

**MINUTES OF THE MEETING OF THE  
ADVISORY COMMITTEE TO THE LEGISLATIVE COMMITTEE FOR  
LOCAL GOVERNMENT TAXES AND FINANCE  
May 6, 2004**

The meeting of the Advisory Committee to the Legislative Committee for Local Government Taxes and Finance (NRS 218.5388 to NRS 218.53886, inclusive) was called to order by Guy Hobbs, Acting Chairman, at 12:34 p.m. on May 6, 2004, at the Grant Sawyer Office Building, 555 East Washington Avenue, Room 4401, Las Vegas, Nevada and via simultaneous video conference at the Legislative Building, 401 South Carson Street, Room 3138, Carson City, Nevada.

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**ADVISORY COMMITTEE MEMBERS PRESENT IN LAS VEGAS:**

Guy Hobbs, Chairman  
Marvin Leavitt, Vice-Chairman  
Mike Alastuey  
Phil Stoeckinger

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**ADVISORY COMMITTEE MEMBERS PRESENT IN CARSON CITY:**

Bob Anderson  
Charles E. Chinnock  
William B. Horn  
John Sherman  
Claudette Springmeyer  
Dawn Stout  
Terri Thomas

**ADVISORY COMMITTEE MEMBERS ABSENT:**

None

**LEGISLATORS PRESENT:**

Assemblyman Tom Grady

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**LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:**

Richard Combs, Deputy Fiscal Analyst, Fiscal Analysis Division  
Kim Marsh Guinasso, Principal Deputy Legislative Counsel, Legal Division  
Becky Lowe, Secretary, Fiscal Analysis Division

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**EXHIBITS:**

- Exhibit A:** Meeting Notice and Agenda.  
**Exhibit B:** Attendance Record.  
**Exhibit C:** Meeting Packet.  
**Exhibit D:** Preliminary Analysis of Motor Vehicle Fuel Tax Distribution provided by Terri Thomas, Advisory Committee member.

**Exhibit E:** Local Government Revenue and Expense Comparisons Data Adjusted for Inflation provided by Phil Stoeckinger, Advisory Committee member.

**Exhibit F:** Draft of SJR 1 provided by Mike Alastuey, Advisory Committee member.

**I. CALL TO ORDER – OPENING REMARKS.**

Chairman Hobbs called the Advisory Committee meeting to order. All Advisory Committee members were present. He asked Terri Thomas to coordinate comments from Carson City.

He began his opening remarks by mentioning that Chairwoman O'Connell's husband passed away just two weeks earlier. He met with her to discuss the direction of the Committee. He commented that the Committee was on track and that there would be a lot of activity in June. He commented that Committee members who were involved in budget filings with their local government entities should have those completed. Therefore, work progress on the various areas of coordination that were put together at the previous meeting would accelerate. He apologized for being in a "holding pattern" for the last couple of months.

**II. APPROVAL OF THE NOVEMBER 24, 2003 MEETING MINUTES.**

VICE CHAIRMAN LEAVITT MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 24, 2003 MEETING.

THE MOTION WAS SECONDED BY MS. THOMAS.

THE MOTION WAS CARRIED WITH NO OPPOSITION.

**III. PRESENTATION OF REPORT REGARDING REAL PROPERTY TAXES AND EFFECTS OF DEPRECIATION ON REVENUES GENERATED BY THOSE TAXES .**

Ms. Thomas stated that for the benefit of the Advisory Committee she would go through the PowerPoint presentation very quickly (page 23 of the meeting packet, Exhibit C). The main reason that she wanted to present the information was to get feedback from the group as to whether or not they thought it would be worthwhile to present to the full committee at the meeting on May 13, 2004, given the fact that the issue of depreciation was not likely to be confronted in the 2005 session. The presentation was prepared by Meridian Business Associates. The consultants concluded what most of the Advisory Committee already knew: depreciation creates inequity amongst taxpayers. Property taxes were levied more by age than by value. The practice negatively impacted government funding of public services. Most of the local governments do not get the majority of funding from property taxes, but nevertheless, that was a concern. The consultants identified three constraints of Nevada's property tax system: 1) Depreciation; 2) "Replacement Cost" Appraisal Approach; and 3) The \$3.64 tax rate cap. To those Ms. Thomas added that a fourth constraint was the assessed value ratio of 35 percent of taxable value. In the consultant's analysis, most jurisdictions taxed the taxable value. She thought that those four issues had a tremendous negative impact on a local government's ability to raise revenue. She reviewed page 26 of the meeting packet stating that depreciation was 1.5 percent per year for 50 years, up to 75 percent. In Nevada, depreciation continues with each sale of the property, unlike states like California where the value was reset upon a sale.

Ms. Thomas explained that the presentation showed the deviation between taxes payable on brand new homes versus taxes payable on ten or thirty year old homes (page 31 of the meeting packet). She described the slides as persuasive in showing the erosion of tax revenue. She said that the use of a market value approach would be much more common. In fact, until a taxpayer lawsuit ended the practice in 1998, the only other state that depreciated improvements to real property was Indiana. To illustrate why property tax

revenues should keep pace with the demand in public services, the consultants created a slide (page 37 of the meeting packet) that showed what public services were supported in part by property taxes, including schools, police, fire, libraries, roads, parks, judicial, animal control, administrative functions like registrar and child protective services. Regarding the slide headed, "A Growing State's Demand for Public Services" (page 38 of the meeting packet), she noted that for the city of Sparks only about 25 percent of revenue was generated by property taxes. Washoe County was coming close to the \$3.64 cap. The city of Sparks was at \$3.6067.

She referred to the chart on page 39 of the meeting packet showing Nevada's low rank among other states when comparing property tax liabilities. She recognized that the chart did not show the overall tax burden, just property tax. She went on to page 40 of the meeting packet showing the disparity in property tax between two home sales. She moved to page 43 which summarized the LCB March 2000 legal opinion on the constitutionality of depreciation removal. While the two options presented were constitutional, the opinion did not address the tax rate needed to equalize the phase out impacts on individual taxpayers, and the project came to a halt. She thought it was very compelling that when the Department of Taxation released figures on the accumulated depreciation by county, only 20 percent of the value of the property in the state had been eroded due to depreciation. Analysis done by the Washoe County Assessor for the city of Sparks indicated that the loss of revenue was in the 45 percent range depending on how the redevelopment areas were treated.

She asked for comments from the Advisory Committee on whether they thought the information should be presented to the Legislative Committee.

Ms. Springmeyer asked Ms. Thomas why she thought there would be no progress on this issue next session. Ms. Thomas replied that the problem was the tax rate and the elimination of depreciation. The tax bill for owners of older homes would skyrocket while those with newer homes would essentially remain the same. This was an individual equity issue among taxpayers. She did not anticipate any progress on that issue until the tax rate equation was solved. In addition, she did not think the 2005 Legislature would be interested in tackling anything on the topic of taxes.

