MINUTES OF THE MEETING OF THE GOVERNOR'S TASK FORCE ON TAX POLICY IN NEVADA (ACR 1 of the 17th Special Session)

November 6, 2002

The Governor's Task Force on Tax Policy in Nevada was convened at 9:11 a.m. on Wednesday, November 6, 2002. Chairman Guy Hobbs presided in Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was simultaneously videoconferenced to Room 4100 of the Legislative Building, Carson City, Nevada.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Mr. Guy Hobbs, Chairman
Ms. Eva Garcia-Mendoza
Mr. Brian Greenspun
Mr. Kenneth Lange
Dr. Luther Mack
Mr. Mike Sloan
Ms. Nancy Wong

COMMITTEE MEMBERS EXCUSED:

Mr. Russ Fields

EXHIBITS:

Exhibit A: Meeting Agenda
Exhibit B: Attendance Records
Exhibit C: Draft of Executive Summary and Sections 4 and 7 of the Analysis of Tax Policy in Nevada
Exhibit D: Letter from Stephanie Licht itemizing thank you gifts to the Task Force members and staff
Exhibit E: Letter from Steve Schorr of Cox Communications dated November 8, 2002, concerning parity tax between cable television and direct broadcast satellite companies
Exhibit F: Letter from James Endres of McDonald-Carano-Wilson, dated October 21, 2002, concerning parity tax between cable television and direct broadcast satellite companies
Exhibit G: Letter from James Endres of McDonald-Carano-Wilson, dated November 7, 2002, concerning parity tax between cable television and direct broadcast satellite companies
Exhibit H: Portions of cable television agreement between City of Las Vegas and Cox Communications presented by Michael Palkovic of DIRECTTV, Inc.
Exhibit I: Letter from John Moran of the Board of Wildlife Commissioners dated October 14, 2002, as a follow-up to testimony presented on July 17, 2002
Exhibit J: Letter from John LaGatta and attachments dated August 16, 2002, regarding economic diversification in Nevada
Exhibit K: Letter from A. Somer Hollingsworth of Nevada Development Authority dated October 28, 2002, containing supplemental information from testimony presented on October 2, 2002
Exhibit L: Letter from Robin Keith of Nevada Rural Hospital Partners, dated October 16,

2002, regarding proposed business activity tax
Exhibit M: Handwritten testimony presented by Tom McGowan on November 6, 2002

Note: Exhibits E-L were not read into the record, but are attached for informational purposes.

Roll Call

Chairman Hobbs called the meeting to order and asked the secretary to call the roll. All members were present, with the exception of Mr. Fields, who was excused.

The chairman referred to section 7 of the report (Exhibit C) and said an attempt had been made to write those recommendations as they had been discussed by the panel. Along with the executive summary, sections 4 and 7 would represent the focal points of the report. Previously, the Task Force had reviewed sections 1-3, but some comments had been received on section 3, which would be incorporated into the report. Chairman Hobbs anticipated that the next and final meeting on November 13, 2002, the members of the task force would see some additional changes to this section, primarily to expand on information already contained in the report, but not to change any of the information. Section 4 had also been redrafted which left sections 5, 6 and 8 to complete. It was anticipated that sections 5 and 6 would be available on Friday, giving the Task Force members the weekend to review the changes. Section 8, explained the chairman, contained some additional notes and observations beyond those included in section 7. Several things discussed by the committee members had not been made a formal part of the recommendations, but after discussion, a note should be made in the report.

Chairman Hobbs informed the committee that copies would be made of the report; however, they would take some time due to its size. All the changes discussed today would be available on the web site, which was easier than handling 400+ pages for sections 5 and 6. The chairman said he and others had worked late into the evening last night, and although they were very cognizant of the open meeting law, he would ensure copies were made available as soon as possible. The web site where the report would be available was entitled www.appliedanalysis.com and all sections of the report would be available before the conclusion of today's meeting.

As an aside, Chairman Hobbs commented he had received a letter from Stephanie Licht, who had spoken to the committee on a number occasions about rural issues in Nevada. He paraphrased the letter into the record as follows (Exhibit D):

"Considering your ordeal, it is fitting that something commemorates your trials and deliberations in this thankless quest of trying to accomplish the monumental task at hand with compassion and fairness." (The chairman added that he sincerely appreciated Ms. Licht's comments.) To that end, she had provided to the Task Force at her expense:

1. A Superman baseball cap in either black or blue, which she felt was appropriate for the Task Force members, one for each member.
2. Two T-shirts – a Superman logo large in chic black and lime, which she designated for Ms. Carole "Super Nevada Taxpayer" Vilardo.
3. A "Wizard of Oz" yard sign, which the chairman was sure that Jeremy Aguero would place in his yard for his outstanding work as "The Wiz."
4. Superman backpack tin boxes, one each for the support staff, Linda Smith and Reba Coombs.
5. A gentleman Jiminy Cricket lapel pin for Mr. Knight Allen, the Nevada taxpayer conscience of the Governor's Task Force.

