

**Minutes of the Meeting of the
Legislative Committee to Study the
Distribution among Local Governments of Revenue
from State and Local Taxes, NRS 218.5388 to 218.53886, inclusive
October 6, 1999
Carson City, Nevada**

The first meeting of the Legislative Committee to Study the Distribution among Local Governments of Revenue from State and Local Taxes was called to order by Senator Ann O'Connell on Wednesday, October 6, 1999, at 9:30 a.m., in Room 4100 of the Legislative Building, Carson City, Nevada.

COMMITTEE MEMBERS PRESENT:

Senator Ann O'Connell, Chairman
Senator Mike McGinness
Senator Joseph M. Neal, Jr.
Senator Jon C. Porter
Assemblywoman Vivian L. Freeman
Assemblyman David Goldwater
Assemblyman P. M. Roy Neighbors
Assemblywoman Kathleen A. Von Tobel

ADVISORY COMMITTEE MEMBERS PRESENT:

Michael Alastuey, Clark County
Bruce Brooks, Humboldt County
Gary Cordes, City of Fallon
Guy Hobbs, Hobbs, Ong & Associates
Marvin Leavitt, City of Las Vegas
Janet Murphy, (Designee) Tahoe-Douglas District
Dave Pursell, Department of Taxation
Linda Ritter, City of Elko
John Sherman, Washoe County
Terri Thomas, City of Sparks

ADVISORY COMMITTEE MEMBERS ABSENT:

Rick Kester, Douglas County School District

LCB STAFF PRESENT:

Kevin Welsh, Deputy Fiscal Analyst, Fiscal Analysis Division
Ted Zuend, Deputy Fiscal Analyst, Fiscal Analysis Division
Kim M. Guinasso, Principal Deputy Legislative Counsel, Legal Division
Jeanne Peyton, Secretary, Fiscal Analysis Division

OTHERS PRESENT

Carole Vilardo, Nevada Taxpayers' Association
John Whitaker, Nevada Department of Transportation (NDOT)
Betsy Fretwell, City of Henderson
Steve Hanson, City of Henderson
Phil Stoeckinger, City of Henderson
Brent Hutchings, City of Ely

Tom Grady, Nevada League of Cities
Bob Hadfield, Nevada Association of Counties (NACO)
Mark Schofield, Clark County Assessor
Janelle Kraft, City of Las Vegas
Colleen Wilson-Pappa, Clark County
Norman Williams
Reuben D. Palmer
Glenna JP Adams, Nevada Bell
Brian Herr, Nevada Bell
Tim Perkins, Lincoln County
Mark T. Calhoun, City of Henderson
Marta Golding Brown, North Las Vegas
Larry Scott, Department of Taxation
Tim Smith, Tahoe-Douglas Fire District
Al Bellister, Nevada State Employees' Association
Pat Zamora
Michelle Gordon, Regional Transportation Commission
Jeanne Gregg, Department of Taxation
Norma Green, Churchill County Assessor
Anne Collins, Department of Taxation
Cash A. Minor, Elko County
Jeanne L. Botts, Washoe County School District
Mary Walker, Carson City, Douglas and Lyon Counties
Daurell Bell, AT & T
Misty Grimmer, Ostrovsky and Associates
Jim Endres, AT & T
Chris Moyle, Vasquez/McMullen Group
Lila Clark, Department of Taxation
Stephanie Licht, Elko County
Theresa Glazner, Department of Taxation
Joan Lambert, Carrara Nevada
Geneva Neuhauser, Nye County
Gary Hollis, Pahrump
Bob Ostrovsky, Nevada Resort Association and COX Communications
Ernest J. Wood, Department of Taxation
Barbara McKenzie, City of Reno
Tim Crowley, Nevada Mining Association
Terry E. Rubald, Department of Taxation
Neena Laxalt, City of Sparks
Kit Weaver, Carson City Assessor
Jeanette Belz, Wadhams and Aleridge
Mary Henderson, City of Reno
David Heath, Carson City
Judy Stokey
Susan Beeder
Ron Kruse
Carl B. Shrider
Alan Hoodale
Audrey Damonte
Claudette Springmeyer

EXHIBITS

Exhibit A is the Agenda and Meeting Packet.

Exhibit B is the Attendance Record for this meeting.

Exhibit C is a document submitted by Russ Law, NDOT, titled "History of Local-Gas-Tax-Distribution Legislation."

Exhibit D is a listing of the two Master Study Groups and nine Study Groups, which includes the members approved by the legislative Committee.

CALL TO ORDER - OPENING REMARKS

Senator O'Connell called the meeting to order. She asked the people in the audience who had never attended a meeting of this Committee in the past. All persons in attendance noted that they had attended previous meetings. She mentioned that there were some new people sitting on the Committee and would like to go over a few items. She asked the people in the audience to give the committee secretary, Jeanne Peyton, their electronic mail address if they had one. She noted that due to the size of the Committee's mailing list, other methods of notification of meetings must be reviewed.

Continuing, she explained that each of the members assigned to the subcommittees and working groups are suggested members and their permanent membership status will be discussed and voted upon today (see Exhibit A, Tab X). The people listed are from both the public and private sector, and were chosen by her and Kevin Welsh (identified earlier). She explained that the suggested people assigned to the various subcommittees and study groups have made a commitment to provide the Committee with the information they need in each subject area. She further noted that other names were added because of requests sent to Mr. Welsh. Senator O'Connell noted that the subcommittees and study groups associated with this Committee are assigned to conduct research on certain areas. The findings are presented to the full Committee who will make the final determination on bill draft requests to be presented to the 2001 Legislature. In her opinion, Senator O'Connell stated that everyone attending the meetings is considered part of the Committee and is permitted to have a voice on all study areas. Because of the open meeting law, the Committee cannot take action today on any of the items listed on today's agenda that were not marked as action items.

Senator O'Connell explained that the full Committee will recess during this meeting and convene into study groups. These groups will discuss the areas of study that should be continued from the last interim. When the full Committee reconvenes, the study groups will convey the recommended areas of study for the 1999-2000 interim. She explained that these items would be placed on the agenda for the next meeting.

Senator O'Connell informed the Committee and members of the public that Linda Ritter of the City of Elko would be the contact person to obtain information or relay concerns regarding the study areas of this Committee to the cities.

Continuing, Senator O'Connell noted that the Committee has two statutory subcommittees, including the:

- Senate Bill 411 Subcommittee; and the
- Subcommittee to Study the Cost of Maintaining Roads, Streets and Highways.

She explained that the agendas for the subcommittees identified above would have to be posted separately because of their statutory authority.

Senator O'Connell said that when Item X of today's agenda is discussed, persons from the public should feel free to make any suggestions of people that want to be considered as one of the subcommittee or study group members. Senator O'Connell stressed that anyone identifying himself/herself as wanting to become a member of one of the subcommittees or working groups is making a commitment to the Legislative Committee to gather information it may need.

Senator O'Connell requested that each of the Legislative Members, Technical Advisory Members and staff introduce themselves.

INTRODUCTION OF LEGISLATIVE COMMITTEE MEMBERS,

TECHNICAL ADVISORY COMMITTEE MEMBERS, AND STAFF

Senator Porter introduced himself and stated that he represents Clark County Senate District 1.

