MEMORANDUM

DATE: September 11, 2014

TO: Members of the 28th Special Session of the Legislature

FROM: Michael Nakamoto, Deputy Fiscal Analyst
Fiscal Analysis Division

SUBJECT: Fiscal Note for Senate Bill 1

The following fiscal impact statements have been submitted in response to the Fiscal Analysis Division's requests for a fiscal note on Senate Bill 1.

STATE GOVERNMENT RESPONSES

Governor's Office of Economic Development

While Senate Bill 1 of the 28th Special Session requires the Governor's Office of Economic Development review and report on a number of levels, our agency anticipates these functions can be absorbed by existing staff. Therefore, we believe there will be no fiscal impact.

Brad Mamer, Director of Business Development

Department of Taxation

All costs related to the implementation of this bill can be absorbed; therefore, there is no fiscal impact regarding expenses.

On the revenue side, the Department does not have the information necessary to determine the financial impact of this proposed legislation.

Sumiko Maser, Deputy Director
LOCAL GOVERNMENT RESPONSES

Storey County

Storey County has reviewed the BDR draft language of SB 1 and with specific focus on Sections 18; 31; 33 and 35, and we are comfortable with the provisions of the Bill as drafted. While there is potential that some might see abated revenues addressed in Section 15 as "lost revenue", we believe the potential long term benefits far outweigh the 10 and 20 year initial abatement period impacts and it is only thru legislation like SB 1 that projects of magnitude actually occur. This project alone serves a catalyst that is already driving inquiries and transactions in unprecedented quantities that will not be qualified for SB 1 abatements as well as hopefully others that will meet the established performance benchmarks throughout our State.

We have reviewed and analyzed in depth, GOED's Economic Impact Analysis for Washoe and Storey Counties dated September 14, 2014 by Applied Economics and view their findings and projections as fully on target and based on reasonable and sound factors as they pertain to our County.

Additionally, we greatly appreciate the Legislature's attention to provide the County with enabling authority to design our own local structures based on the unique characteristics of each project and locale.

Please contact the undersigned if further clarification is desired.

Pat Whitten, County Manager

Nevada League of Cities and Municipalities (on behalf of its member cities)

Senate Bill 1 of the 28th Special Session would have a fiscal impact on a local government that hosts a qualified project. The impacts are detailed below, however, the amount of any impact cannot be quantified at this time.

Section 11 of the bill allows for an abatement of all property and local sales and use taxes for a period of ten and twenty years respectively. This would affect the host entity. The authority to grant this abatement is given to the Office of Economic Development in Section 12 of the bill. The Office is required to request a letter of acknowledgement of the request from the affected local government. There is no provision in the bill for local government approval prior to the abatement being granted by the Office.
Section 18 allows a local government to abate all or any percentage of permitting or licensing fees. Again, there would be an impact if these abatements are granted. This provision is permissive and at the discretion of the local government. We appreciate the fact that it is the local government’s decision on whether or not to grant the abatement.

Sections 31 through 36 of SB 1 allow local governments to create economic diversification districts whose boundaries are the geographic boundaries of the qualifying project and pledge the proceeds of sales and use taxes not abated by the Office of Economic Development to the lead participant of the qualified project. The allowable uses of these revenues are defined in Section 33. The creation of a district would have an impact on the host local government. The decision to create an economic diversification district, and abate local government taxes, is that of the host local government and, again, we appreciate this fact.

Wes Henderson, Executive Director

cc:  Rick Combs, Director, Legislative Counsel Bureau
     Brenda Erdoes, Legislative Counsel
     Mark Krmptic, Senate Fiscal Analyst
     Cindy Jones, Assembly Fiscal Analyst
     Russell Guindon, Principal Deputy Fiscal Analyst