Chairman Hobbs told Ms. Licht he would read her letter into the record and ensure the staff, members of the Task Force, and others received their gifts. The chairman again thanked Ms. Licht for her thoughtfulness. A little levity during an otherwise very difficult process was very rare and very appreciated.

Approval of September 13, 2002 and September 18, 2002 Meeting Minutes

Chairman Hobbs asked for a motion to approve the minutes of the September 13 and September 18, 2002 meetings.

DR. MACK MOVED TO APPROVE THE MINUTES OF SEPTEMBER 13 AND 18, 2002.

MR. SLOAN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY BY ALL PRESENT.

Discussion and Possible Action Regarding Elements of the Transaction Tax

Chairman Hobbs informed the members there was no presentation on this issue and no particular discussion points to raise other than to bring it back before the Task Force to request any clarification on the recommendations made by the committee. He reminded the members this issue represented the first split vote of the committee since the process began, a vote of 6-2.

Dr. Mack inquired if a determination had been made about the boxing and wrestling fees as they currently existed. The chairman explained that as the model and section 7 of the report reflected, it had been suggested that the existing casino entertainment tax be applied at 10 percent and the existing boxing and wrestling fees be charged at 4 percent of the ticket price and 4 percent of the gross proceeds of the event. These were the current charges, and it had been recommended that they remain the same. As an additional note, the chairman stated some research was still being done and it was felt that at this time it would be safer to maintain status quo. However, if other issues were found to be compelling enough to bring the tax back to the Task Force that would alter that recommendation, it would be done so before next week. Dr. Mack indicated he appreciated this consideration and wanted to ensure that the rates would remain competitive with Indian gaming so that Nevada would continue to entice boxing and wrestling matches.

Chairman Hobbs pointed out there had been a belief at the last meeting that the revenue yield, although parts went to different places, would be roughly the same. However, that was an analysis that had not been concluded, and for purposes of moving forward with the recommendations in the report, it was desirable to maintain status quo in the report.

Mr. Greenspun called attention to section 7 and indicated he was unsure if a revenue number had been determined for the transaction/amusement tax and the amount it would bring to the state if it were applied. He was under the impression that enough money would be generated from other sources discussed by the Task Force without imposing a transaction tax on what Mr. Greenspun referred to as “family recreational or amusement choices.” He had reviewed section 7 and noticed some issues were different than he understood the members had previously agreed upon. Mr. Greenspun did not feel the need to go so deep into a transaction tax. However, he would like to propose that before the report was finalized, those members who were in the minority be allowed to write a minority argument on that issue.

In answer to the first part of Mr. Greenspun’s question, Chairman Hobbs called attention to Exhibit 7-1 in section 7, at page 8 (Exhibit C), which was a table showing the state revenue enhancement recommendations summary. At this particular time in year one of the biennium, revenues included approximately a $90 million yield estimate on the amusement and transaction tax as was discussed and passed by a 6-2 vote of the Task Force at the last meeting. Another way of addressing the issue would be to leave it as it was voted on by the committee where there was a minority viewpoint and allow for some type of demonstration of an alternative viewpoint. Alternatively, modification could be considered where there would be an agreement among all the members.

Chairman Hobbs believed this was a spectator versus participatory issue. Mr. Greenspun pointed out it was a question as to how much was derived from property taxes, and he said the numbers were different than what he originally believed. If the numbers were changed, the revenue would change dramatically from what was needed from the admissions and amusements tax. Mr. Greenspun also believed there had been some changes in the cigarette tax and the slot operators tax. The numbers had changed significantly and he believed the admissions and amusements tax would not be necessary, as enough revenue would be realized from other sources. Mr. Greenspun suggested the balance of the report be reviewed and the members could then return to the amusements tax. Chairman Hobbs felt that would be a helpful solution.