Senator Neal introduced himself and noted that he represents Clark County Senate District 4. He mentioned that he has been with the Nevada Legislature for 27 years and has served on the Senate Committee on Taxation, but this was his first interim on this Committee.

Senator McGinness introduced himself and that that he represents Central Nevada Senatorial District, which includes Mineral, Nye, Lincoln, Esmeralda, Churchill, and White Pine Counties; and part of Lander and Eureka Counties. This includes eight out of 17 counties. He noted that he has been in the Nevada Senate for eight years and has chaired the Senate Committee on Taxation for the past two Legislative Sessions. He further noted that he was appointed to fill Senator Ernie Adler's position on this Committee and attended its last meeting, which was held on January 21, 1999.

Senator O'Connell introduced herself and noted that she has had the privilege of working with this Committee for the past four years and hopes it is as successful in the future as it has been in the past. She noted that she represents Clark County Senate District 5.

Assemblywoman Freeman introduced herself and noted that she represents northwest Reno and that this is her second interim on this Committee. She mentioned that she served on the Assembly Committee on Taxation during the 1999 Session. Although this topic was never an issue to her, she now realizes that as a legislator it is beneficial to know more about the procedures the state uses to collect revenues. She explained that it has been a great learning experience and is happy to note that the Committee is moving in some of the directions that she supports. She further mentioned to staff that she appreciates receiving the agenda packet before each meeting.

Assemblyman Goldwater introduced himself and noted that he represents Clark County Assembly District 10. He noted that he served three terms in the Legislature, two terms on the Assembly Committee on Ways and Means; two terms on the Assembly Committee on Taxation; and that this was his first interim on this Committee.

Assemblyman Neighbors introduced himself and noted that he represents Assembly District 36, which consists of Nye, Mineral, Esmeralda, and Lincoln Counties. He said that he has served four terms in the Legislature and has been the vice-chairman of the Assembly Committee on Government Affairs and vice-chairman of the Assembly Committee on Taxation.

Assemblywoman Von Tobel introduced herself and noted that she represents Assembly District 20. She explained that her district consists of the rural areas within Clark County, which includes the City of Mesquite to Sandy Valley at the California border. She said this was her first interim on this Committee and noted that after reading the minutes from the January 21, 1999, meeting, she realized the numerous issues covered by the Committee.

Ms. Guinasso, Principal Deputy Legislative Counsel, Legal Division, Legislative Counsel Bureau (LCB) introduced herself and said that she provides legal counsel to the Committee. She said she was happy to work with the Committee and answer any questions.

Senator O'Connell praised Ms. Guinasso on the outstanding job she has done writing the legislation.

Mr. Sherman introduced himself as Washoe County's Finance Director. He noted that this was his first term as part of the Technical Advisory Committee (TAC) and that he was appointed by the Nevada Association of Counties (NACO).

Ms. Thomas introduced herself as the Finance Director for the City of Sparks. She said that she has been representing the Nevada League of Cities and the City of Sparks since inception of the Committee.

Ms. Ritter, City Manager for the City of Elko introduced herself and noted that the Nevada League of Cities appointed her and this is her second term on the TAC.

Mr. Leavitt of the City of Las Vegas introduced himself and noted that he represented the Committee on Local

Government Finance.

Mr. Hobbs of the firm of Hobbs, Ong and Associates introduced himself and noted that formerly he was Chief Financial Officer for Clark County for 15 years. Currently, his firm works with a number of cities and counties throughout the state on financial matters, as well as representing NACO on this Committee.

Mr. Pursell introduced himself and stated that Governor Guinn appointed him to the position of Executive Director of the Department of Taxation in February 1999, and this is his first term on the Committee.

Mr. Cordes, City of Fallon, Clerk Treasurer, introduced himself and stated that he was appointed to serve on the TAC by Thomas Grady of the Nevada League of Cities. He said he has served the Committee in this capacity since 1995 and it has been a great honor. It has enabled him to help make Fallon a better city.

Mr. Brooks, Humboldt County introduced himself and noted that he was appointed to the TAC by NACO. He explained that he had previously served at the pleasure of the Nevada League of Cities as Finance Director for the City of Reno, but has since retired.

Ms. Murphy, Administrator of the Tahoe-Douglas District introduced her and noted that this was her second term as a member of the TAC. She thanked the Committee for allowing her to be part of it.

Responding to Senator O'Connell, Senator Porter said that he has worked with Senator O'Connell, the Nevada League of Cities and other communities since the inception of Senate Bill 253 (*Statutes of Nevada 1997*).

Mr. Zuend, Deputy Fiscal Analyst, Fiscal Analysis Division, LCB, introduced himself and noted that he has worked on tax issues for the past 16 years and works with this Committee as back-up staff to Kevin D. Welsh, Deputy Fiscal Analyst.

Mr. Welsh introduced himself and said that he has worked with Senator O'Connell since the inception of the S.C.R. 40 Subcommittee (File No. 162, *Statutes of Nevada 1995*) as the primary staff to the Committee.

APPROVAL OF THE MINUTES FROM THE JANUARY 21, 1999, MEETING

Senator O'Connell called for a motion to approve the minutes from the January 21, 1999, meeting.

ASSEMBLYWOMAN FREEMAN MOVED TO APPROVE THE MINUTES FROM THE JANUARY 21, 1999, MEETING. SENATOR MCGINNESS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

APPOINTMENT OF CHAIRMAN AND VICE CHAIRMAN OF COMMITTEE FOR CURRENT INTERIM

Assemblywoman Freeman commented that she is a member of the Legislative Committee on Health Care whose policy is to alternate the chairmanship from the Senate to the Assembly each interim. She added that Senator O'Connell has done a magnificent job and she has enjoyed having her as a Chairman, but recommended to have one of the Assembly members as Chairman for this interim.

ASSEMBLYWOMAN FREEMAN MOVED TO NOMINATE ASSEMBLYMAN DAVID GOLDWATER AS CHAIRMAN THE COMMITTEE.

Senator O'Connell asked if there were any other nominations to chair the Committee.

SENATOR PORTER MOVED TO NOMINATE SENATOR O'CONNELL. BECAUSE OF THE HISTORY OF THE COMMITTEE AND THE DIFFICULT ISSUES AHEAD FOR THE INTERIM, HE ENCOURAGED THAT THE MEMBERS SUPPORT HIS NOMINATION.

SENATOR NEAL SECONDED THE MOTION TO APPROVE SENATOR O'CONNELL AS CHAIRMAN OF THE COMMITTEE FOR THE 1999-2000 INTERIM PERIOD.

Senator O'Connell asked if there was a second to Assemblywoman Freeman's nomination of Assemblyman Goldwater. There was none.

THE MOTION TO NOMINATE SENATOR O'CONNELL AS CHAIRMAN OF THE COMMITTEE CARRIED UNANIMOUSLY.

Chairman O'Connell asked if there would be any objection to Assemblyman Goldwater serving as vice-chairman. There being none, Assemblyman Goldwater was nominated to serve as vice-chairman.

The Chairman advised the committee members and members of the public that the committee meetings are usually lengthy. Therefore, when making travel arrangements, not to plan on traveling back to Las Vegas before the 5 p.m. flight.

