected, there would be time for staff to review and the Subcommittee to evaluate the bids in the hope that a contractor could

be selected by December 1, 2009, if not before. The goal was to meet the July 1, 2010, due date for the report to be prepared by the consultant.

Mr. Guindon said the normal process would be to release the RFP and allow prospective vendors to submit questions to Legislative Counsel Bureau staff. Responses to the questions would be drafted by Legislative Counsel Bureau staff, and those questions and responses would be posted on the Legislative Counsel Bureau website, as well mailed to the prospective vendors so that all who responded to the RFP would be working from the same information set. The intent had been to have the questions to Fiscal staff by September 10, 2009, and for staff to post and mail answers to the questions by September 15, 2009. He would ask the Subcommittee to revisit those dates later in the meeting, but proceeded with the rest of the RFP at this time.

Mr. Guindon said the first section of the RFP brought forward the provisions of S.C.R. 37, including, the purpose of the study, the names of the various bodies tasked to do the study, and the vendor's responsibilities with regard to interacting with those bodies concerning goals and assigned tasks. The consultant may be required to make an oral presentation to the IFC, if so directed.

Mr. Guindon said Section II (Scope of Work) was probably the most important part of the RFP. Legislative Counsel Bureau staff reviewed S.C.R. 37 to capture what would be required of the consultant. He said there was some redundancy in the language across items a. through f. so that each item could be viewed individually as a requirement to be performed to satisfy the scope of the study.

Mr. Guindon said Section II.1.a (page 5, [Exhibit A](#)) would require an analysis of the different types of taxes that may be utilized in the state. The requirement was broad, stating that the analysis should include, without limitation, transaction taxes (e.g. sales and use, gross receipts, value-added), excise taxes (e.g. cigarettes, liquor, fuel), property taxes, income taxes (e.g. personal, business income) or industry-specific taxes (e.g. gaming, net proceeds on mining). The intent of staff was to be as broad as possible with regard to the type of taxes the vendor could analyze and make recommendations to the Subcommittee as to new taxes or modifications to taxes that existed under current law.

Mr. Guindon noted that two handouts were provide to Subcommittee members and the public: Fiscal Affairs of State and Local Governments in Nevada, Executive Summary, prepared by The Urban Institute and Price Waterhouse (1988) ([Exhibit C](#)) and Analysis of Fiscal Policy in Nevada, Executive Summary, prepared by the Governor's Task Force on Tax Policy in Nevada (2002) ([Exhibit D](#)). He said terminology for the criteria used to evaluate taxes and tax systems that was included in the RFP was taken from these prior studies. Prospective vendors would probably be familiar with the terms, but Fiscal staff would put together a glossary as a reference so that everyone was working from the same information set.

Mr. Guindon said the contractor would be required to perform an analysis with regard to the taxes imposed in other states that could be considered for implementation in Nevada, based on the economic activity in Nevada. It must also include proposals for broad based taxes to be imposed in this state which were fair and equitable. The contractor would perform an analysis of the different taxes that could be considered, which ones were being imposed in Nevada and in other states and which ones made sense for consideration by this body and the Legislature with regard to the criterion used to evaluate various taxes.

Continuing to the presentation of Section II.1.b (page 11, [Exhibit A](#)), Mr. Guindon said the vendor would be required to perform an analysis of the allocation of revenue sources utilized in Nevada by the state and local governments. Again, this includes the type of taxes that could be imposed, including transaction taxes, excise taxes, property taxes, and industry-specific taxes. Mr. Guindon said staff added language in this paragraph to focus on operating funds, or general operating revenue sources. Staff also added that the RFP could include the analysis of the other funds, such as street and highway or transportation funds, and capital projects/debt service funds. Those Subcommittee members who have served on taxation committees knew that there were various revenue sources and some were targeted to specific funds. For example, gas taxes went toward the Highway Fund or property taxes at the state level went to the debt service fund. The paragraph was drafted in such a way as not to reduce the scope with regard to the type of revenue or fund source. Mr. Guindon said this could be one item for consideration by the Subcommittee with regard to restricting the study to general operating or General Fund revenues versus looking at Highway Funds or debt service funds.

Mr. Guindon explained that the RFP would require the vendor's analysis to include recommendations to improve the equity of the allocation of revenues between the state and local governments and the impact of those recommendations, using the criteria of equity, adequacy, simplicity, exportability, and neutrality developed in Section II.1.a.

Mr. Guindon moved on to Section II.1.c. (page 12, [Exhibit A](#)) explaining that the paragraph dealt with the stability of the revenues of state and local government. Many of the provisions of Section II.1.c were the same as Section II.1.a and Section II.1.b with regard to terminology and phrasing as to what types of taxes and funds the vendor must analyze. The vendor would study business cycles under normal economic conditions and the volatility or stability of new and existing revenue sources, and provide recommendations to improve stability or reduce volatility.