Ms. Springmeyer thought it would be a good idea to share the information with the Legislative Committee.

Chuck Chinnock, Department of Taxation, agreed that more information was better than less information. With the help of the opinion from Legal Counsel, he recognized that there were a number of different areas in which they had to "roll up their sleeves." The first issue would be the tax rate and transition period. Another issue was that simply taking depreciation away and leaving in valuation techniques - in this case replacement cost - could cause a problem relative to the full cash value cap. In other words the assessed valuation number could be higher than the full cash value. A market approach of resetting the value upon sale could solve that problem. Thirdly, there were a host of other uses of the number that come out of assessed valuation. The Advisory Committee had asked to have a list of those other uses so that they could be reviewed, one by one, to find if the replacement cost assessed value could be replaced by a market driven assessed value cost. He thought that it was a good point to bring to the full committee but he added that those points should be put on the table to vet the whole issue.

William Horn, Advisory Committee member, asked whether the inequity could be resolved by statute by resetting depreciation upon the sale of a house. He thought that the issue should be brought to the attention of the Legislative Committee and let them decide whether this should be part of the 2005 Legislative Session.

Ms. Thomas recalled that in 2001 the city of Sparks brought forward a bill draft request (BDR) that would have sought to do just that. Legal Counsel then gave an opinion that to reset the value at sale or transfer was not constitutional. That was why the Advisory Committee asked for a legal opinion that would provide

them with a constitutionally viable option. Implementing either option without changing the tax rate was what caused progress on the issue to stall.

Mr. Alastuey agreed that the issue would not be resolved in the 2005 Legislative Session; however, this information should be presented to the Legislative Committee, especially in the context of the recently filed tax reform petition, which by some readings would take accumulated depreciation and freeze it until the sale of the house, while those who were on the suffering end of the depreciation scale would continue to suffer until they sold or accumulated the benefits of the restricted increase in value through time. He agreed with Ms. Thomas that a BDR presented to the 2005 Legislature to eliminate depreciation would not be successful.

Mr. Hobbs noted that the \$3.64 tax rate cap issue was not going to go away simply because it would result in a tax increase. There was no question that depreciation was a factor that has contributed to "rate creep" over time. He believed the issue should be kept in front of the legislators and one of the most effective ways of doing that was to show them the cost of depreciation. The opportunity costs associated with the depreciation factor was something they needed to be aware of. The legislators should make that decision rather than the Advisory Committee; the Advisory Committee's job was to provide information and guidance and the Legislative Committee's job was to make a decision.

Mr. Hobbs asked if the two options were the only ones given by Legal Counsel. Ms. Thomas replied that those options were given to Legal Counsel through Assemblyman Anderson with a request for a legal opinion. There may have been other options, but Legal Counsel was only asked to study those two. Mr. Hobbs thought that they should identify any other options. They could take small steps from time to time to allow a gradual move toward a solution. They came much closer last session than they would have expected five or ten years prior. He viewed the depreciation issue in the same way. He asked what kind of building blocks could be put into place to allow a move away from depreciation, or to mitigate some of the opportunity cost impact that it had on local government revenues, and the effects on the \$3.64 tax cap rate. He concluded that as long as the statute was on the books it would cause these kinds of issues; therefore the issue should be kept in the forefront.

Phil Stoeckinger, Advisory Committee member agreed that phasing out depreciation had a slim chance of becoming law. Last interim three of the seventeen counties declined in assessed value over a six year period. A lot of those entities were in rural or northern Nevada where there was an aged infrastructure. Property tax issues, especially the cap and depreciation, warrant bringing it forward and continuing to study.

Mr. Leavitt commented that the material should be presented as a work in progress with the understanding that the Advisory Committee was not ready to make a recommendation. Chairman Hobbs noted that the comments were tracking pretty closely to each other.

Mr. Chinnock commented there were other things that could be considered before making a dramatic change to methodology. He suggested a more moderate solution: rather than using 1.5 percent use one percent and instead of allowing 75 percent depreciation, cap it at 65 percent. That would not change the methodology much but was still something that the Assessors would be able to change without too much work. He told the Advisory Committee that they may consider changing the assessment ratio from 35 percent to 40 percent; that would be a 15 to 17 percent change.

Mr. Hobbs commented that they were not constrained to option one or two. If there were ways to lessen the impact, we should evaluate those and then build off of each opportunity in future sessions whether through phasing or using other limitations as Mr. Chinnock suggested. He said the Advisory Committee's mission

was in two parts: one part was to let the legislators know the impacts and, second, to provide thoughts on how they might be mitigated. This should be done without scaring them into believing that we were talking about a multiple million dollar tax increase on homes that have enjoyed this depreciation in the past.

Mr. Hobbs asked Ms. Thomas if she wanted any sort of action on the agenda item. She responded that she thought this issue should be kept on the agenda and that the Advisory Committee needed to make progress on it.

#### **IV. PRESENTATION OF REPORT REGARDING PRELIMINARY ANALYSIS OF NEVADA'S SYSTEM FOR DISTRIBUTING REVENUES FROM MOTOR VEHICLE FUEL TAXES.**

Ms. Thomas affirmed that the Advisory Committee members were given a copy of the report entitled Preliminary Analysis of Motor Vehicle Fuel Tax Distribution. She would focus on Washoe County when discussing this issue because in all of their discussions on the gasoline tax distribution issue they have struggled to find a formula that works for both tiers in all 17 counties. The cities of Reno and Sparks commissioned the study to see if there were unique characteristics of the fuel tax distribution in Washoe County that might promote discussion on county-specific distribution issues. She called the Advisory Committee's attention to Table 3 on page 64 in the meeting packet (Exhibit C). The table showed an analysis of the motor vehicle fuel tax revenue on a per capita basis as distributed between Reno, Sparks and unincorporated Washoe County. It was compelling that in 2003 the cities of Sparks and Reno received about \$16 to \$17 per capita and that Washoe County received \$49 per capita. On its face, this appeared to be an anomaly.

Table 5 on page 65 showed that 73 percent of the Washoe County residents reside in either the cities of Reno or Sparks which was considerably higher than the percentages anywhere else in the state that had incorporated cities. In her report she included an analysis of the proportional distribution of several of the components of the fuel tax (page 77 of the meeting packet, Exhibit C). She was struck by the fact that the percentages of the fuel tax, all of which were required to be used for road maintenance, were "all over the board." For example, the city of Reno enjoyed 53 percent of the one cent tax, 48 percent of the 1.75 cent tax and 31 percent of the 2.35 cent tax. The distributions were similarly skewed for Washoe County and the city of Sparks. She had not done this analysis elsewhere in the state, but assumed that the results would be similar. Finally, the report showed not only a high concentration of population in Washoe County within the two incorporated cities at 72 percent, but the assessed value was also highly concentrated within the city boundaries at 64 percent, significantly higher than elsewhere. She felt that they should continue their efforts to look at the motor vehicle fuel tax in total, not in its various components. That was the main reason for her presentation. The cities of Reno and Sparks felt very strongly that there was an argument to be made that one formula may not work for all; there were unique characteristics that were ongoing in Washoe County.