REPORT FROM LEGISLATIVE COUNSEL BUREAU STAFF

- *Kevin D. Welsh, Deputy Fiscal Analyst*

Mr. Welsh, noted that he would be discussing Agenda Item No. 6A "Summary of Accomplishments through 1999 Legislative Session" (see Exhibit A, Tab VI-A). He noted that Senate Concurrent Resolution No. 40 established the concept to involve technical persons from the cities and counties within the state to gather the information needed by the legislative committee members. He said that since this concept has proved to be successful, during the 1997 Session, S.B. 253 was passed which established this Committee. During the 1997-1998 interim period the S.B. 253 Committee requested 15 bill draft requests (BDRs). He noted that of the 15 requests, only one was not processed. He said that it is hoped the Committee can continue this kind of success during the 1999-2000 interim period.

- *Ted Zuend, Deputy Fiscal Analyst*

Mr. Zuend informed the Committee that during the 1999 Legislative Session, the tax committees in both houses took up a number of issues that they could not complete action on. Assemblyman Goldwater, Chairman of the Assembly Committee on Taxation wrote three letters (see Exhibit A, Tab VI-B) to Senator O'Connell regarding requests for several study areas to be handled by the S.B. 253 Committee. These were suggestions that came from various bills that were being discussed in the Assembly during the session.

Referring to one of the letters in Exhibit A, Table VI-B, Mr. Zuend said that it related to the taxation of business personal property, which is an issue of concern to both assessors and local governments. According to Mr. Zuend, assessors would like to either eliminate the tax or design it in a manner that is easier to collect, but local governments are concerned about the potential revenue loss. Mr. Zuend said that Assemblyman Goldwater's letter suggests that this Committee conduct a review on the taxation of business personal property.

Regarding the room tax issue, Mr. Zuend said that the Assembly Committee on Taxation believed that the S.B. 253 Committee could review the need for more consistency among jurisdictions throughout the state. According to Mr. Zuend, there are no statewide standards regarding room tax and the statutes actually conflict in some areas regarding the collection of room tax. Next, he said the need to develop a statewide policy regarding the appropriate uses of room tax revenue. Over the last several years, various bills have suggested different uses for room tax revenue, in addition to the traditional uses to largely fund convention and visitors bureaus throughout the state.

Mr. Zuend also noted the need to improve notification procedures when the Legislature revises a tax such as the room tax. Apparently, during the 1997 Session, a bill raised the room tax in Clark County and somehow one or two entities were not notified, resulting in them not collecting the necessary tax. Also, he noted that the quality and availability of information concerning room tax should be improved when the Legislature is considering legislation to change the rates or the uses of the tax. He explained that there is a statute requiring that local governments report room tax information to the Department of Taxation, but the information is not always provided in a consistent or timely manner. Therefore, the Department of Taxation has not always been able to provide the Legislature with reports on room tax.

According to Mr. Zuend, the 1999 Assembly was concerned that this Committee would not continue to review the formula that distributes revenues in the consolidated tax distribution fund. Many fast growing communities are concerned that the formula is unfair to them and that the way it works does not redirect enough excess revenue to them.

Finally, he noted that Chairman O'Connell briefly mentioned the provisions set forth in Senate Bill 411, which has to do with the taxation of utilities in the area of deregulation and the taxation of intangible personal property, which will be discussed in more detail by the Committee during the interim.

Kim M. Guinasso, Principal Deputy Legislative Counsel

Ms. Guinasso informed the Committee of two items relating to A.B. 631 (Chapter 463, *Statutes of Nevada 1999*) regarding bill draft requests. She noted that the outside deadline for the Legal Division of LCB to receive requests is December 15 preceding the legislative session. Any committee, including a committee created by statute may request the drafting of not more than ten legislative measures. She mentioned that Carole Vilardo, Executive Director of the Nevada Taxpayers' Association suggested that the Committee request drafting of legislation as soon as a request is coalesced. Ms. Guinasso advised the Committee that the Legal Division would be happy to do that and it may give the Committee a chance to inspect each BDR before the session begins.

Chairman O'Connell informed the Committee and members of the public that a meeting notice and agenda would be sent out for all the Technical Advisory Committee meetings to the full mailing list. She noted the importance of the public taking part in the TAC meetings because of the extensive amount of work that is done at that level. The Chairman stated that because of the technical issues discussed at the Committee meetings, they would not be video conferenced. In her opinion, it is necessary for the Committee and members of the public to be in one room to get a genuine understanding of the issues. She noted that if someone needed the information discussed at the committee's meetings, they must be present at the meeting location.

The Chairman requested that Mr. Leavitt present the Committee with an update of what took place at the meeting on October 5, 1999, of the Subcommittee to Study the cost of Maintaining Roads, Streets and Highways.

Responding, Mr. Leavitt said that the subcommittee discussed the topics of concern for the 1999-2000 interim. He explained that the fuel tax distribution has been an issue for the last four years. It has been an extremely difficult and complex issue. The subcommittee has reviewed the existing formula, which has been in place for many years and agrees that the present formula does not allocate fuel taxes according to where the need is. For example: Mr. Leavitt explained that one of the factors presently considered in the formula is the square miles of a county. The subcommittee agrees that the area of an entity should not have any bearing on the distribution because it is not related to the number of roads. He explained that some of the rural counties consist of large areas, but have few roads. It was agreed upon by the subcommittee that area should be eliminated from the formula. A report compiled by the counties revealed that they are including roads that are the responsibility of Nevada's Department of Transportation (NDOT). According to Mr. Leavitt there is no logic to a county being paid for a road that NDOT is maintaining. Therefore, this will also be eliminated from the formula and only the roads that each county is maintaining will be included. He explained that one of the major problems is a standard measurement or definition of a road has not been decided upon. Upon examination of the inventory taken by each individual county, it was determined that there are huge differences among the various counties as to the types of road each entity included. Some entities were including dirt road jeep trails and others were including only the highest level of unpaved roads and paved roads.

Continuing, Mr. Leavitt explained that the University of Nevada, Las Vegas (UNLV) was hired to conduct a study to define the measurement and types of highways, roads and streets within the state. Before the end of the 1999 Legislature, it was determined that the work done by UNLV was unsatisfactory to the Committee; therefore, the contract with them was cancelled. The cost of the contract was approximately \$250,000. The UNLV consultants were paid for approximately \$200,000 of the total contract. Presently, the Committee does not have an inventory of highways, roads and streets. At yesterday's subcommittee meeting it was agreed upon that NDOT would supervise the inventory and conduct an audit of the highways, roads and streets within the state. It is anticipated that NDOT will complete this study by February 2000. When the study is complete, the subcommittee will begin to develop a new formula.

At yesterday's subcommittee meeting, noted Mr. Leavitt, it was decided that the formula should be simple and would

include two principal factors, (i.e., population and miles of highways, roads and streets). The proportion of each factor has not been determined yet. He explained that it is planned to have that proportion of the work done by the end of April 2000. The subcommittee anticipates making a recommendation by the end of April 2000 to this Committee about specific legislation that could be prepared to enact a new formula.

Lastly, Mr. Leavitt said that the subcommittee recognizes that some counties may lose money under the new formula and have agreed it will be necessary for the state to develop some type of transition period when a new formula is enacted. Unlike many of the tax formulas, the fuel tax is an excise tax and is a fixed amount per gallon and the only time the tax grows is if more gallons of fuel are sold. Over the years, in tax policy discussions it was determined that a tax which would be effective over long periods of time is needed and a policy that has the ability to increase as a result of growth and the ability to respond to changes in price fluctuations.