Mr. Guindon said Section II.1.d used the same language as the previous paragraphs. However, the vendor would analyze the adequacy of the revenues, or combined revenue structure of the state and local government. The vendor would also recommend changes to improve the adequacy of the revenue source's ability to provide revenue for government services at the state and local level. The vendor would analyze the ability of revenue to keep pace with increased demand for services due to increases in population.

Mr. Guindon said Section II.1.e dealt with the cost of administration and compliance for the taxpayer responsible to collect and remit the tax, in addition to the Department of Taxation, which would most likely administer, collect and distribute the tax.

Mr. Guindon said Section II.1.f (page 12, [Exhibit A](#)) addressed analysis and recommendations as to the use of earmarking at the state and local level. He said there may be a need for a reduction in earmarking, or there may be a use for earmarking based on the fundamental principles of tax policy. There could be recommendations as to types of earmarking the state was not currently using that could provide benefit to the state and local revenue structure.

Regarding the note at the bottom of page 12 ([Exhibit A](#)), Mr. Guindon said staff had concerns regarding the meaning of the concept of local government in regard to the scope of work the contractor would be required to perform in the analysis of this study. The note restricted the term “local government” to counties, cities and school districts. If the term was not restricted, vendors might question whether to include special assessment districts, general improvement districts (GID), towns, and other local government entities.

In addition, Mr. Guindon said for any part of items a. through f. that required an analysis of the allocation between state and local government, the intent was only to look at the relationship between state and local government and not between local governments. The analysis excluded the interaction, allocation or relationship between local governments, as defined as the counties, cities and school districts. This would include interlocal government interactions, for example, county-to-county, or intralocal, for example between cities and counties within a county. The study was broad, so restrictions were placed on this scope of the study to exclude issues at the interlocal and intralocal government level.

Moving on to subsection 2 (page 13, [Exhibit A](#)) Mr. Guindon said the consultant must compile and analyze data on Nevada’s rankings in quality-of-life areas and coordinate with the Nevada Vision Stakeholder Group to develop strategies to advance Nevada’s standing in quality-of-life areas. Certain quality-of-life areas were listed in the RFP, but the analysis was not restricted to the items listed.

Mr. Guindon went on to explain that Section II.2.a required the consultant, or an individual or group subcontracted by the consultant, to attend all meetings of the Nevada Vision Stakeholder Group, which was anticipated to include 6 to 10 meetings. Staff may be able to give prospective vendors a better idea of how many meetings might be involved as the process moved forward. If there were more meetings than anticipated, those issues in the contract could be addressed after the consultant was selected.

Mr. Guindon said Section II.2.b required the consultant or an individual or group subcontracted by the consultant to perform the quality-of-life scope of work must

actively facilitate the conduct of the meetings of the Nevada Vision Stakeholder Group and assist in the development of strategies to advance Nevada's standing in quality-of-life areas to achieve the 5-year, 10-year, and 20-year quality-of-life goals and objectives recommended by the Nevada Vision Stakeholder Group. The RFP was very clear that the contractor or its subcontractor would not only attend the meeting, but must actively work with the Nevada Vision Stakeholder Group to develop strategies and goals. He clarified that Legislative Counsel Bureau staff would assist in the logistical aspects of the meetings such as organizing meetings and distributing meeting material.

Mr. Guindon said Section II.2.c. stated that the consultant or subcontractor must prepare and submit a report of the analysis and findings concerning Nevada's quality-of-life areas, including any strategies and recommendations developed through the facilitation of the Nevada Vision Stakeholder Group.

Mr. Guindon explained that subsection 3 combined subsections 1 and 2 in that the consultant must develop a comprehensive plan to implement the revenue stabilization recommendations developed in subsection 1 that would enable the state and local governments to achieve the quality-of-life goals and objectives developed in coordination with the Nevada Vision Stakeholder Group in subsection 2. This would bring the revenue plan and recommendations together with the quality-of-life goals and objectives.

Section II.4 (page 13, [Exhibit A](#)) clarified that the consultant and subcontractor must work with the Interim Finance Committee, Interim Finance Committee's Subcommittee, Nevada Vision Stakeholder Group, and Legislative Counsel Bureau staff as needed to accomplish the goals set forth with regard to the scope of work in subsections 1 through 3, including attending meetings and providing progress reports on the scope of work. The vendor would be required to submit a timeline so that Legislative Counsel Bureau staff had the ability to gauge the progress of the contractor.

Continuing to the note on page 14 of [Exhibit A](#), Mr. Guindon said staff from Executive Branch agencies and the Legislative Counsel Bureau would assist in gathering historical information and data needed by the vendor to complete the scope of work. The intent would be to not overly burden the Executive Branch or Legislative Counsel Bureau staff, but staff would do what was necessary to move forward with regard to the consultants' requests. Mr. Guindon said Legislative Counsel Bureau staff has good working relationships with the agencies from which it would be requesting data.