Chairman Hobbs noted tab V-A of the meeting packet contained similar types of iterative runs on the second-tier fuel tax distribution formula. He asked Ms. Thomas if she ran some of the same scenarios. She replied that the consultants focused on the two-thirds versus one-third scenario throughout. They were driven by the fact that the scenario had successfully made it through the committee process on to the legislative process and thought that it would be the most viable alternative. Mr. Hobbs commented that there would be contention and disagreement on the second-tier issues because there would be gainers and losers. He recalled that it took three interims to resolve the differences for the first-tier. The differences were largely resolved by embedding phasing mechanisms, hold-harmless mechanisms and other protective devices. Knowing that this was going to be a very difficult issue to work through he asked the Advisory Committee members how much progress they thought they could make this interim on the second-tier. He commented that this issue might dovetail with Agenda Item V-A, motor vehicle fuel taxes. He suggested that, since there was some overlap, there should be a broad discussion about how far, politically and practically, they could move the issue along.

John Sherman, Advisory Committee member, said that he was not necessarily averse to seeing different analytical works presented to the Committee, but he recalled that some time ago the Committee concluded that analytical work like this should be done through the appropriate state agency. He encouraged the Committee to be committed to that principal so that they did not have competing pieces of analytical work.

Mr. Sherman observed that the Committee concluded that paramount to resolving the second-tier distribution methodology in allocation of resources was recognition that the aggregate funding source for fuel tax did not support the cost of maintaining roads. He suggested that they join together the total funding of road maintenance with the revenue distribution methodology. If the Committee only worked to isolate how the revenue was distributed, it would take a lot longer to get to where they needed to go. Granted, there could be some improvements in how we define need and allocate resources to those needs. There should be recognition that, on an aggregate basis, there was not sufficient revenue from this source to do the work that the citizens of the state wanted done. He suggested that they continue on a parallel track and join together the sufficiency of the revenue with its allocation, particularly in the second-tier.

Mr. Hobbs agreed in regard to fuel taxes that they focus on the allocation of revenue. Because of the different mixtures of revenue sources and the different economies from one part of the state to another there was a lack of association between distribution and relative need. That was something he always thought was lacking in the Committee's process.

He returned to a comment he made earlier about taking two or three interims to work through the first-tier issues. He thought that those earlier discussions would benefit them as they discussed the second-tier. The Committee had already been through a lot of those topics and understood the limitations. He asked Ms. Thomas and Mr. Leavitt whether they felt the data was complete, reliable and consistent throughout the state from entity to entity. Ms. Thomas replied that the Nevada Department of Transportation (NDOT) would be in the best position to answer that question.

Russ Law, NDOT, responded that they were happy with the population statistics (NDOT did not collect them). They were happy with the road miles in the counties that they had audited, which included Clark County. They were not happy with the data on vehicle miles of travel. He recalled that Mike Lawson testified last session that the data was excellent on a statewide basis. The sample was dedicated to the fact that they would have 95 percent accuracy or five percent error on a statewide basis. He also testified that if you broke the information down between counties and the cities and used that as part of a formula, there would be a much higher error rate. He did not recommend using that information to make a distribution. The final component was land area and NDOT was happy with that information.

Mr. Leavitt commented that he did not think they were ready to make a recommendation on a particular formula. He recently met with representatives from the NDOT and Mr. Combs to determine which formula could be presented to give everyone a feel for what the distribution would be based on various alternatives. One problem was that for the first-tier, area was rejected as a measure for determining need. When area was removed, in every case, the counties lost money and cities gained. The inclusion of area as a factor benefited the counties. He thought there was a logical reason for recognizing that a county, in providing services, had a much larger area to cover. Many times they must have crews located in several places and equipment must be transported long distances. He said that there probably was not a measure other than area by which they could gauge that factor. Another consideration was the fact that when road work happened in a metropolitan area, particularly in Clark and Washoe Counties, traffic control was a major cost factor. Traffic control was not a factor in remote areas. He did not think that the factor of area, although it has some importance, should be weighted at 25 percent. He thought that the vehicle miles traveled factor should be eliminated and could instead be covered by increasing the weight of the population factor. He referred to page 85 of the meeting packet (Exhibit C). He commented that the formula was preliminary and

there would still be a problem of revenue loss.

He made the following comments about the proposed formula:

- Favoring population would probably benefit the cities.
- Favoring road miles was more of a benefit proportionally to the counties than to the cities; and
- Vehicle miles traveled would be eliminated and moved to population.

Vice Chairman Leavitt continued stating that one factor was eliminated, land area was reduced from 25 percent to 15 percent and road miles increased from 25 percent to 35 percent. He did not consider this proposed formula to be a perfect solution, but suggested that everyone give some thought as to how it might be made better. He again referred to the chart on page 85 of the meeting packet commenting that the proposed formula addressed what everyone agreed was a problem: credit was given for road miles that the entities did not maintain. If the Committee could prepare a formula without seeing the column showing changes in distribution, they could make a more logical decision. He commented that there may be deficiencies in the formula. The purpose for putting the information together was to have something for the Advisory Committee members to think about.

Mr. Alastuey asked if the chart on page 82 reflected only the change regarding modification of the mileage to distinguish between state and locally maintained roads. Mr. Leavitt agreed. Mr. Alastuey continued commenting that the remaining charts combined that change with the formulaic option shown at the top of each page. There was a clear delineation between the two calculations. As an example, Mr. Leavitt referred the Advisory Committee to page 85 of the meeting packet. The distribution formula showed that Clark County would lose \$1.1 million in that formula, and they would lose \$424K by the formula only relating to roads that were maintained.

Mr. Horn apologized if his comments seemed self-serving, but his job was to represent the general improvement districts (GIDs) which, under Chapter 318, could take on the responsibility of road maintenance. He noted that Incline Village was an unincorporated, high road maintenance area in Washoe County. He had heard that the impact to Washoe County could be between \$2 and \$3 million per year. If Incline Village has high road maintenance, there would be some fiscal impact. He would be interested to know the potential impact to the GIDs and to communities like his where there was a lot of snow in the winter and a lot of road work done in a short period of time in the summer.

Chairman Hobbs asked John Sherman, Advisory Committee member to comment. Mr. Sherman said that any one of the scenarios would have an impact on their budget. He recalled that the current and prior board of County Commissioners viewed road maintenance as a high priority item. He did not think they were alone in that fact. One of the points that he had always raised was how much additional resources were needed; every jurisdiction added funds to fuel taxes to maintain their roads. As to the magnitude of change and its effect on the road budget, he could not speculate.