Mr. Sloan agreed and noted that reviewing the other tax recommendations would allow the Task Force members an opportunity to revisit some of the issues they had not discussed for some time. Additionally, after further review, it was possible some determination could be made on participatory versus spectator sports. Chairman Hobbs acknowledged he was very attached to this particular model due to the amount of work that had been invested. If action was taken by the members to reduce the scope of a transaction tax to spectator from participatory, it would be necessary to return to the early years and bridge that loss of revenue, which had not yet been estimated. Although the chairman had not made an estimate, he presumed it would be at least a third of the total revenue needed. If that were the case, the model would require an adjustment from 10 cents to 15 cents in property tax to achieve balance.

Cigarette tax was recommended to increase 35 cents per pack, which had been a constant throughout the Task Force's discussions. Additionally, the chairman said the slot route operators tax had been discussed, and that number now represented a 32 percent increase in the flat fees as an option to taking them to the same fees as non-restricted licensees. Chairman Hobbs and Mr. Sloan had several conversations with representatives with the slot route industry, which was where this concept had originated. That number would have been approximately $10 million higher had the discussions gone in a different direction. Setting aside these other issues, Chairman Hobbs believed the biggest tradeoff occurred between amusement/transaction tax and property tax to balance the model. Mr. Greenspun asked the chairman to relay his discussion with the slot route operators when that issue came before the Task Force.

Discussion and Possible Action Regarding Taxation of Cable Television and Broadcast Satellite Providers

Chairman Hobbs commented this issue had been previously discussed, but not at length, and it had been added to the agenda because the Task Force had received some communication. The issue was originally raised when testimony was presented by Cox Communication regarding the differences in application of taxation between those who provided this service via cable as opposed to those who provided the same service via satellite. To summarize, the chairman believed there was a perception that there was not a level playing field between the way taxation was applied to cable operators versus those providing services through direct broadcast satellite (DBS).

The chairman asked if there was a representative from the cable companies and a representative from DBS to explain briefly the reasons for this issue and their basic positions for clarification.

Chairman Hobbs recognized Steve Schorr, Vice President of Cox Communications, and Mr. Schorr introduced Gardner Gillespie of the law firm of Hogan & Hartson in Washington, D.C. Mr. Schorr explained Cox Communication had brought up the issue in support of the discussion of the potential .25 percent business tax. The company felt there were other means to potentially raise taxes for the state, and one of the issues was parity among those who provided similar services, in his industry or others. Other states had a parity tax, and Mr. Schorr suggested the Task Force look into the issue, where the DBS companies would be taxed in a similar fashion as Mr. Schorr's company. Cox Communication would be required to pay the .25 percent tax plus a 5 percent franchise fees paid to local communities, which was not paid into the state General Fund. Mr. Schorr felt those dollars could be utilized by the state for those who provided services to customers. He felt there would then be parity where currently the playing field was not level.

Chairman Hobbs inquired how this perceived lack of parity had evolved. Mr. Schorr responded that in the past, through the various cable acts, the franchise fees were specific as to utilization of right-of-way. Over time, however, that had not occurred. For instance in southern Nevada, a total of $11 million in franchise fees was utilized by the community to build television studios. Necessarily, that was not the adjudication of the right-of-way; some of the money was used to hire more police officers, firefighters, repair streets, etc. The communications act of 1996 changed how local communities dealt with monies.

Mr. Gillespie pointed out that DBS was a relatively new industry and it was gathering steam across the country. DBS was now able to offer local television signals, which had certainly expanded what DBS could offer and had given them a large jump in their ability to compete. At the present time, DBS had approximately 17 percent of the southern Nevada market for multi-channel video and that number was rising rapidly. There was a situation where cable paid a 5 percent "fee," but in essence it was a tax because it went into the General Fund and was used for the same purposes as any other General Fund revenues. As DBS was now a significant competitor with 20 million customers across the country, a

number of states were looking into leveling this playing field, as had already been done in Florida and North Carolina.

Chairman Hobbs asked the status in those two states and what type of success had been realized. Mr. Gillespie responded that legislation had been passed and was now in effect. The chairman asked if the franchise fee was specifically identified on the customer's bill, and if so, whether it was a pass-through for the customer. Mr. Schorr responded that was correct.

Mr. Sloan inquired if this situation was a result of changing technology. At one time, a franchise was granted because it was the only business in town and the fee was charged for that privilege. Now with changing technology, another company could compete in a similar fashion, but without having to pay the franchise fee. Mr. Schorr and Mr. Gillespie responded that was exactly correct. Mr. Gillespie added there was at least a 5 percent difference in terms of the price to the ultimate consumer because of the differential tax treatment. Mr. Sloan pointed out the Legislature had done the same sort of thing last session regarding Internet gaming, and stated Internet gaming would pay the same taxes as businesses made of bricks and mortar. The costs would not be the same, but there was a requirement for the same type of tax.