Regarding the reporting requirement, Mr. Guindon said the consultant must prepare and deliver the final report on revenue recommendations and quality-of-life areas to the Interim Finance Committee on or before July 1, 2010. The RFP included a requirement that the consultant provide an oral presentation at the request of the Interim Finance Committee. Mr. Guindon said the RFP could also include an oral presentation to the Subcommittee.

Section III (Proposal Preparation and Submission, page 14, [Exhibit A](#)) was standard language regarding the submission of responses to the RFP. Mr. Guindon said Legislative Counsel and the Legislative Counsel Bureau Director reviewed the language with regard to responses to the RFP by prospective vendors.

Mr. Guindon explained that Section IV (Use of Subcontractors, page 15, [Exhibit A](#)) made it clear that the contractor could make use of subcontractors. There was an expectation that more than one firm would be needed to perform the study and there was a desire to explicitly state that subcontractors could be used for any part of the scope of work. Section IV would require prospective vendors to identify prospective subcontractors, including prior experience that would qualify the subcontractor to perform the portion of the scope of work for which it would be utilized, and the cost of the subcontractor to perform the duties.

Senator Bernice Mathews asked Mr. Guindon for his thoughts on requesting a formal oral presentation by the contractor to the Subcommittee. She said she would like to add that as a requirement, rather than upon request.

Mr. Guindon said it would not be a major change to request an oral presentation to the Subcommittee, and when the Subcommittee made comments on that section, that request could be specifically included in the RFP.

Continuing, Mr. Guindon said Section VI (Evaluation of Proposals, page 16, [Exhibit A](#)) made clear to prospective vendors the criteria to be used to evaluate the bids on the RFP, which included a work plan and timeline to be provided by the prospective vendor to determine whether the prospective vendor could meet the scope of work. After the contractor was selected, the Subcommittee and staff would use that work plan and timeline to monitor the progress of the study. The section stated that the use of a subcontractor would be considered in the evaluation of the proposal. In addition, the prospective vendor's response to the RFP must include an itemized cost associated with the specific components of the scope of work. The Subcommittee could decide that certain parts of the study were more important than others, depending on the cost.

Mr. Guindon said the remaining sections were added by Legislative Counsel. Section XVIII (Request for Proposal Application, page 20, [Exhibit A](#)) was instruction for submitting a proposal to the Legislative Counsel Bureau by 5:00 p.m. on October 1, 2009. In addition, questions regarding the RFP would be received by Legislative Counsel Bureau staff until 5:00 p.m. on September 10, 2009.

Mr. Guindon said after reviewing those dates Legislative Counsel Bureau staff considered giving the prospective vendors 10 days to review the RFP before submitting questions to Legislative Counsel Bureau staff. He requested that the deadline for submittal of questions be moved to Friday, September 11, 2009, adding one day. The deadline for staff would then be moved to September 16 or 17. Legislative Counsel Bureau staff did not know whether the questions would flow in over the course of the two-week period, or whether the questions would arrive closer to the deadline. Staff

has anticipated some of the questions, so the turnaround should not be too bad. However, some questions may require consultation with the Chairman.

Chairman Horsford thanked Mr. Guindon for his thorough presentation and he thanked Fiscal and Legal staff for the work in preparing the draft RFP. He asked Brenda Erdoes, Legislative Counsel, to explain the process of requesting funding for the study from the Legislative Commission. He would then ask Subcommittee members attending at the Reno location for questions and comments. He asked Subcommittee members to comment if there was a specific item that needed clarification or change, or was not included in the document. If there was no opposition to the change, the item would be changed or included. If there was opposition, the Subcommittee would decide by vote.

Ms. Erdoes said she understood that in order to expedite the process so the successful bidder could commence work on the study, the Legislative Commission would be asked to approve the request for Contingency Funds after the bids were analyzed by the Subcommittee and a cost was determined. This request would proceed through the requirements of statute for an allocation from the Contingency Fund, which would go to the Board of Examiners and then the IFC for approval.

Senator William Raggio indicated that he supported an objective analysis of the state's revenue system. He suggested the study a couple of years ago, and was involved in the discussions during the 2009 Legislative Session. The language of S.C.R. 37 was worked on rather assiduously. However, he was concerned about the credibility of the study. He hoped the Subcommittee would be bipartisan with equal participation so that credibility could be established early on. He emphasized that whatever the result of the study, it should be performed in a manner that the public knew was objective.

Senator Raggio commented on the language under scope of work on page 11 ([Exhibit A](#)). He asked Subcommittee members to recall that during the 2009 Legislative Session when S.C.R. 37 was being considered, language that suggested there was a goal to create or impose certain specific taxes, for example, net profits taxes, was deleted from the resolution. It was important, if the study was to have credibility, that any language within the RFP not direct the imposition, necessarily, of new taxes. He suggested changing the language in the first sentence of Section II.1.a to, "An analysis of the different types of taxes that are being utilized or may be utilized in this state..." In addition, he suggested the last sentence change from "The analysis must include proposals for new broad based taxes..." to "The analysis must include the advisability of and the impact of any new broad based taxes..." He said the changes would make it clear that new taxes could be considered, but the Subcommittee and study was not mandating that broad new taxes be imposed.