Ms. Thomas opined that that impact would depend on whether you looked at one or more components of the gas tax, and which formula was ultimately selected. The range of impacts was huge.

Mr. Stoeckinger concurred that the elimination or significant lessening of the weight for land area would be inequitable toward the counties. He thought that the shift of some of the percentage to population made sense because of the cost associated with it. Agreeing with what Mr. Leavitt said earlier, if the land area were decreased by a great amount it would be inequitable towards the counties.

Mr. Hobbs asked if the Advisory Committee members intended to make a recommendation on the second-tier for bill introduction at the upcoming session. If that were the case, he asked if they were prepared to give consideration to other mitigation strategies such as those that were used on the first-tier involving either some form of hold-harmless or phase-in.

Mr. Alastuey responded that the question would be better answered in reverse. He asked if the proposal should include hold-harmless or phase-in mechanisms. Every experience that they have had has told them that the answer to that was a definitive yes. Any transitional change like this must include consideration for the processes, infrastructure and expenditure levels, all recognizing what Mr. Sherman said: this was a source that, being primarily flat per gallon, was not responsive to the cost of road maintenance. Overall, sufficiency was not achieved. He noted that the changes were in two parts. Each proposed formula had the same change in the allocation of road miles between state and counties. Each proposed formula had a different percentage assigned to land and other factors. Without speculating on the appeal of any of the options, he liked that they were presented so clearly. However, he did not think there would be a commitment from counties for any kind of reduction.

Chairman Hobbs stated that this was a city versus county issue. That was why he asked whether or not there was an appetite to make a recommendation. Looking through those scenarios that were prepared at Mr. Leavitt's request, he did not find many that did not cause an adverse impact to the counties.

Mr. Alastuey thought it was clear that if a proposal went forward, there would be opposition from the counties.

Mr. Hobbs recalled that this situation was very similar to what they dealt with on the first-tier issue. He suggested that if there was a desire to move forward on the second-tier issue during this interim, the Advisory Committee may wish to consider methods that would make the matter less contentious.

Mr. Leavitt said that, because there was equal representation between the cities and the counties, their votes would cancel each other out. For that reason he did not think they were ready to go forward. He thought they could postpone recommendation on the formula, but fix the road miles and go forward with that.

Mr. Leavitt noted that the 2.35 cent tax on gasoline brought in about \$25 million statewide. If you added up the negative numbers caused by the proposed formula the total would be under \$2 million. That would amount to a change in the gasoline tax of about two-tenths of a cent. He said that if the Committee were to recommend a change in the gasoline tax of two-tenths of a cent, the potential loss of revenue could be fixed through the formula.

Chairman Hobbs commented on the topic of hold-harmless and phase-ins. The entities that felt they were under-receiving revenue may want immediate remediation. They may not want to wait until the tenth year to see results. Perhaps this suggestion would provide an offset to those who were losing and an opportunity to those that felt they were due more revenue to make up the loss sooner. He asked the Advisory Committee to keep an open mind. He had not heard anyone say that they did not believe that they could move forward with a recommendation, or set of recommendations, to the Legislative Committee during this interim.

Mr. Leavitt said he did not yet think they have arrived at that point. It has been a tradition of the Advisory Committee that they work through problems to arrive at a somewhat unanimous agreement. He did not know whether that would be possible on this issue. It might be if they used an alternative like the one he proposed a few minutes ago. Last interim they went forward with a proposal for indexing fuel tax and that was not approved by the Legislature. Gasoline prices were high and the Legislature may not have a desire to add taxes in the upcoming session.

Ms. Thomas noted that the Committee agreed in the past that distribution of any of the components, if not all,



should be based on need as defined by extent and use of the road system. She thought it was of particular interest that there were entities receiving gasoline tax revenue for roads that they did not maintain. She suggested that the Committee consider this issue first since they seemed to have consensus on how the taxes should be distributed.

Mr. Sherman said that he liked Mr. Leavitt's ideas, but suggested that the Advisory Committee broaden their horizons. He commented that the local governments put together different configurations of resources to maintain roads. Fuel taxes were one of the components, but if one were going to link usage and impact on roads to their maintenance then they might want to look beyond fuel taxes to something that was linked directly to the use of those roads. He commented that the Advisory Committee was familiar with the issue of fuel tax being a flat rate. In addition, there were issues with differing efficiencies of different kinds of vehicles and their impact on roads. He thought that the Advisory Committee might want to consider alternatives to fuel taxes that might apply uniformly across the state. He believed the ultimate resolution would have a sufficiency component. He stated that he was not a fan of phasing or mitigation, but he acknowledged that it was one way, politically, to get around the road block.

Mr. Law referred to page 82 of the meeting packet ([Exhibit C](#)). He commented that the Committee had been talking about state-maintained road miles. He noted that there were also state-maintained vehicle miles of travel. Fifty percent of the formula was state-maintained miles or vehicle miles of travel. He commented that the mandatory county tax had not been changed since 1988. By the time something was done with the tax it could easily be past 2008, a 20 year period. There would be over 50 percent inflation since it had been changed. He commented that 50 percent inflation on a 6.35 cent mandatory county tax amounted to three cents a gallon. He thought that it showed how well the entities had done to maintain roads at a low cost, but also it spoke to the fact that the counties made adjustments to accommodate inflation. For example, in Clark County there were a wide variety of taxes (room tax, jet fuel tax, etc.) to accommodate for inflation. He stated that it came down to the question of whether you believed in user pay concepts or not. He asked the Advisory Committee to look at the 2.35 cent tax and consider that 50 percent inflation on that amount was about one cent.

He referred the Advisory Committee to page 91 of the meeting packet to a formula showing a 75 percent/25 percent scenario. He stated that this was as close as any of those shown to the two-thirds/one-third scenario. He commented that Clark County had the biggest problem because they would lose \$2 million out of roughly \$12 million. Accommodating 40 percent inflation on 2.35 cents would be about one penny per gallon, so there would be 40 percent more money. Clark County would have an additional \$2 million and the county total would go up to about \$16 million. He understood that nobody wanted to propose adding a tax when the price of gas was rising, but the price of roadways was very sensitive to fuel costs. All of NDOT's contracts include a fuel price escalation clause because road maintenance was a very energy intensive business. The asphalt itself was an oil product, but this fact was not recognized in the state's taxation policy.

Bob Anderson, Advisory Committee member, referred to page 82 of the meeting packet, to a formula with an equal weight on all four factors. He noted that the negative impact to all the counties was about 2.9 percent of the \$25 million. He thought that the Advisory Committee should develop a matrix to show how many cents-per-gallon would be needed to make up that difference and asked if the made up difference could be distributed strictly to the counties.