Mr. Leavitt advised the Committee that the subcommittee plans to meet on different days from the full Committee, as its meetings may be lengthy. The subcommittee will later report back to the full Committee as progress is made.

Regarding the gasoline tax and the fuel tax, Senator Neal questioned if varied formulas existed.

Responding, Mr. Leavitt said that the gasoline and fuel tax situation in the State of Nevada is complex because it is broken up into numerous sections. For example: Some of portions of the fuel tax are kept in the county they are collected in. There is also a portion of the fuel tax that is collected on a statewide basis and is distributed according to need among the various counties. It is the statewide tax that the subcommittee is reviewing. The subcommittee is attempting to distribute the gasoline taxes according to relative need for the funds.

Responding to Senator Neal, Mr. Leavitt said that the ultimate goal of the subcommittee is to develop a formula that fairly distributes the money according to need. Mr. Leavitt also mentioned that there is a constitutional provision that states that gasoline taxes must be used for construction and maintenance of highways, roads and streets.

Mr. Leavitt explained that the Committee is attempting to work out a fair formula before the numbers are run. He explained that by doing it this way, determination of the formula is not based on what may be fair for an individual entity.

The Chairman commented that a new formula was not presented to the 1999 Legislature because the Committee had many concerns that were not resolved. The UNLV consultants were hired to collect data on Nevada's highways, roads and streets, which was never accomplished.

Directing a question to Russ Law, NDOT, Chairman O'Connell asked if he brought the information today that he had at yesterday's subcommittee meeting. Responding, Mr. Law submitted a copy of an outline to the secretary titled "History of Local-Gas-Tax-Distribution Legislation" (see Exhibit C). At the request of the Chairman, copies were made and distributed to the Committee and the public.

The Chairman mentioned that there are some counties that have only one fuel station (i.e., Esmeralda and Storey Counties). According to the Chairman, only one fuel station will not bring in much funding to the county even if were to raise the county optional tax to the maximum of 9 cents. She mentioned that situations like this result in other counties subsidizing these counties.

Assemblyman Neighbors commented that the Committee is addressing many concerns that he has had in the past. He mentioned that millions of dollars were spent within city limits for construction and maintenance by one of the larger counties, and under the current formula they were given credit for mileage.

Responding to Assemblywoman Freeman, Mr. Leavitt said that the Committee does not have satisfactory road inventory data because after requesting an inventory from all the counties and cities, not all entities have responded. The present task of the subcommittee is to obtain a completed inventory from all the entities in the state and to have a 10 percent audit conducted on the data by NDOT. This will ensure that the information is reliable.

Continuing, Mr. Leavitt reiterated that the subcommittee members agree that the formula should be fairly simple and include the measurement of highways, roads and streets, and population of the entity.

Responding to Assemblywoman Freeman, Mr. Leavitt said that meetings have been held with NDOT to discuss the remaining tasks involved in the study and they have agreed to perform those tasks and feel that they have the capability of compiling the necessary information.

Russ Law, NDOT

Mr. Law explained that NDOT has recently been asked to provide the information needed by the subcommittee regarding the inventory of highways, roads and streets. Presently, NDOT staff is in northeastern Nevada, researching the types of roadways that exist in that area and if they qualify for gas tax distribution. He advised the Committee that NDOT has a strong commitment to completing this project for the subcommittee in a timely manner.

Mr. Leavitt added that some of the formulas that are presently being used are from the 1960s, and at that time the state's population was 160,000 (50,000 in Washoe County and 48,000 in Clark County, and 24,000 in the City of Las Vegas). The tremendous growth in the state over the last 40 years, has created an entirely different situation.

Senator McGinness suggested prioritizing upgrading roadways such as: a two lane road between Reno and Las Vegas, or Highway 93, which may be more important as far as promoting tourism throughout the state and asked if the subcommittee was considering these issues.

Responding, Mr. Leavitt said that the inventory would include a measurement of all the roads that are maintained by the cities and counties. He explained that the major roads that transport people across the state are generally maintained by NDOT.

**APPOINTMENT OF MEMBERS AND CHAIRMAN OF THE SUBCOMMITTEE
TO STUDY THE COST OF MAINTAINING ROADS, STREETS AND HIGHWAYS**

Chairman O'Connell requested that Mr. Leavitt name the members of the subcommittee that need to be endorsed by the Legislative Committee.

Responding, Mr. Leavitt said that the subcommittee is composed of the public works type people who are involved in the construction and maintenance of roads. The Nevada League of Cities and NACO have been asked to make recommendations of people who might be willing serve on this subcommittee. A list of the persons recommended is located in Exhibit A, Tab IX. These people include:

- Mark Calhoun, City of Henderson
- Steve Varela, City of Reno
- Stephen West, City of Winnemucca
- Bob Nunes, Douglas County
- Martin Manning, Clark County
- Dave Roundtree, Washoe County
- Marvin Leavitt, City of Las Vegas (Coordinator of the Subcommittee)

Questioning Mr. Welsh, the Chairman asked if NACO and the Nevada League of Cities recommended the persons listed as subcommittee members, and if the Committee has the ability to include additional members.

Responding, Mr. Welsh said that Senate Bill 253 (Chapter 661, *Statutes of Nevada 1997*) states that the Committee shall appoint a statutory subcommittee to fulfill certain duties. There is no limitation on the number of members or restrictions regarding what they represent. He mentioned that the Regional Transportation Commissions in both Clark and Washoe Counties have expressed an interest in having a representative on the subcommittee.

The Chairman asked if anyone in the audience had a suggestion of someone wishing to be a part of the subcommittee.

Tim Crowley, Nevada Mining Association (NMA)

Mr. Crowley suggested a member from the NMA's taxation committee that he would like to interact with the subcommittee on a regular basis. His name is Steven Bates and he works for Tri-Mac Transportation, a company that provides transportation services to various mining companies. In Mr. Crowley's opinion, Mr. Bates is knowledgeable on the subject and would add to the subcommittee's discussions. He also noted that Mr. Bates did not necessarily have to sit as a member of the subcommittee.

The Chairman stressed that anyone who wished to serve on a subcommittee or working group is also committing a resource to the Committee.

Responding, Mr. Crowley said that Mr. Bates would be able to complete assignments given by the Committee

Michelle Gordon, Washoe County Regional Transportation Commission

Ms. Gordon advised the Committee that the Washoe County RTC has actively participated in the subcommittee's meetings for the past four years. In her opinion it would be appropriate to have an RTC representative on the subcommittee. Ms. Gordon offered to serve in that capacity and noted that she was prepared to gather resources the Committee may request.

Assemblywoman Freeman said that she would support Ms. Gordon's recommendation.

Responding to the Chairman, Mr. Hobbs said that he spoke with both the Clark County and Washoe County RTCs and, subsequently, Clark County RTC has requested that he keep them informed of the work done by the subcommittee.

Assemblyman Neighbors added that two of the fastest growing areas in the state are the City of Mesquite and Pahrump. Subsequently, he recommended Geneva Neuhauser, Budget Officer of Nye County to represent County on this subcommittee. He explained that she has attended the Committee meetings since its inception.