Chairman Horsford said he would like to review the RFP section-by-section. He said if there was no particular objection, those items would be included as recommended changes to the RFP. He asked if there were any other recommendations for changes to Section II.1.a.

Mr. Conklin said language might be included to the paragraph to allow changes to the current tax system to broaden and stabilize those sources.

Assemblyman James Settlemeyer suggested that stability be included as a factor to be considered when evaluating the type of taxes imposed in other states, and how those revenue sources have weathered the current economic storm.

Chairman Horsford noted that focus on the stability of revenue sources was included in Section II.1.c. He asked Mr. Settlemeyer if that answered his question.

Mr. Settlemeyer said he saw stability mentioned in Section II.1.c, but did not know if the consultant would report on the effectiveness of the revenue source in other states in the current economy.

Chairman Horsford said that would be considered when the Subcommittee reviewed that section of the RFP. There was no further comment by the Subcommittee on Section II.1.a.

Chairman Horsford said staff has recommended that stability be included as criteria to be considered under Section II.1.a.

The Subcommittee had no comments on Section II.1.b or Section II.1.c.

Senator Raggio said it would be appropriate to add language to Section II.1.c, because the paragraph addressed the relative stability of local government revenues. There had been issues in the past about the ability of local governments to create restricted funds that could not be invaded for purposes of collective bargaining. He asked for language that would reference the advisability of establishing restricted funds.

Mr. Guindon asked for clarification on the meaning of restricted funds.

Chairman Horsford asked if restricted funds were covered under the topic of earmarking in Section II.1.f.

Senator Raggio said he understood that earmarking was tax revenue that was used for special purposes. There were a number of funds created by local governments, for example, enterprise funds and funds used for capital improvements. There was controversy over whether these funds were available for bargaining purposes. Because the paragraph addressed the stability of local government revenue, the analysis could include the advisability of establishing such restricted funds by local governments.

Chairman Horsford said the funds would be identified, and the consultant would be asked whether there was a belief that the funds ought to be restricted.

Senator Raggio said the consultant would be aware of the type of restricted funds that were utilized by the various local governments, and whether or not the funds should be protected or exempted from consideration of availability of funds.

Chairman Horsford asked for comments on that recommendation. There was no objection, and staff was directed to include that language in the RFP.

Senator David Parks expressed concern that the RFP, which was meant to study the generation of revenues, was being extended to a study the use of those revenues. He did not have a problem studying revenues that were collected, whether through enterprise funds or other methods, but to define how those funds would be used would vastly expand the analysis.

Assemblywoman Marilyn Kirkpatrick said she did not disagree with Senator Raggio. If local government was already getting a certain amount of money to use for these types of services, that would need to be taken into consideration. There might be other entities throughout the state that did not have the ability to raise that kind of revenue. If some local governments already had stable forces in place, the Subcommittee would need to know that was not a priority. Nevada had 17 different counties with 17 different needs. She did not think adding the language suggested by Senator Raggio would expand the study.

Chairman Horsford said the RFP scope of work was based on the directive in S.C.R. 37. He asked if the Subcommittee should include that as an option pending a report on costs, and then decide whether to include it in the contract. He did not want to expand the scope beyond S.C.R. 37 unless it was the wish of the Subcommittee.

Assemblywoman Kathy McClain said she was concerned about expanding the scope so much that the original intent was lost. She said the study could get sidetracked on local government enterprise funds and restricted funds, but that was not what should be studied; rather, the study should focus on the state.

Senator Raggio said he did not think adding restricted funds would expand the scope of work. It dealt with the stability of local government, because if the funds were invaded for other purposes that would require additional revenues to be imposed for local government. He said there was a direct nexus to the study, and he did not think it would expand the study in a very meaningful way beyond the scope of the issue.

Chairman Horsford asked if the language could be added as a note under Section II.2.c to request prospective vendors provide the cost to perform such analysis.

Senator Raggio said that any single element of the study could have a cost factor attached. He did not think that it was a request that would enlarge the study. The restricted funds were already in existence and the consultant could study the funds to see if the funds could be used for that purpose, or other purposes. He thought it was an important consideration.

Chairman Horsford did not disagree, but noted that it was not included in the original language of the resolution.

Senator Raggio said lots of the language in the RFP was not included in the original resolution.

Chairman Horsford said Sections II.1.a through II.1.f were very specific to the language in the resolution, and used specific phrases from the resolution. Staff was very careful to follow the resolution and not to expand beyond that.

Senator Raggio said the issue of restricted funds was pertinent to the study because it had nexus to the stability of local government revenues.