Chairman Hobbs commented that anything imaginable could be put into the formula. He stated that there were two separate issues. One was the maintenance of state-related road miles which was shown on page 82. In addition to that there were modifications to a formula to achieve some desired outcome, which may be different for the cities or counties. It would seem that in the discussions that the Committee undertakes from this point forward they should focus on the two issues separately. He had been concerned for years that the

Advisory Committee tends to talk about the fairness of mixtures of revenue when they all know that each entity has come to operate in some sense of equilibrium. The Advisory Committee rarely discussed revenue strictly in relation to need. He thought it would be short-sighted to talk about remixing a pie of a certain size. That being said, there was the task at hand to deliver something to the Legislative Committee. Rather than delivering one watered-down recommendation, it may be better to offer two or three different view points and allow them to decide. The Committee should try to get some early indication as to whether or not they would be able to arrive at one recommendation as to the remixing of the variables in the formula, or a continuum of choices.

Mr. Leavitt stated that there may be a chance that the Advisory Committee could come to some unanimity on the formula on page 82, given the timeframe, but the rest would be too big a job. He thought that there was not much need to vote on anything other than page 82. He was not satisfied in his own mind on how to decide on the other issues. The question on page 82 was much more clear and logical than the rest of the formula. He would not suggest that they try to move forward on the formula until they get much closer to a resolution.

Chairman Hobbs asked the Advisory Committee members whether they were ready to vote on the concept underlying page 82 or whether they would like to meet with their policymakers before casting a vote.

Ms. Thomas said that this was a decision that needed to be discussed with the respective policymakers before a vote was taken.

Mr. Alastuey said that it was up to the Advisory Committee whether to go forward. He said that, at this point, if they were to put together a report for the Legislative Committee it would be centered on page 82 in one form or another. Then the Legislative Committee may be another point at which there would be county opposition. He stated that this was an opportunity to focus on one issue separate from the others, and recognize that the other scenarios would simply draw out negative interest. He was aware of the Advisory Committee's obligation to transmit a status report to the Legislative Committee. Without the benefit of talking to policymakers, he would certainly say that they go no further than page 82.

Mr. Stoeckinger asked for time to consult with his policymakers. He commented that they would want to make things as equitable as possible.

Chairman Hobbs said they were at a point where they understood that the report they would give to the Legislative Committee would include the concepts underlying page 82 and the fact that there was work in progress on the remaining elements of the formula.

Ms. Thomas agreed with the stipulation that they be able to meet with their policymakers and report back to next Advisory Committee.

Chairman Hobbs agreed with Ms. Thomas and said that the notion was to move these things forward and not to stall. He asked everyone to consult with their respective policymakers on the formula on page 82 and on anything beyond that so that it reflects their interest more clearly, comfortably and confidently.

**V. DISCUSSION AND POSSIBLE ACTION REGARDING REPORTS OF WORK IN PROGRESS, FURTHER DIRECTION, AND POSSIBLE RECOMMENDATIONS FOR EACH OF THE FOLLOWING STUDY AREAS:**

**A. Motor Vehicle Fuel Taxes.**

Mr. Leavitt said that he thought this topic had been discussed adequately in the previous agenda item, and

that it was not time to go forward with a proposal. Chairman Hobbs confirmed that the Advisory Committee members agreed.

## B. Property Taxes.

Ms. Thomas thought that the Advisory Committee may be “beating a dead horse.” She pointed out as an aside that a group of graduate students at the University of Nevada, Reno were working with her as a coordinator on a graduate student project that looked at the effects of the property tax structure and their conclusion was that the most politically viable way to make a change in the near term would be to ratchet up the 35 percent assessment ratio. Chairman Hobbs asked how they came to that conclusion. She said that she tried to explain to them how the 35 percent was arrived at, and once they had that basic knowledge they thought that would be the way to go.

## C. Local Government Expenditure Patterns and Revenue Growth.

Phil Stoeckinger, Advisory Committee member confirmed that the Advisory Committee members had received a copy of a handout entitled Local Government Revenue and Expense Comparisons Data (Exhibit D). He commented that the topic was discussed at the last Advisory Committee meeting as well as the Legislative Committee meeting. He thanked Gordon Hella of Taxation for providing a lot of the information. He realized that a lot of the information still had to be verified. He thanked the staff at Taxation for their work.

The schedule provided at a previous meeting included data from 1995 through 2000 and for the per capita inflation adjusted revenues, expenditures, ending fund balance and the percentage change in population. The current information was updated through fiscal year 2003 for all the entities with the exception of those noted in the footnotes that had information through 2002. The entities with a negative five percent fluctuation or more were highlighted. He asked the Advisory Committee to note that in the far right column, Eureka County had a -10.1 percent change but was not highlighted. He isolated those that had a five percent decrease over an eight year period from 1995-2003 as a starting point. The highlighted areas include some reasons for fiscal stress, but were by no means limited to the ones mentioned. A change in population growth or a decrease in population could cause a significant change in the percentage. A decline in the local economy because of mining or another reason could affect the percentage. He said that, relative to property tax when there is an aged infrastructure, depreciation or a change in the economy there could be a ripple effect. A final reason would be the consolidated tax distribution, which could have a ripple effect if your entity was growing much faster or much slower.

Mr. Alastuey expressed his appreciation for the summary of factors. He stated that any changes or fluctuations were worth seeing so that further questions could be generated. He asked if there was an attempt to accommodate, not only for purposes of comparability among entities, but comparability of fund structure between 1995 and 2003. For example, different jurisdictions may treat the proceeds of an override differently in terms of the general fund. Depending upon where the revenues were initially deposited and where they were finally expended functionally. He asked whether, in cases where municipal or urban services are provided by a county, there was an attempt to separate the municipal part of the county expenses from that which related to county-wide functions for purposes of comparability. Mr. Stoeckinger commented that the information was taken from the general fund only, so overrides would not be included in that information. The information was a snapshot of the general fund from 1995-2003. As far as a compilation on a statewide basis, he described that as a very lengthy and tedious task. He noted that he listed four or five factors but could have easily added another two or three variables into the mix that result in some of the anomalies on the table.

Ms. Thomas commented that she was trying to figure out an anomaly in the information for the city of Sparks. The table showed a 6.3 percent decline in per capita expenditures over this period. Between 1995

and 2003 they changed the way they accounted for their parks and recreation function. They put it in a separate special revenue fund in total and handled it with a transfer out instead of having it in the general fund. They also put their building permit related functions in an enterprise fund. She noted that would skew the per capita analysis for that period of time for Sparks. She was assuming that the figures for 2003 were coming from the general fund and were not supposed to be the total ending-fund balance for the general fund because Sparks had something in the neighborhood of \$6.5 million at the end of 2003. Mr. Stoeckinger commented that the numbers were adjusted for inflation using the base year of 1995.