Geneva Neuhauser, Nye County

Ms. Neuhauser concurred with Assemblyman Neighbors and said that she would like to participate in the subcommittee and had no reservations about committing her resources to help the Committee.

SENATOR MCGINNESS MOVED TO ACCEPT THE FOLLOWING PEOPLE TO BE MEMBERS OF THE SUBCOMMITTEE TO STUDY THE COST OF MAINTAINING HIGHWAYS, ROADS AND STREETS OF THE LEGISLATIVE COMMITTEE TO STUDY THE DISTRIBUTION AMONG LOCAL GOVERNMENTS OF REVENUE FROM STATE AND LOCAL TAXES, NRS 218.5388 TO 218.53886, INCLUSIVE FOR THE 1999-2000 INTERIM: MARK CALHOUN, CITY OF HENDERSON; STEVE VARELA, CITY OF RENO; STEPHEN WEST, CITY OF WINNEMUCCA; BOB NUNES, DOUGLAS COUNTY; MARTIN MANNING, CLARK COUNTY; DAVE ROUNDTREE, WASHOE COUNTY; STEVEN BATES, TRI-MAC TRANSPORTATION; MICHELLE GORDON, WASHOE COUNTY REGIONAL TRANSPORTATION COMMISSION; GENEVA NEUHAUSER, NYE COUNTY; AND MARVIN LEAVITT, CITY OF LAS VEGAS (COORDINATOR OF THE SUBCOMMITTEE). SENATOR PORTER SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

**SUMMARY OF STUDY AREAS REMAINING FROM PRIOR INTERIM PERIOD
AND SUMMARY OF NEW STUDY AREAS FOR CURRENT INTERIM**

Responding to the request of Chairman O'Connell, Mr. Hobbs explained that the study areas remaining from the prior interim include:

- Fuel Tax
- Senate Bill 411, which deals with centrally assessed property and intangibles. This measure defines specific areas of study to be completed during this interim period.
- Depreciation and exemptions have not been brought to closure with a formal recommendation. He explained that development of a list of criteria for exemptions would require further discussion.
- The ongoing monitoring of the distribution formula.
- General Improvement Districts and redevelopment.
- Personal property taxation, which is an issue that can be categorized as being from the prior interim and also a new area of study. This issue was brought up during the 1999 Session and it was suggested that the Committee conduct a more formal study during the 1999-2000 interim period.
- Room tax, which was previously discussed by Mr. Zuend (see Exhibit A, Tab VI-B – Letters from Assemblyman David Goldwater). According to Mr. Hobbs room tax should be considered a new area of study relative to the issues identified in Assemblyman Goldwater’s letter.

Continuing, Mr. Hobbs said that other issues of concern, which are not individual areas of focus, would be the impact of some of the initiatives that have been contemplated around the State of Nevada might have on the main areas of study. For example: An initiative that had to do with limiting growth and assessed value in any part of the state would have an impact on tax-base issues, depreciation, exemption and personal property. Therefore, Mr. Hobbs noted that it was recommended that the Committee maintain an awareness of these initiatives and how they may affect any of the other areas that are under study.

In addition, Mr. Hobbs said that one other area of study to be cognizant of on an ongoing basis is the flexibility of revenues. The Committee has concentrated on the distribution of revenues, but one of the items that serve as a constraint to the distribution of revenues is how flexible those revenues are from year to year. Mr. Hobbs explained that one of the areas for review would be the inflexibility that certain revenues have because of them being pledged as additional security on bonds. Once certain revenues are pledged in a particular form, there is a legal contract with bondholders and, therefore, that revenue becomes inflexible for other public purposes until the full maturity of the issue.

Senator Neal asked if as the Committee moves forward with the various studies is there a difference between tax base issues and tax structure issues.

Responding, Mr. Hobbs said that these two issues are intricately intertwined. One of the common concerns with many of the proposals is the ongoing sufficiency of the tax base, whether it is on the property tax side relating to assessed valuation due to depreciation, or different treatment of centrally assessed or personal property. All of these issues, from the standpoint of local government, would serve to threaten the stability of the tax base. Also, the overall tax structure would be looked at to compensate for any degradation in the tax base.

Responding to Senator Neal, Mr. Hobbs said that many members of the Legislature and other levels of government have expressed concerns regarding the narrowness of the tax base in Nevada. He explained that the state has a relatively narrow base for application of sales tax and a comparatively restricted base for the application of property tax, and these are two revenues that both state and local governments are heavily dependent upon.

Continuing, Mr. Hobbs explained that at some point in time a review of both the significant areas of taxation would be justified. For example: There is a heavy dependency upon sales tax in some counties on certain areas of trade and if those areas of trade were to level off at some point in time, a major impact on the growth rate in sales tax revenues could occur. If that were to come about at the same time the nation was experiencing a recession or other economic calamity, the state could have a decline in sales tax revenue. In Mr. Hobbs opinion, at some point in time, those larger issues will need to be addressed. The identified study areas are more specific to individual aspects of tax

distribution and tax base issues.

Also responding to Senator Neal, Chairman O'Connell said that the Governor is also reviewing the majority of these issues. According to the Chairman, it was requested that a representative of his staff work with the Committee. She noted that Denice Miller, Senior Policy Director, Governor's Office, was assigned to work with the Committee so that ideas could be coordinated.

APPOINTMENT OF MEMBERS AND COORDINATORS OF STUDY GROUPS

Referring to Tab X of Exhibit A, the Chairman said that the only elected person assigned to any of the study groups is Senator McGinness. She noted that she suggested that Senator McGinness lead the Centrally Assessed Study Group because the majority of the areas that will be affected by this issue are in his district.

Continuing, the Chairman said that all the other study groups consist of technical persons. For the past four years, the technical staff of the Committee has been used to gather information needed, which has proven to be extremely effective because of their knowledge.

Once again, the Chairman expressed that the names of the people assigned to the various study groups are only suggested members and are people that have indicated that they were interested in bringing their resources to the Committee and would become a working part of their assigned study group. She noted that the Committee would like to have both people from the public side and from the private side on each of these designated study groups. Chairman O'Connell asked if anyone had any suggestions as to anyone they would like to nominate to be part of one of these study groups.

In response, Mr. Hobbs said that he had a conversation with Lisa Sadow, Finance Director for the City of Reno, who expressed a strong desire to be included in the Depreciation Study Group. Because of the City's long-standing interest in this area, he recommended that she be added to that study group.

Continuing, Mr. Hobbs noted that during the Technical Advisory Committee meeting, he agreed to coordinate the Room Tax Study Group, but since he will be working on four different issues, he requested that Linda Ritter, if she is agreeable, coordinate this group.

Regarding the Personal Property Study Group, Mr. Hobbs said that since he will be coordinating the majority of the work on the Depreciation, Personal Property, Exemptions and Centrally Assessed Study Groups, suggested that he be added as a member of the Personal Property Study Group.

A final recommendation would be for the Committee to consider Bruce Brooks of Humboldt County, as a working part of both the Personal Property and Centrally Assessed Study Groups, said Mr. Hobbs.