Chairman Horsford asked Mr. Guindon to restate the potential new language.

Mr. Guindon said he understood that Senator Raggio would like to add to Section II.1.c an analysis of the advisability of establishing restricted funds currently used by local governments such as enterprise funds, etc., and the use of the revenue source that funds those restricted funds. He said the note at the bottom of page 12 ([Exhibit A](#)), could be rewritten to change the applicability. He said Section II.1.c should include an analysis of the restricted funds and the revenues that were used to fund those restricted funds. He asked Senator Raggio if that covered his request and Senator Raggio said that it did.

Chairman Horsford said if there was no objection, that language would be added.

There was no comment on Section II.1.d, so Chairman Horsford moved the discussion to Section II.1.e. He noted that the cost to administer the recommendations was addressed in this paragraph.

Mr. Guindon said the paragraph directed the consultant to study the compliance and administration cost to the taxpayers and state and local government agencies that collected taxes that were currently imposed. That information would also be relatable to changes to existing taxes, or new taxes recommended by the study.

Chairman Horsford said the resolution requests the agencies to work with the Technical Working Group to advise the IFC, the IFC Subcommittee and the Legislature on what would have to be done to implement any changes to existing or new tax revenue. He asked if that was covered in Section II.1.e.

Mr. Guindon did not know if that was specifically included under that paragraph. He said there were criteria to evaluate taxes that could be imposed with regard to compliance and administration cost. The intent of Section II.1.e was to study those costs. He said there could be a requirement for the consultant to interact with the Technical Working Group to review the cost of certain recommendations.

Chairman Horsford noted that S.C.R. 37 (page 6 of [Exhibit A](#)) allowed the Director of the Department of Taxation to request an allocation from the Contingency Fund to acquire a technologically sound computer system necessary for the collection or allocation of taxes in the state. Once the initial recommendations were made and the Subcommittee decided which options to include in its final report, there would be some ability for the Department of Taxation to determine what it would cost to implement the recommendations, and what systems would need to be put into place.

Mr. Guindon said that would probably occur outside of the RFP and the consultant's analysis. The consultant would report to the Subcommittee on changes to existing taxes or new taxes, and the Subcommittee would evaluate that information with regard to compliance and administration costs. When the Subcommittee has a better idea of its recommendations, the Technical Working Group would be apprised and the Department of Taxation would be asked for their timeline and costs.

Mr. Settlemeyer said he would like to have other states' cost-benefit analysis of those revenue sources. If Nevada decided to start a new tax, the consultant would report on how much other states spent for administration of that tax.

Mr. Guindon said that request was not explicit in the RFP. Staff considered the issue of compliance costs and administration in other states. It was not included in the RFP because it would add quite a bit to the scope of work for the consultant to perform a cost-benefit analysis of the different taxes in different states. He thought that task could be directed to Legislative Counsel Bureau staff. Legislative Counsel Bureau staff would need to go through that process anyway if a new revenue source were considered during the 2011 Legislative Session. When recommendations began to take shape, or if the Subcommittee had other requests before the recommendations were made, Legislative Counsel Bureau staff could gather that information and work with the consultant.

Mr. Settlemeyer said he would prefer that if a recommendation for a new revenue source was put forward, the consultant give a nonpartisan opinion of the cost-benefit analysis of that new revenue source.

Mr. Guindon said Legislative Counsel Bureau staff was nonpartisan also, and could look into those costs as well. Also, the Department of Taxation or other agencies would have to provide information on how much it would cost to administer new revenues in Nevada. Other states may have certain systems in place, or economies of scale that would be particular to that state. Legislative Counsel Bureau staff would have to analyze the costs based on the current situation in Nevada. If it was necessary that the consultant gather information on the cost of administering a new tax, the contract with the consultant could be amended at that point. Reviewing the cost and administration expense of revenues in other states in advance of approval of the recommendations could result in time and effort spent for nothing because those revenue recommendations might not be accepted by the Subcommittee or the IFC.

Chairman Horsford said the analysis was intended to identify options, but the decisions as to which recommendation to consider rests with the Subcommittee. He said the question was important, but the analysis would have to happen after it was determined whether the revenue sources were existing or new, and what systems were currently used in Nevada to collect the revenue compared to the other states.

Ms. Kirkpatrick questioned the note at the bottom of page 12 ([Exhibit A](#)) defining local government as consisting of counties, cities and school districts. She asked how this would work in relationship to Consolidated Tax Distribution of taxes (CTX) collected by the state, which kept a portion and distributed the rest to the counties and other entities. She asked if this sort of tax would be included in the study as an existing source of revenue.