Mr. Anderson commented that the four percent ending fund balance requirement in NAC was being discussed in a local government committee of which he was a member representing the Carson City School District. He asked if there was any way to determine from the analysis which counties and cities were below the four percent ending fund balance formula. Mr. Hobbs replied that he supposed the number was the total fund balance and not just the unreserved portion of the fund balance, which in his judgment would be the better measure. He generally had always viewed it as unreserved fund balance and thought the numbers on the report were all end-fund balance. Mr. Stoeckinger said that was correct. In order to do that they would probably need to focus on the unreserved amount. Mr. Hobbs understood what Mr. Stoeckinger was trying to do and thought it made a good point. He did not want to commit Mr. Stoeckinger to more work. He supposed it would not be a difficult exercise, however, to look at the percent of unreserved fund balance to total expenditures. The Department of Taxation might sample counties and some of the larger cities if that was something the Committee would like to see. He suggested that they concentrate on the unreserved amount.

Mr. Leavitt suggested that they take out the inflation effect so they were using the actual current balance compared to the actual current expenditures. Mr. Hobbs agreed that that would be the appropriate percentage unless the expenditure was adjusted for inflation as well. A lot of cities and counties had gone beyond what NAC offered as a guideline, which was two to four weeks of operation. A lot of other entities adopted other values as target fund balance values within their own financial policies because of volatility within their own revenue mixes. He was not sure whether Clark County was still the same, but, at one time, they were at 10 percent unreserved, undesignated and he thought some of the other local governments, at least in the south, had gone to that because of the heavy reliance upon the C-tax.

#### D. Consolidated Tax Distribution Formula.

John Sherman began by letting the Committee know that he had been working with the Department of Taxation and the report would be ready to present to the Advisory Committee at the next meeting. He described it as a monitoring report to measure the sufficiency of the distribution mechanics as they were in law. They were going to do a year-over-year comparison of the move in revenue distributions on an entity-by-entity basis and have a comparison of the distribution statistics.

#### E. Economic Development Issues.

Chairman Hobbs reported that the one flagship item that fit within this category had to do with tax increment financing. Last interim the Committee brought forward a BDR that was put aside due to technical issues. The Committee was making an effort again out of a belief that the local governments needed new ways of financing infrastructure within certain specially benefiting areas. Trying to be mindful of the concerns identified in the BDR from the 2001 Session, they would bring forward a new BDR that would be viewed as an economic development issue in some of the rural areas. Linda Ritter, when she was a member of the Advisory Committee, was an opponent of this particular matter. He thought that within one to two meetings there should be a BDR for everyone to review and make comments about.

#### F. Exemptions from Taxes.

Mr. Alastuey asked if the Advisory Committee members had received the handout entitled New Draft Version for Discussion (Exhibit F) dated May 3, 2004. He directed the Advisory Committee to page 95 of the meeting packet (Exhibit C) to SJR 1 of the 17<sup>th</sup> Special Session. He remarked that the resolution was a reaction to the legitimate legal concern that it was really not possible to pass a statute to compel the behavior of future legislators in terms of approving exemptions and in terms of setting forth criteria under which exemptions would be considered and approved. The supposed remedy was a constitutional amendment. The original SJR 1 had, in effect, five different criteria, all stated on an “or” basis. Presumably one reading would have allowed that any one of the criteria, if satisfied, could have satisfied the requirement for enacting. Each of the criteria stated and intended in SJR 1 were reasonable things. However, the use of the word “or” did cause one person at the hearing to suggest some rewording. In addition, Ms. Vilardo commented that the Nevada Taxpayers’ Association was not happy with the resolution. Mr. Alastuey indicated that Mr. Leavitt had questioned the wording of the criteria regarding the achievement of a social or economic purpose, specifically the economic purpose. The economic purpose could be to develop the economy for purposes of generating job growth, or it could be the economic purpose of a single individual who sought to benefit.

As a result, SJR 1 was rewritten. Mr. Alastuey directed the Advisory Committee to the new draft version. He read two alternative versions of Section 6.1(A). The first choice used stronger language, but was briefer and required the Legislature to make a finding. The Legislature would either find that the exemption achieved a bona fide social or economic purpose benefiting the state of Nevada as a whole, taking into account the material effect of the finances of the state or any local government that would otherwise receive revenue from the tax from which the exemption would be granted. The new section incorporated some preexisting language into one subsection adding the phrase, “taking into account.” There would be a fairly broad requirement for the legislature to meet for the condition of “finding.” After consultation with Mr. Combs, the language under the heading “or as an alternative” now contains a balancing test. Finds the exemption would achieve bona fide social or economic purpose for the expected benefits which were demonstrated to exceed any adverse affect on services to the public which could be provided by the government that would otherwise receive revenue for the tax which the exemption was granted. The intent was the same, but the second set of wording was a little bit stronger than the first.

An additional finding, for which he did not have alternative language, finds the exemption would not impair adversely bonds – that language was from the first SJR 1. There was a new section 2, “In enacting an exemption the legislature shall ensure the requirements for claiming the exemption were as similar as practicable for similar classes of taxpayers, shall restrict the eligibility for the exemption to the intended beneficiaries of the exemption.’ This was still a matter of contention with Ms. Vilardo. Third, there were two optional paragraph (c)’s: 1) it may establish a date upon which the exemption sunsets or, 2) provide for review of the exemption at least once every six years and if they do not find that the exemption should continue, it would be repealed. Paragraph b (page 3 of Exhibit F) shall restrict the eligibility for the exemption to the intended beneficiaries of the exemption. Ms. Vilardo reacted to this by saying that it was not needed because if it were written correctly eligibility would be restricted to the intended beneficiaries. He agreed that the legislature was supposed to write it to make sure its intent was fulfilled. That subsection would be either subject to modification or removal. Mr. Alastuey said that on the two different paragraph (c)’s, Ms. Vilardo thought the optional sunset seemed to be constitutional treatment of something the Legislature would have an option to enact anyway. If he were to express a preference it would probably be for a mandatory sunset process including a reexamination every six years or every other period. He asked for comments or suggestions.

Ms. Vilardo stated that it would be superfluous to have language restricting eligibility to the intended beneficiaries of the exemption. The exemptions were written very specifically so that they applied to that person, industry or group. She did not know why the additional language was needed in the constitution.