Betsy Fretwell, City of Henderson

Ms. Fretwell, representing the City of Henderson said that she was under the impression that a small group would review the formula's performance, but as discussed today it seems the entire Technical Advisory Committee will be conducting this review. She said that the City of Henderson has concerns about the performance of the formula and was under the impression that the City would be able to participate as a working part of the formula review. On behalf of the City of Henderson, Ms. Fretwell expressed an interest in developing a subcommittee to work on the issues mentioned in the letters written by Assemblyman Goldwater to this Committee.

Continuing, Ms. Fretwell noted that the City of Henderson has volunteered Phil Stoeckinger, one of the City's staff accountants to work on the formula review.

Clarifying Ms. Fretwell's request, Chairman O'Connell asked if she was requesting establishing a subcommittee to work on the formula separate from the TAC. Responding, Ms. Fretwell said "Yes, Madam Chair." In Ms. Fretwell's opinion, it may take a little more detail work to obtain information on how the formula is performing against the goals that it was established to achieve.

Responding to the Chairman, Ms. Fretwell said that if a subcommittee were formed, Phil Stoeckinger would be willing to represent the City of Henderson.

Responding to Robert Hadfield, Executive Director of NACO, the Chairman requested that the secretary have copies made of the lists of the suggested study groups.

Barbara McKenzie, City of Reno

Ms. McKenzie thanked the Committee for including Lisa Sadow in the Depreciation Study Group. She noted that the City of Reno is committed to the process of the Committee and its subcommittees. Since the City does not have an appointed member on the TAC, she recommended the City of Reno's budget manager, Stuart Schillinger be included in the Room Tax and the Formula Review Study Group. She noted that the City has done a lot of work in those areas and Mr. Schillinger, who has been with the City for a number of years, is an excellent resource.

Continuing, Ms. McKenzie said she would like to be included in the Personal Property, Exemptions and Initiative Petitions Study Groups. Also, she recommended that the Committee consider Steve Varela to be a member of the Fuel Tax Study Group.

Brian Herr, Nevada Bell

Mr. Herr, representing Nevada Bell, said that the issue of personal property tax has been an active topic of discussion amongst the utilities. A number of conference calls have taken place in an attempt to try to determine who might be the best representative for the utilities in that study group. It was concluded that it was impossible to choose one person from the numerous utilities. Therefore, a coalition was formed including Sprint, AT&T, Nevada Power/Sierra Pacific Power Company, Southwest Gas Corporation, Nevada Bell, and someone from the cable industry. Mr. Herr said that the coalition chose Larry Bennett as the person they would recommend to the Committee for consideration, to serve as a member of the Personal Property Study Group.

Senator Porter suggested having a sign-up sheet for individuals wanting to participate on the various study groups.

Responding, Chairman O'Connell said that everyone who attends the meetings has a chance to participate and is considered part of the Committee. She noted that as the Committee deliberates on each of the issues in smaller groups, everyone has a right to participate. The individuals who are listed as suggested members of the various study groups have offered the resources available to them.

Mr. Crowley said that there are three study groups that are of interest to the Nevada Mining Association (NMA). The Depreciation Study Group is of interest because it is topic that is discussed at the NMA's taxation committee meetings and he recommended Sharon Byram who is the chairperson of NMA's committee. He also recommended Mike Blanchard of Barrick Goldstrike Mines to serve on the Personal Property Study Group and recommended Lee Chapman to serve on the Initiative Petitions Study Group.

Bob Ostrovsky, Nevada Resort Association

Mr. Ostrovsky said that his organization would like to volunteer to serve on the Personal Property Study Group. He noted that although most of the proposals he has seen would not impact his organization, they would like to participate and offered their resources. Mr. Ostrovsky said that since he represented the Association at the meetings of this Committee, he would serve, as the representative to collect any information the Committee may need.

Al Bellister, Nevada State Education Association (NSEA)

Mr. Bellister said that the NSEA has an interest in the Initiative Petitions Study Group and offered his resources to the Committee.

Responding to the Chairman, Mr. Bellister said that the NSEA is presently working on language for an initiative petition and as soon as it is complete he could supply the Committee with a copy.

Mr. Hobbs clarified the discussion that occurred by the TAC regarding the formula review issue. He noted that initially, the formula review was discussed as being formulated as a study group and as the discussion progressed, it was felt that all the members of the TAC had expressed a strong interest in being part of that study group. Since the Department of Taxation would be the central source of information and analytical work to be done, Mr. Pursell was chosen to lead that group. Mr. Hobbs said that with the efforts of Mr. Pursell and Theresa Glazner of the Department of Taxation, along with other staff, the Department has done a superb job over the last four years. They have supported both the Legislative Committee and the TAC. Continuing, Mr. Hobbs said that the issues related to the formula would impact the entire state and in order to adequately assess the various ideas that are coming forward, the Department of Taxation's coordination is absolutely necessary to bring moderation and control to the review process. Mr. Hobbs said that in order to identify some of the basic parameters of the formula and the responsibilities involved in that area, the TAC felt it could be best handled by using its own resources as the main body. Mr. Hobbs further noted that anyone else who is interested in participating and providing input is welcome to join in on the meetings.

The Chairman noted that the individuals listed as coordinators of the master study groups have been chosen because of their four-year involvement with these issues. She noted that statutorily these are the two master groups that the other issues fall under. She further noted that when the full Committee recesses and convenes to the study groups, there are two groups consisting of the following:

- Study Group 1 will discuss:
 1. Depreciation
 2. Personal Property
 3. Exemptions
 4. Centrally Assessed (Intangibles)

- Study Group 2 will discuss:
 1. Room Tax
 2. Formula Review
 3. Fuel Tax
 4. General Improvement Districts

Continuing, the Chairman said that more of the legislators are not included as part of those study groups is so that each legislator can attend the group that will be most beneficial to him/her.

The Chairman asked the Committee if they had additional suggestions or changes to the suggested members assigned to each study group.

Responding to the Chairman, Mr. Pursell stated that he may not be able to attend all the study groups, but will assign one of his staff to attend in his place.

Senator Neal questioned why the gaming tax is not included in one of the study groups.

In reply, the Chairman said that the issues listed are of major concern as far as the distribution from the state to the individual counties. The gaming tax has not been identified to the Committee as a major concern by the counties. She explained that: (a) depreciation is a major concern and has caused multiple problems in all of the counties; (b) personal property as its tied to depreciation has caused many concerns; (c) exemptions have been a major issue and establishing a list of criteria is one of the Committee's goals; and (d) centrally assessed has become an issue over the last two years. The items that are listed as study groups are priorities that individual financial officers from the counties have brought to the attention of the Committee to be addressed.

Senator Neal explained that the Governor's Economic Commission issued a report on August 25, 1999, regarding the growth in Nevada and who was paying for it. He noted that the gross gaming tax was a prominent issue to the Commission and the conclusion was reached that growth was not paying for itself, but the state would need to diversify its tax base. In Senator Neal's opinion, if growth has become a statewide problem that has attracted the

attention of the Governor's Economic Commission, then it would be worthy of consideration by this Committee since it is studying the affect the various taxes will have upon the general public.

Mr. Cordes commented that participation in the study groups is phenomenal. He suggested conducting a full group meeting following the study groups since each individual will not be able to attend two meetings at the same time.