Mr. Guindon said that was a very good question. Staff tried to think about the language of S.C.R. 37, and draft that into the RFP, which was the reason for the inclusion of the note. The intent was not to include every local government entity, such as special assessment districts, enterprise districts and towns. The second part of the note was to restrict the analysis to state and local relationships and allocations rather than intercounty and intracounty relationships. The CTX tax was a consolidated tax distribution mechanism comprised of six revenue sources, including two county-level sales taxes, and the money from these six revenue sources was redistributed to cities and special districts within the county. The note would not prohibit including the CTX tax in the study because it was a dedicated sales tax rate that was allocated between state and local governments. He did not think the intent of the resolution was to study the actual allocation of the money in the CTX across local government entities. He said staff interpreted the language of S.C.R. 37 regarding state and local taxes to not be so broad as to include a CTX tax study.

Chairman Horsford said the most recent analysis of the CTX tax was S.C.R. 40 (1995). He said that would be a study in itself to review the allocation formula between entities. Because of the scope of work, the timeline and the objectives to be achieved in S.C.R. 37, he felt that was too much. He suggested the Powers Delegated to Local Governments (S.B. 264) Interim Study could possibly look at the issue. He said local governments had already been discussing options based on the fact that the state was doing a study, and he did not want to duplicate efforts.

Assemblyman Pete Goicoechea was concerned about how narrowly local government was being defined. He said a number of counties did not have incorporated cities and noted there were approximately 17 GIDs in Douglas County. There was a big difference between the tax demands of Clark County and Lander County. He would prefer not to limit the definition of local government. He understood the concerns of including the smaller local government entities, but the GIDs were a component of the tax of local government. If the study did not include the lower levels of local governments, then the Subcommittee would not be able to address the impact of a shift in revenue. He said that local government should include all components of local government.

Ms. Kirkpatrick said, because of the diversity of local government in the state, there were some counties for which the revenue was a large portion of the budget. She asked if local government could be defined based on the portion of its budget. For example, there were 27 GIDs in Mr. Settlemeyer's area. As for Esmeralda County, more of its money came from the state than was generated locally.

Mr. Guindon said that may be a viable option, but the RFP would have to include that percentage, which has not been determined. Staff thought about this long and hard because there was concern that if all the local governments were included, the study could become very broad, and thus would require lots of effort, time and financial resources for the vendor.

Mr. Goicoechea said a dollar shifted was a dollar shifted, even if the dollar went to a GID. He felt comfortable that a consultant would recognize that the counties' demands were such, and were incorporated in the cap. He said some entity would be impacted if there was a revenue shift.

Chairman Horsford said there would be opportunity to bring that up to the consultant throughout the process.

Senator Parks was concerned about the tighter definition of local government of counties, cities and school districts. He said Clark County has expanded its sales tax to include numerous special districts including flood control, Regional Transportation and Metropolitan Police. He wanted to make sure those revenues were captured.

Assemblyman Lynn Stewart suggested that the RFP include a requirement that the consultant review previous studies such as the Price Waterhouse study ([Exhibit C](#)) or even the Spending and Government Efficiency Commission study.

Chairman Horsford said the process needed to be objective. The previous studies mentioned were in the public and available. Clearly the resolution asked for a third-party independent analysis. Some things in the prior studies focused on short-term goals. One study excluded any discussion of new revenue source because it was too difficult to implement in a short amount of time. Although it was important for the consultant to be aware of the prior studies, the study being solicited by the RFP would look at both short-term and long-term solutions.

Mr. Guindon said that the changes to Section II.2.c would require that the note at the bottom of page 12 ([Exhibit A](#)) be adjusted to show paragraph (c) was excluded.

Chairman Horsford asked if there were any comments on Sections II.2.a, II.2.b or II.2.c on page 13 ([Exhibit A](#)).

Ms. Kirkpatrick asked if the language stating that Legislative Building meeting rooms would be available to the Nevada Vision Stakeholder Group implied that the meetings

would be open to the public, and that there would be a time set aside for public comment.

Mr. Guindon said the note on page 13 was included to provide the prospective vendors with information that it would not be responsible for arranging the meetings and providing the meeting rooms. However, given that the Nevada Vision Stakeholder Group was a body created by members of the IFC Subcommittee, its meetings would need to comply with the open meeting law. The note did not make reference to that because it was there primarily to let prospective vendors know that meetings would be arranged by Legislative Counsel Bureau staff.

Senator Raggio complimented staff for the work involved in compiling the RFP. It was not an easy task and staff did a superior job. He was concerned about the requirement in Section II.2.a and II.2.b that mandated the vendor attend all 6 to 10 meetings of the Nevada Vision Stakeholder Group and actively facilitate the conduct of the meeting. He understood that the consultant would have to attend and participate in the meetings, but to actually facilitate and the conduct the meeting was an issue. He thought that would be an additional cost. He thought it would be a difficult task to accomplish everything required for the RFP within the time limit and within the cost that was originally envisioned. In addition, he knew the language under Section VIII (Liability Insurance) was standard language (page 16, [Exhibit A](#)), but he wondered whether the additional costs were necessary.