She stated that the Nevada Taxpayer's Association normally opposed exemptions as a matter of principal because they erode the tax base. They used a very specific set of criteria to support an exemption. One of the criteria on general exemptions was that they were time certain. For example, when the Americans with Disabilities Act (ADA) came out there was a concern about the cost to business. The legislators wanted to encourage compliance. There was a bill put forth that would allow an exemption from personal property for changes made due to ADA, for example, water fountains, ramps, etc. The ADA exemption expires June 30, 2004 because business was given ten years to comply and all new construction from that time on had to have the accommodation. The other example was when the union asked to have their apprentice workshop building exempted from the tax. The Nevada Taxpayer's Association argued against it and finally said that if the legislature felt it was important, then they suggest a ten year time frame. That exemption has a ten year sunset at which time it would be reviewed. Her concern with not putting specific dates on exemptions was that they get buried like the one for public movie theaters started in 1955. Nobody remembered why it was there or knew whether it was being used. That was the reason for mandatory expiration dates.

Mr. Alastuey asked if some definitive expiration or review date would be the preference. Ms. Vilardo stated that would be the preference because it would verify that the exemption was still serving a viable social or economic purpose. Mr. Alastuey asked if a six or ten year period would be reasonable. Ms. Vilardo suggested giving the legislature some discretion on the expiration dates. For a personal property exemption, four years may be enough. Ten years may be necessary if there were heavy capital improvement on facilities. She would like to see something that says, "and the legislature shall provide for a specific duration of time, not to exceed ten years." That would give them the flexibility to determine what they thought was the most appropriate point for review. Mr. Alastuey asked if that would apply to exemptions enacted prospectively and to those already on the books. Ms. Vilardo replied she was aware of only three exemptions with finite end dates. The abatements, which were generally granted to businesses for economic development, were all time certain. She did not think you could automatically eliminate the existing exemptions, but you might set up a committee to review the first five property tax exemptions. This would again be prospective with the hope that it would be used to take a look at existing exemptions.

Chairman Hobbs, noting that Ms. Vilardo was leaving for another meeting, asked if she had comments on other matters. Ms. Vilardo commented on the fuel tax issue. Past interim committees on transportation and to the Legislative Committee for Local Government Taxes and Finance have discussed revenue lost due to the increasing popularity of alternate fuel vehicles. She suggested that the topic be added to the agenda for the next Advisory Committee meeting. She commented that the more time that passed, the further the use of alternate fuel vehicles would erode fuel tax revenue. She referenced a bill from 1995 that tried to balance the way roads and highways and the construction and maintenance were treated as a user benefit relationship. That particular bill draft suggested that over a ten-year period ten percent of the revenue generated each biennia on new and used vehicle sales would be put aside for road maintenance with part going back to the counties. She asked the Advisory Committee to acknowledge in their report that in four or five years indexing would not pay because as gas prices increased, more vehicles would use alternate fuel. She asked for other suggestions for a redirection of revenue, done far enough ahead so as not to impact the city or county budgets.

Ms. Vilardo commented that, there was extensive discussion two interims ago regarding the revenue derived from the net proceeds of mines that goes to the state. Because the amount of revenue was so small and was never near the amount anticipated, it would be phased out incrementally. The plan was to phase out 20 percent each year over five years. The money would go into a trust that would be used for rural counties with populations under 40K – 50K whose economies were based on mining. The counties could apply for the money when mining was down, like a rainy day fund. The money would be used for transportation, education, public safety, public health. She commented that the Advisory Committee knew that many of those counties were having a problem because their revenues were down. The idea never got off the ground because, with the emphasis on the Governor's Tax Task Force and the economy not being good, nobody

wanted to take money away from the state. At some point the Committee would have to look at doing something more to help the local governments.

She concluded by suggesting another item for the next agenda. She commented that, the Assessors discussed making changes in two different areas. First they proposed removing mine equipment because that was helping to ratchet up the property tax rate because of depreciation. The personal property on a secured roll was reported as part of the net proceeds. When you bought new mine equipment, then depreciated it because it was part of the net proceeds, there was a huge drop because of depreciation on the equipment. She suggested that if they isolated and removed that property they could probably stop some of the rate creep in some of those areas. The second topic raised by one of the Assessors was removing equipment from any county that had personal property of over \$100,000 from the calculations within what you could receive from revenue as a way to avoid rate creep.

Chairman Hobbs said that those were issues that deserved some focus. He agreed that it would be very sensible to add the alternative fuel vehicle topic to the discussion on fuel taxes. He commented that if we do not find ways to maintain bases as technologies convert we would be in a world of trouble. We would definitely add that to our agenda.

Chairman Hobbs returned to the topic of exemptions. He asked for comments on the revised SJR 1 and asked if the Advisory Committee members wanted to see an updated version or were prepared to discuss it further today. Mr. Sherman asked about the language under 6.1(a) about a material affect on the finances. He suggested that it would read better if it were a material adverse effect. Mr. Alastuey agreed.

Mr. Sherman commented that he preferred the second version with the notion of a balancing test. He thought that would force the dialog and discussion during a legislative hearing and that if a group wanted an exemption then they would have to demonstrate the benefit and those that may be materially adversely affected would also testify and the balance test would come into play. He agreed with the suggestion from Ms. Vilardo for a hard stop date, absent any additional legislative finding on the purpose of the exemptions, so that the second option for 6.1(c) would make sense to him.

Chairman Hobbs asked if there was enough comfort to move forward at this time. Mr. Leavitt agreed with the comments of Mr. Sherman and said he thought that they were ready to move forward. Mr. Alastuey clarified that the second alternative to 6.1(a) with the balancing test was the preferred. He agreed that the language in 6.1(b) restricting the eligibility to the intended beneficiaries was redundant and could be removed. He noted that Ms. Vilardo would prefer the first option on 6.1(c) with the word "shall" rather than the word "may." In her testimony, Ms. Vilardo said that an end date should be established, but the legislators should be given some flexibility.

Mr. Chinnock said that, with respect to the exemptions, he noted that the introduction specifically mentions property tax and sales tax. Last session some other taxes were added and there were exemptions included with those. With respect to evaluating an exemption, he was only aware of, under the current sales tax structure, exemptions that were reevaluated. There was a pretty stringent requirement to evaluate whether a sales tax exemption would be allowed and it was adjudicated at least once every five years. There were probably 2,500 to 3,000 exemptions administered by the Department of Taxation. It would almost be a full time task for a team to evaluate each one and to have attorneys pass judgment from a legal standpoint as to whether they were meeting a statutory requirement for religious, charitable and educational exemptions. If there was a goal to adjudicate exemptions, it should be recognized that it would take additional work to determine who would be qualified for those exemptions. With respect to some of the other taxes, Ms. Vilardo and Mr. Alastuey have discovered that oftentimes the actual group of individuals requesting an exemption, in either general or very specific terms, defined who qualified for the exemptions. In other cases an exemption would apply to all non-profits. The Nevada Tax Commission has said that all 501 organizations were

exempt. In other cases, it was defined in the statute that 501(c) were exempt. He explained that he was attempting to illustrate that there were several other categories of exemptions that were either more general or specific; in some cases there would be lots of work to adjudicate them and in other cases there would be absolutely no problem. With respect the 501(c) all they would have to do would be to show a letter from the Internal Revenue Service to satisfy that requirement.