Chairman Hobbs thanked Mr. Schorr and Mr. Gillespie for their comments and asked if there was anyone from the DBS industry who would like to testify.

Jim Endres explained he was from the McDonald-Carano-Wilson law firm government affairs group. He appreciated the opportunity for the DBS industry to address this issue before the Task Force. This was a question of parity; there was also a question whether the franchise fee was a tax or a cost, and how the DBS industry distinguished itself from the cable industry. Mr. Endres introduced two chief financial officers for the satellite industry, Michael McDonnell, chief financial officer for EchoStar Communications Corporation and Michael Palkovic who represented Direct TV, a Hughes Company. Mr. Endres explained these two gentlemen would address all the issues brought up before the Task Force in early October.

Mr. McDonnell stated he appreciated the opportunity to speak to the Task Force this morning. This was an issue that was important to Nevada consumers, Nevada businesses and the DBS companies. Mr. McDonnell stated he was the Senior Vice President and Chief Financial Officer of EchoStar Communications Corporation.

Mr. McDonnell read the following testimony into the record:

> EchoStar Communications Corporation, known as DISH network, is one of the leading direct broadcast satellite (DBS) television providers and DBS equipment designers in the United States. Headquartered in Littleton, Colorado, the company's satellite fleet provides capacity of more than 500 channels for more than 7 million DISH Network customers nationwide. Our service and equipment is available through thousands of independent local and national retailers, as well as directly through our company. DISH Network offers HDTV, interactive services, international channels, plus popular digital video and audio channels, including Disney, ESPN, The Weather Channel and local stations in more than 40 U.S. cities.
>
> I am pleased to inform the committee that starting tomorrow, DISH Network will offer local channels by satellite to consumers in three Las Vegas area counties – Clark, Lincoln, and Nye. Providing local channels on digital satellite TV represents a significant investment by our company and will provide consumers an important competitive alternative to local cable service. With the addition of Las Vegas local channels, DISH Network now offers local broadcast channels in all of Nevada's population centers, a testament to our commitment to this state given our limited capacity.
>
> I am here to respond to the proposal by the Nevada State Cable Association to raise taxes on satellite TV services. We at EchoStar believe there is overwhelming evidence that a new satellite TV tax would be unfair, unwise and unsound tax policy for Nevada. The proposed DBS state tax would discriminate against Nevada's satellite TV subscribers, totaling more than 155,000 households and accounting for nearly 17 percent of the state's total TV households.

First let me say that a strong satellite TV industry is good for Nevada's consumers. With cable rates rising and at many times the rate of inflation, and cable operators consolidating every year, consumers need high-quality, low-cost alternatives to cable TV. The proposed satellite tax would hurt Nevada's consumers by undermining the low-cost nature of satellite TV, particularly harming Nevada's rural residents, and thwarting the development of technology to compete against cable. While such a tax might be a boon to the cable industry, it would not be in the interest of Nevadans.

A satellite tax would create a serious competitive disadvantage for satellite TV providers who represent the only viable pay TV competition to the dominant cable TV industry in Nevada, and would unfairly punish Nevada's satellite TV subscribers. It also would encourage cable TV operators to raise their rates without having to worry about the same level of price competition from satellite TV. Finally, by undermining DBS companies' ability to compete, it could hurt multiple retailers throughout Nevada, many of them mom and pop operations who offer DBS to their customers. These retailers are also a source of sales tax revenue to the state.

The cable TV industry is trying to frame this issue as creating a "level playing field" or achieving "tax parity" between cable and satellite TV. Far from creating tax parity between cable and satellite, however, the proposed sales tax would introduce market discrimination that places a selective tax handicap only on satellite providers.

The parity argument ignores the reality that local franchise authorities grant cable companies rights to serve specific geographic areas within a municipal jurisdiction. These franchise fees to the municipalities pay for, among other things, the grant of a right to a physical presence of cable companies and rents for use of public rights of way.

Cable companies may respond that they foot the bill for digging up streets, but it is the franchise fee that gives them access to the streets and the municipality still bears the public responsibility to assure the streets return to their original state. Franchise fees are intended, in part, to reimburse local franchising authorities for the management costs of public rights of ways including the temporary disruptions cable companies impose during construction and maintenance of cable infrastructure.