Assemblyman Bernie Anderson asked if all of the meetings of the consultant would be in compliance with the Nevada open meeting law and if that were true, would the consultant understand this issue.

Mr. Guindon said Legislative Counsel Bureau staff concluded that because the Nevada Vision Stakeholder Group was created as part of the legislation approved by the 2009 Legislative Session, it was assumed that the meetings would be conducted in compliance with the open meeting law. Legislative Counsel Bureau staff would ensure that the Nevada Vision Stakeholder Group meetings were in compliance with the open meeting law. If that was not sufficient, additional language could be considered.

Mr. Anderson said he thought it was sufficient, but wanted reassurance of that point.

Chairman Horsford asked about the integration between the revenue stabilization recommendations and the visioning process. He understood that was the intent. His only additional recommendation was for the consultant to describe the method for integrating the revenue analysis with the visioning process and their experience, or something to that effect, in doing so. Marrying the two aspects made this study different than the prior studies. If it was recommended that Nevada be within the top 25 percent of the states in quality-of-life area of education, what would that look like, and what would the revenue structure look like to support that vision? He asked that language be added to ask the consultant to describe the method for integrating the recommendations from scope of work Section II.1 and Section II.2.

Mr. Guindon asked if it would be sufficient to add an item to Section VI (Evaluation of Proposals) as criteria for evaluation to request the consultant provide a comprehensive plan and the cost associated.

Chairman Horsford said the language would be fine. He wanted a plan included as part of the evaluation, and that point was made in Section III, but he also wanted the consultant's plan to implement the recommendations.

Mr. Anderson asked if a prospective vendor submitted its proposal by the October 1, 2009, deadline as noted in Section IV, would someone need to respond to the adequacy of a subcontractor within the following five business days as noted in Section V?

Mr. Guindon replied that the five-day criteria in Section V were not related to the use of subcontractors in Section IV. However, given the scope of work, a particular vendor may be qualified to study the revenue, but may have to subcontract the quality-of-life study. If so, the vendor was allowed to do that as specifically stated in Section IV. The prospective vendor would need to disclose the name of the subcontractor, explain why that subcontractor was chosen and provide details of the associated costs. Subcontractors would not be treated as a separate entity, but would be integral to the bid, and would be evaluated as part of the RFP response review process.

Chairman Horsford asked for Section II.4 to be updated to include the Technical Working Group as an entity with which the consultant would work. In addition, if there was no objection, the Subcommittee would agree to Legislative Counsel Bureau staff's request to adjust the dates by which questions from prospective vendors would be accepted to September 11, 2009, and the date on which responses to those questions would be available to prospective vendors to September 16, 2009.

Mr. Guindon said those dates would be revised in the memo to prospective vendors and Section XVIII of the RFP.

In response to a question regarding Section VIII, from Senator Raggio, Ms. Erdoes said the language in that section was generally included in RFPs, but to the extent that it would increase costs, it could certainly be removed. Only once did a contractor object to the provision. The state's liability was limited pursuant to the tort liability provisions. As long as the state did not breach the contract, there would not be an issue as far as total liability of the state.

Senator Raggio suggested that the prospective vendor indicate the cost of that insurance, and then the Subcommittee could decide whether to include it.

Mr. Guindon asked Ms. Erdoes if Section VIII should be left in the RFP, and then negotiated with regard to inclusion in the contract.

Ms. Erdoes said that would be fine, but the cost should be identified separately.

Chairman Horsford asked if there were any recommendations for Section VI (Evaluation of Proposals).

Senator Wiener said there was substantial dialog around the idea of a subcontractor being tasked to study quality-of-life issues. She asked staff to develop Section VI.3 (Use of Subcontractor) to mirror the requirements of Section VI.2 (Functional and Technical Merits of Proposal). There was no objection to Senator Wiener's request.

Senator Wiener said, based on earlier concerns of the Subcommittee that a formal oral presentation be made, she asked if the language "if requested" should be removed from Section VI.5.

Chairman Horsford said the formal oral presentation would be made to either or both the IFC or the IFC Subcommittee, upon request.

Senator Mathews asked if a formal oral presentation could be requested in the RFP. She understood that there was some history as to how these presentations were made and she asked for that model to be used for this study. Chairman Horsford said that would be fine, and the language "if requested" would be removed. He was open to using whichever model made sense.

Senator Raggio expressed concern about the language in Section X (Termination, page 17, [Exhibit A](#)) stating the Legislative Counsel Bureau at any time, without cause, may terminate the agreement. He was curious as to whether any vendor would want to participate with that kind of termination clause. He noted this was a very comprehensive study and he could already tell that there would be lots of phone calls to the vendor. If the vendor was going to enter into the contract with the understanding that it could be terminated at any time without cause, that might be a disincentive to qualified vendors to submit a proposal. He asked if that was standard language.