Mr. Alastuey said that he would accept any final input and would take what he had today and circulate a version incorporating the Advisory Committee's suggestions. Chairman Hobbs asked if the Advisory Committee preferred that they circulate a revised version. Ms. Thomas responded that that was the preference at the Carson City meeting location.

#### G. Effects of Expansion of Wireless Telecommunications Services on Local Government Revenues.

Claudette Springmeyer gave an update on the effects of the expansion of wireless telecommunication services on local government revenues. In the past the Committee talked about the trend of people foregoing land line service in favor of cellular phones, the internet and voice-over protocol. The governing statutes were in Chapter 704. Statutes specifically geared to the revenues were 354.59883. We were allowed to collect 5 percent of the first \$15 on wireless. That seems to have come directly out of the federal telecommunications act of 1996. She recalled that Mr. Stoeckinger referred to the omnibus ruling at the last meeting; she thought the two acts were one and the same. She attended meetings of the ACR 2 committee, chaired by Assemblyman Parks. At the last meeting there were quite a few presentations made. Some of those gave background information on the telecommunications industry in relation to competition, technology, and migration from analog to digital and from narrow band to broad band. There was an explanation of both the Nevada Universal Service fund and the Federal Universal fund and telecommunications subsidies.

Ms. Springmeyer mentioned she recently got a Nevada Association of Counties (NACO) bulletin about S. 150, the McCain bill, which was a federal moratorium. It extended the four year extension on the moratorium and it still allowed provisions for states that were already taxing the digital subscriber lines (DSL). Provisions were also made for the voice-over internet protocol services. It passed in the Senate, but there were a lot of other obstacles. The House of Representatives has its own bill for a permanent moratorium and that passed by a large margin. Whether or not there would be further discussion remains to be seen.

Ms. Springmeyer indicated that she had delivered some emails to her counterparts in the other counties to find out how many of them were actually assessing the five percent bill on the wireless. She found that that it was primarily in the three larger counties, and probably the cities within those counties, but not at all in the rural areas. She met with Jeff Galloway who was a financial analyst with the Public Utilities Commission (PUC), David Noble, staff counsel and Yasuji Otsuka, senior economist who had done some of the presentations to the ACR 2 Committee. She met with them and asked basic questions. From what she had read, this was totally regulated by the FCC and some of their statutes were from the telecommunications act. Other than the fact that if they provide Commercial Mobile Radio Service (CMRS) and have to file with the PUC and pay a \$200 fee, there was no regulation. In fact, statute prohibits regulation on broadband services. Unless people came forward, it was difficult to find out how many people were actually providing the service. They typically found out if someone had a billing complaint. A lot of them were not even paying the fee and, for \$200 a year, it was hardly worth collection efforts.

She thought that changes would have to be made at the federal level. From the President to the chairman of the Federal Communications Commission (FCC) the sentiment was that they do not want taxation in that area, so there was a declining revenue base. Determining the amount of the declining revenues was difficult because you were trying to weigh that against the increased population. She was prepared to put a summary report together for the Legislative Committee next week if that was what the Advisory Committee



wanted.

Mr. Chinnock added there was an attempt by the telecommunications industry to say that they were no different than the wireless industry with respect to providing internet access and infrastructure. So in addition to the reduction of revenues as a result of wireless there was some potential to see a reduction in the normal telecommunications industry revenue because they were trying to say that a large portion of their business was also internet related.

Mr. Stoeckinger commented that Ms. Springmeyer summed it up best that the Advisory Committee's action would be dependant on what happened with federal legislation. He thought it warranted continuing review. He suggested that there was a way to tax the actual value of the phones that were given away free of charge. Chairman Hobbs thought that idea was probably worth including in the discussion on the issue.

On another topic, Chairman Hobbs asked whether they thought the Advisory Committee should study the fiscal impacts of any of the several petitions that have been circulating around the state. The issues ranged from repealing state revenues to who was eligible to run for office in the legislature. One of the petitions was described in the southern newspaper as a Proposition 13 type initiative. The proponent of that initiative was very confident about his ability to gather all of the signatures. Mr. Hobbs said that type of initiative would have significant impact on the ongoing viability of local governments throughout the state, particularly those with less diversity of revenue. He suggested that they check with the Legislative Committee to see if there would be any value in commenting on the long-term impact on funding education and other basic public services. He asked the Advisory Committee to let him know if they agreed.

Mr. Alastuey agreed and commented that it was within their role as advisors to the Legislative Committee. The way the petition was structured they would probably need to establish some additional dialog with the county assessors. The petition, as he understood it, rolled property tax values back to the 2001-2002 level, so there was actually a roll-back from current valuations. Then there would be a correction to 2001-2002 values depending on whether a reappraisal took place at that time. The idea would be to bring all properties to the 2001-2002 level which represented a three year roll-back in the revenue base. It would require assessors to take a "snap shot" and, based on new property added since 2001-2002 add that valuation at closer to market value. He estimated that the reliance on growth alone in school property taxes vis-à-vis reduction in state general fund appropriation based on additional receipts in the 75 cent tax just this last year was \$40 million. The effect of a three year roll back might approximate \$100 million to the state general fund. Impacts would be felt in the bond interest and redemption fund at the state level, only one of many entities that would be affected. Chairman Hobbs asked that if anyone was opposed they let him know; otherwise he would check with Senator O'Connell and determine whether that was something she would like the Advisory Committee to do.

## **VI. DISCUSSION AND POSSIBLE ACTION REGARDING DATES AND TIME FOR FUTURE MEETINGS.**

Chairman Hobbs stated that as opposed to setting specific meeting dates in advance, that they let the content of the meeting justify the meeting schedule. He asked whether or not the middle of the day on Thursday was a good meeting time for everyone. He would contact each one of the issue coordinators to determine status over the next two weeks and then try to set a meeting with at least two weeks notice for a Thursday at a similar time.

Ms. Thomas stated that the Carson participants concurred with that proposal. She said that in deference to the concerns about the source and use of the data of the motor vehicle fuel tax report and also in deference to the Advisory Committee's process and unanimity doctrine, she would not make a presentation on that issue at the Legislative Committee meeting on May 18, 2004. She thought it would be more appropriate for

Mr. Leavitt as issue coordinator to give the Legislative Committee their work in progress report.

**VII. PUBLIC COMMENT**

There was no public comment.

**VIII. ADJOURNMENT.**

With no further business to come before the committee, Vice-chairman Leavitt adjourned the hearing at 3:01 p.m.

Respectfully submitted,

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Becky Lowe, Secretary

APPROVED:

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Guy Hobbs, Chairman

DATE: \_\_\_\_\_