Chairman O'Connell said that because of the open meeting law, until the legislative Committee has adopted the study groups, the items relating to these groups could not be placed on the agenda. The Committee will recess and convene into two separate study groups and each individual will have to decide which one is most important to them. She noted that the discussion that takes place in the two groups would be reported back to the full Committee and the items discussed will be placed on the agenda for the next meeting for adoption by the full Committee. Chairman O'Connell said that because the issues discussed at these meetings are so detailed, if the Committee did not break out into study groups, the full Committee meetings would have to be held for two days in order to make well-informed decisions on each issue.

Mr. Leavitt added that most of the work done by the study groups would be at the TAC level. Therefore, when the TAC meets separate from the full Committee, it can divide up into specific groups to work on the numerous issues.

The Chairman mentioned that the Committee would be reviewing the gross gaming tax under the initiative petitions.

The Chairman requested a motion to approve the members of each study group.

SENATOR NEAL MOVED TO APPROVE THE MEMBERS OF THE TWO MASTER STUDY GROUPS AND NINE STUDY GROUPS (SEE EXHIBIT D). SENATOR PORTER SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

**APPOINTMENT OF CHAIRMAN AND MEMBERS TO SUBCOMMITTEE TO
STUDY CURRENT SYSTEM OF TAXATION OF THOSE BUSINESSES ENGAGED
IN IHE ACTIVITIES IDENTIFIED IN SENATE BILL 411**

Chairman O'Connell asked if the same group handling centrally assessed (intangibles) could handle the S.B. 411 Subcommittee.

Responding, Mr. Welsh said that because S.B. 411 is a statutory subcommittee, it must be separated from the study groups.

The Chairman requested a motion to appoint the members of the S.B. 411 Subcommittee.

SENATOR NEAL MOVED TO APPOINT THE FOLLOWING INDIVIDUALS TO THE S.B. 411 SUBCOMMITTEE: SENATOR MIKE MCGINNESS SERVING AS CHAIRMAN, AND BRUCE BROOKS, LARRY BENNETT, BOB CROWELL, GUY HOBBS, CASH MINOR, BOB POOL, DAVE PURSELL, RON REYNOLDS, AND LISA SADOW AS MEMBERS. ASSEMBLYMAN NEIGHBORS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

RECESS OF FULL COMMITTEE

The Chairman noted that the study groups working on depreciation, personal property, exemptions, and centrally assessed will meet in room 4100; and the study group for room tax, formula review, fuel tax and the general improvement districts will meet in room 3138. She said that the full Committee would reconvene at 2:30 p.m. At this time the full Committee recessed and convened to their respective study group.

RECONVENE FULL COMMITTEE

Chairman O'Connell called the meeting back to order and asked Mr. Leavitt to begin with the report from his study

group with the items that will need to be placed on the agenda for the next full Committee meeting.

REPORTS FROM STUDY GROUPS

Mr. Leavitt said that the study group discussed a number of issues, but nothing was resolved. Most of the issues will take more time to finalize. He noted that room tax was discussed, how it should be used and what it should be applied to. The Group discussed if room tax should be considered general revenue, letting each local government decide what to use it for, or if it should be applied to a specific purpose such as tourism. He said that considerable discussion ensued about room tax and the fact that the study group is unaware of all the uses of room tax throughout the state. Because of this, the Department of Taxation has been asked to gather information identifying the amounts generated by room tax around the state, the uses to which it is being put and the rates that are charged by the various local governments. Mr. Leavitt said that before any decisions or final recommendations could be made, a number of information items would have to be collected.

Continuing, Mr. Leavitt said that a number of questions that need to be addressed regarding room tax are:

- What it should be used for;
- Who should be allowed to levy it; and
- Should there be a limit on the amount levied in the counties outside of Clark and Washoe, where a limit already exists.

Mr. Leavitt said that as soon as the Department of Taxation provides the information needed by the study group, it would be in a better position to answer those questions. Finally, he noted that because the study group has a good representation throughout the state, it should be able to obtain the ordinances used to levy room tax. The group anticipates that many different ordinances are being used throughout the state and would like to develop a standardized definition for its use.

Responding to the Chairman, Mr. Leavitt said that the study group did not discuss penalties, but when the ordinances were gathered a comparison could be done to determine the differences throughout the state. In Mr. Leavitt's opinion, following the next meeting of the full Committee, some progress would be done on the room tax study.

Continuing, Mr. Leavitt said that the study group also discussed the formula review. One aspect of the formula review relates to looking at the formula for the distribution of money from the consolidated tax. The study group has requested that the Department of Taxation provide a history of the past five years so that it would include revenues under the old formula and revenues of the new formula. The group will then be able to review how the new formula is working. He also noted that the group would like to see if revenue is actually following growth.

Mr. Leavitt also noted that the City of Henderson has concerns of what years were used as the base. Therefore, the group will run several calculations as they relate to the base to determine if certain entities as opposed to others were affected by the years or combinations that were used. Mr. Leavitt said that when establishing the formula, the intent was to be as neutral as possible for all local governments, and that revenue would follow growth.

Property tax rates were also discussed in the study group, said Mr. Leavitt. The group is aware that problems exist in the way the formula is computed and that differences are showing up in the way it is applied in the individual counties across the state. He explained that when an entity is working on a project that takes multiple years to complete, an inconsistency in the formula might occur.

Regarding personal property, Mr. Leavitt said that the application of mining personal property has caused property tax rates to be increased. For example, explained Mr. Leavitt, if a mining company purchases large amounts of personal property, a significant impact will occur to the assessed valuation of the county and as the property begins to depreciate the current formula will automatically increase the property tax rate.

Continuing, Mr. Leavitt said that the study group is considering removing personal property tax from the computation of the formula that determines the rate. Property tax could be computed separately based upon real property, which

would eliminate some of the fluctuations that are occurring in some of the counties where personal property tax is significant in relation to its total operation.

In closing, Mr. Leavitt said that some discussion also took place relating to fuel tax, and the problems associated with general improvement districts. In Mr. Leavitt's opinion, each item discussed will require further analysis, as well as collecting information. Mr. Pursell has agreed to have his Department provide some of the information needed.

Responding to the Chairman, Mr. Leavitt said that these items should be added to the agenda for the next TAC meeting that is held prior to the full committee meeting.

In reply to Chairman O'Connell, Mr. Hobbs said that he would present his part of the report and Mr. Alastuey and Mr. Sherman would also make presentations.

Mr. Hobbs said that although Mr. Pursell did not attend his study group's meeting, a list was prepared of material the Department of Taxation might be able to gather for them. He noted that each topic designated to his study group was discussed and the issues relating to each item were revisited. The depreciation issue, as well as what has occurred over the last legislative session with personal property and proposals that were made by the assessor's association regarding exemptions and centrally assessed property were also discussed.

It was the opinion of the study group that its next meeting should focus on defining the nature of the problem relating to depreciation. Mr. Hobbs noted that it must be determined whether it is a quantitative problem or a policy and qualitative issue in the sense that it represents a form of targeted exemptions that may or may not be reaching only the group it was originally intended to provide relief for, but may in fact be providing relief for groups not necessarily contemplated when it was passed.

Continuing, Mr. Hobbs said that the impact of depreciation on local governments and the business community was discussed. Although many different views exist, Mr. Hobbs believes that some sort of agreement can be reached with the issue. He also noted that some of the technical parameters that exist in the statutes were identified that may be potential barriers.