Ms. Erdoes said this language was included in virtually all of these contracts. She said the third sentence made it work. The vendor would receive payment for the work done to date, up to the total amount of the contract. The termination clause was included so that if something changed and the IFC no longer wanted the study, or for some other reason it was not working, the state would be protected. Prospective vendors have not objected to the clause in the time she has been with the Legislative Counsel Bureau.

Chairman Horsford said he would entertain a motion to adopt the RFP with changes noted in the record and to permit the Chairman to release the RFP upon review.

SENATOR WIENER MOVED TO ADOPT THE RFP WITH THE APPROVED CHANGES, AND FOR THE CHAIRMAN TO RELEASE THE RFP UPON REVIEW. THE MOTION WAS SECONDED BY SENATOR MIKE SCHNEIDER AND CARRIED UNANIMOUSLY.

VI. DISCUSSION AND CREATION OF THE NEVADA VISION STAKEHOLDER GROUP.

Chairman Horsford said due to time constraints he would like to hold this item until the next meeting of the Subcommittee. He asked members to consider the following and give their comments to Legislative Counsel Bureau staff:

- The size of the Nevada Vision Stakeholder Group. It has been suggested that the group comprise 12 to 15 members representative of stakeholders throughout the state.
- The types of categories that would provide for a diverse representation. This would include business and community interests that would provide perspective and participate through facilitation of the visioning process.
- The mechanism by which individual members of the Nevada Vision Stakeholder Group would be selected, including to whom individuals should submit nominations. For example, education entities might submit two or three names per slot to Legislative Counsel Bureau staff. Those nominations would be presented to the Subcommittee. The Subcommittee would discuss the nominations and select an individual to represent that category.

He asked the Subcommittee members to give their input, and added this was an important component of the study process. The participation of the Nevada Vision Stakeholder Group members would have an impact on the quality of the study. The group would meet often, early and late, so nominees should have the time, be willing to put in the effort and have the ability to participate at the level expected of them.

Senator Wiener suggested the represented groups be determined before the number of stakeholders, rather than the other way around.

Senator Raggio reiterated his comments from the beginning of the meeting that it was very important that the composition of the group represent a cross-section of the state and that it was not tilted in any particular direction with respect to segments that would be called upon for new tax revenue as well as those whose performance was based upon the utilization of revenues. He cautioned that the Subcommittee should be careful when choosing the composition of the group which would direct, in large measure, the progress of the study. If the study did not have credibility across the state, it would be of little value to the legislature.

Chairman Horsford thanked Senator Raggio for his comments. He asked Subcommittee members to contact Mr. Guindon with any suggestions and the item would be on the next meeting's agenda with options as to how to proceed.

VII. DISCUSSION AND CREATION OF THE TECHNICAL WORKING GROUP.

Chairman Horsford said the creation of the Technical Working Group was spelled out in S.C.R. 37. The group would consist of the Senate Fiscal Analyst, the Assembly Fiscal

Analyst, the Chief of the Budget Division of the Department of Administration, the Executive Director of the Department of Taxation, the Vice Chancellor of Finance of the Nevada System of Higher Education, the Deputy Superintendent of Administrative and Fiscal Services of the Department of Education and the Chairman of the Committee on Local Government Finance.

Chairman Horsford thanked those individuals in advance for their assistance in the work that would be carried out by the Subcommittee and the consultant.

VIII. SCHEDULING OF FUTURE MEETINGS.

Chairman Horsford directed Subcommittee members to page 23 of the meeting packet ([Exhibit A](#)) and turned the agenda item over to Mr. Guindon.

Mr. Guindon said the Chairman suggested considering the weeks of September 14 and October 12 for potential meeting dates. At the September meeting the Subcommittee would organize the Nevada Vision Stakeholder group. Staff would have opportunity to work with the Chair on the process, and the Subcommittee members would provide the Chair and Legislative Counsel Bureau staff with a list of people and organizations to consider as potential members of the Nevada Vision Stakeholders Group.

After discussion it was determined that the Subcommittee members were available for a meeting on Monday, September 21, 2009, at 9:00 a.m.

Senator Mathews asked if future meetings would be by videoconference. Chairman Horsford said due to the limited travel budget, consideration was being given to meeting via videoconference whenever possible. He said the Subcommittee would need to have a few meetings with all members in one location, particularly when it came to the presentation of the study.

Chairman Horsford asked Legislative Counsel Bureau staff to contact members to coordinate a meeting to be held the week of October 12, 2009.

IX. PUBLIC COMMENT.

There was no public comment.

VI. ADJOURNMENT.

There being no further comments, the meeting was adjourned at 11:55 a.m.

Respectfully submitted,

Becky Lowe, Secretary

APPROVED:

Senator Steven Horsford, Chair

Date: _____

Copies of exhibits mentioned in these minutes are on file in the Research Library of the Legislative Counsel Bureau, Carson City, Nevada. The library may be contacted at (775) 684-6827.