Mr. Alastuey further discussed the depreciation issue stating that the perspective on the issue varies considerably. Depending on the entity and whether it is a high growth community or a community with low to moderate growth, depreciation may not be an issue at all or it is considered a major issue. He noted that during the last interim and during the 1999 Session, some work was done on depreciation, but the problems involved with the issue or the magnitude were never determined. According to Mr. Alastuey, the issue will require numerous research and the Department of Taxation will be called upon once again to prepare the necessary statistics.

Mr. Hobbs added that the subject areas discussed by Mr. Leavitt will require additional review to determine the levels of impact if changes were made or to quantify the types of impact some local governments may be experiencing.

Regarding personal property, Mr. Hobbs said that the study group would be reviewing the various issues associated with it. Many groups have an interest in personal property, including those who pay the tax, those who administer the tax and those who receive the proceeds from the tax. If a recommendation was made to change the way the personal property tax is handled, an analysis of the ways to provide mitigation to local governments so their ability to furnish basic services is not impaired. He noted that if a decision were made to change the personal property tax structure, it would be done in a fair, equitable and uniform method.

According to Mr. Sherman, the following issues relating to personal property tax will require further review:

- Policy goals that must be achieved relating to the administration of the personal business property tax.
- Revenue issues associated with local governments and policy goals involving the valuation of personal property, and changes within a particular area of a local government jurisdiction such as a redevelopment agency.
- The differences between counties regarding the more robust urban economies (i.e., Washoe County)

compared to a more strictly defined economy such as a mining community in rural Nevada.

As far as centrally assessed property, Mr. Hobbs said that the deliverables for study during this interim are specifically defined in S.B. 411. The topics of study range from reconfirming the assumptions that were used to create S.B. 411, and that it is a system of taxation of intangibles that will need to be replaced or modified to identify the level of impact of eliminating that particular segment of taxation through to including the development of alternatives that could be used for mitigation purposes. In Mr. Hobbs opinion, the most important part of this study will be the identification of the impacts to the various entities throughout the state. The numbers used last session ranged from some entities not having any impact to others having large impacts.

Mr. Hobbs noted that exemptions were the last area of discussion. He noted that during the last interim, a set of criteria that would be used to test future exemptions was promulgated. This set of criteria will have to pass legislative approval before it can be put into law.

Over the course of this study period, some of the existing exemptions may be a part of the study to see how they fit into the criteria that was promulgated last interim, said Mr. Hobbs. In addition to certain kinds of transactions that are exempt from taxation, particularly on the sales tax side, some areas of trade that may be escaping taxation because they are not appropriately classified. Some may lead to an unfair level of trade between like businesses – one that may be escaping because it is associated with an exempt organization versus one that is not associated with a charity or exempt operation. As noted by Mr. Welsh, newly available information exists from other states regarding how they have put into place similar kinds of restrictions on exemptions. Discussion about the review that was part of the bill during the 1999 Session requiring a review every six years of all the exemptions to make sure they were still meeting the criteria that had been previously established. The bill states that the Legislature shall review every six years all the exemptions, but does not state who shall conduct this review. He noted that the study group would also add this to its list of items for discussion.

The Chairman said that all the items discussed by Mr. Hobbs should be placed on the agenda for the morning of the Committee's next meeting.

CONSIDERATION OF STANDARDIZED DATE FOR TECHNICAL ADVISORY COMMITTEE MEETINGS

Chairman O'Connell asked if the TAC had decided on setting a uniform date for its meetings.

Responding, Ms. Ritter said that for some of the members who have full-time day jobs, it would be helpful to schedule a day that is the same each month. She noted that the study groups could meet in the morning and the full TAC could meet in the afternoon.

Mr. Hobbs added that the third Thursday of each month was recommended at the last TAC meeting. He noted that there should be some flexibility to scheduling the TAC meetings and until enough information has been gathered, there would be no purpose to meet. He further noted that at times it would be necessary to schedule a meeting to coincide with the legislative committee for their purposes.

Chairman O'Connell said that the third Thursday of each month is set for the TAC to meet, unless it becomes necessary to schedule a different time. She explained that everyone should place this date on their calendars if they planned on attending the TAC meetings.

The Chairman asked the TAC when they would have enough information gathered and it would be appropriate for the full Committee to meet. Following a brief discussion, the Chairman noted that January 21, 2000, which was the Friday following the next TAC meeting. This being a good day for everyone, the Chairman requested that Mr. Welsh schedule January 21, 2000, for the next full Committee meeting in Las Vegas.

DISCUSSION OF ADOPTION OF ADMINISTRATIVE PROCEDURES FOR REQUESTING AND PROCESSING INFORMATION

Mr. Welsh called attention to Exhibit A, Tab XVIII, a Flow Chart of the Administrative Procedures for the

Committee's approval. Mr. Welsh noted that in order to ensure that all meetings posted in accordance with the "Open Meeting Law," the study groups and the statutory subcommittees should go through LCB for scheduling of all meetings. During last interim many of the agencies and local governments were receiving so many requests for information and were not sure if they were legitimate requests for the Committee. Therefore, all legal opinions or agency requests or assignments, must be requested through the master study group coordinator and they will contact LCB.

SENATOR PORTER MOVED TO ADOPT THE ADMINISTRATIVE PROCEDURES FOR PROCESSING INFORMATION FOR THE COMMITTEE AS EXPLAINED BY MR. WELSH (SEE EXHIBIT A, TAB XVIII). ASSEMBLYWOMAN VON TOBEL SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENT

Carole Vilardo

Ms. Vilardo said that because this Committee was created as a standing Committee and will expire in 2001, she recommended that it consider a BDR to continue the Legislative Committee to Study the Distribution among Local Governments of Revenue from State and Local Taxes through the year 2005.

According to Ms. Vilardo, the areas for study addressed by the Committee today and in view of the fact that Governor Guinn has identified his fundamental review committee and the possibility of restructuring certain taxes, it is imperative that this Committee be continued following the 2001 Session to be able to review any of the changes made. It will be beneficial to have an organized, structured group such as this Committee, otherwise it could take several sessions to address any issues of concern. She, therefore, requested that the Committee place this item on its next agenda.

Ms. Vilardo further requested that because this is a Standing Committee, it is not required to prepare a final report. In Mr. Vilardo's opinion, the issues that have been presented before this Committee should be documented in a final report, so that newly elected officials or revenue staff at the local government level will have a reference explaining the reasons an action was taken. Therefore, she requested that the Committee consider preparing an actual published report in the same manner an interim committee is handled. Ms. Vilardo requested that this item also be placed on the Committee's next agenda for discussion and action.

Relative to any discussion to extend the work of the Committee to 2005, she noted that the manner in which Ms. Murphy was appointed to the TAC is different from the other members. She explained that the language creating the TAC should be modified to make the appointment of the TAC members consistent.

Since there were no comments or concern from the Committee, the Chairman directed staff to place Ms. Vilardo's recommendations on the Committee's next agenda for discussion.

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ADJOURNMENT

There being no further testimony, Chairman O'Connell adjourned the meeting at 3:30 p.m.

Respectfully submitted,

Jeanne Peyton
Secretary

APPROVED:

Senator Ann O'Connell, Chairman

Date

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