In that sense, franchise fees are not a tax – at least, that is what the courts and the Federal Communications Commission have found. In the 1997 decision Dallas vs. the FCC, the courts found that franchise fees are "essentially a form of rent." An advisory committee to the FCC put it this way: "Franchise fees are the rent cable operators pay for the use of public rights of way." Additionally, the Financial Accounting Board's Statement of Financial Accounting Standards No. 51 affirmed for the court that "cable franchise fees are costs no different than the general managers salary, marketing costs and programming costs."

It is clear that franchise fees are discrete and unique costs of doing business in the cable industry and not a tax.

The satellite industry has their own unique and discrete cost structure. Satellite TV providers, by contract, do not require impinging on physical rights of way from the municipalities to provide service to their customers. Satellite TV makes no demands like those of cable on locally or state-owned or controlled infrastructure. The programming beamed to earth travels directly to consumers' homes.

That said, satellite subscribers already shoulder fees to the government for their satellite TV service. Satellite companies pay annual regulatory fees to the FCC for their licenses, and these fees are reflected in subscribers' bills as a part of the cost of doing business. Enormous costs of over $700 million were paid by EchoStar to the government to get access to the satellite spectrum in the first place. These resources go to the federal government and not to the state or local governments, of course, but the federal government has established sole jurisdiction over the allocation and regulation of DBS licenses.

In exploring this issue, we would ask members of your committee to consider the implications of a satellite tax on rural Nevada. Satellite service is popular in rural areas that often do not have adequate over-the-air reception of local broadcast signals, or are served by cable operators that do not offer state-of-the-art digital services.

The ramifications of the satellite TV tax for Nevada are overwhelmingly negative. In terms of market policy, it would handicap the only source of growing competition for a cable industry. In terms of tax policy, it is an unfair tax that falls most heavily on rural Nevada and in fact may be found to be unconstitutional as arbitrarily discriminating against DBS providers.

I greatly appreciate the opportunity to present our perspective on the cable industry's so-called tax parity proposal and strongly suggest that the satellite tax increase proposal not be a recommendation of your committee.

Thank you very much for your time and I appreciate the opportunity to appear before the committee this morning.

Michael Palkovic stated this issue was of significant importance to the consumers of Nevada and to his company. Mr. Palkovic advised he was the Senior Vice President and Chief Financial Officer for Direct TV. Direct TV was the nation's leading digital satellite television entertainment service provider. With headquarters in El Segundo, California, and employees in several states across the country, Mr. Palkovic said the company offered 11 million customers access to hundreds of channels of digitally delivered entertainment and informational programming.

Mr. Palkovic commented he would like to present three key reasons why a tax on consumers who received satellite television programming would not be in the best interests of the state of Nevada or its residents. First, he pointed out that as the nation's largest provider of digital satellite entertainment, Direct TV was instrumental in creating competition for Nevada's cable TV companies. This competition was vital as it drove down prices and gave Nevada residents a much-needed choice of TV providers. Mr. Palkovic stated that to single out satellite television providers with a percentage sales tax would jeopardize the company's ability to help hold cable rates in check. DBS providers today served more than 18 million U.S. television households, the majority of which were former cable subscribers. The success of Direct TV and DBS had made for a far more competitive and customer-driven television environment, one that encouraged better service, better products and lower monthly rates for the approximately 155,000 Nevada residents who received satellite TV.

Continual cable rate hikes, suggested Mr. Palkovic, showed that the cable industry was in need of competition from DBS. Since the telecommunications act ordered the deregulation of the cable industry in 1996, cable rates had risen 45 percent nationally, according to the consumer union. Cable rates had continued to rise faster than inflation and the consumer price index. In fact, federal communications studies showed that cable rates rose four times the rate of inflation in recent years.

In contrast to continual cable rate hikes, Mr. Palkovic continued, since 1994, Direct TV had raised the price of its most popular choice, a 110+ channel package, by only $2, an average of less than one percent annually since the launch of the business. Studies showed that monthly cable rates and rate hikes were smaller in those markets where cable companies faced competition.

Secondly, said Mr. Palkovic, the concept of a DBS sales tax unfairly and specifically targeted consumers who received their television programming via satellite and a similar tax on cable television services was not imposed. The Nevada cable industry was clearly sponsoring this tax to gain a competitive price advantage over their DBS competitors. Unlike the cable industry, the satellite TV providers did not use local tax-supported infrastructure to support their delivery of programming. Satellite providers did not impose the same right-of-way burdens as cable, because satellites were built, launched, and maintained in orbital slot locations in outer space and were paid for by the satellite providers.

Mr. Palkovic continued that while the cable industry argued that a DBS sales tax merely leveled the playing field for cable providers who must pay a cable franchise fee, the FCC and the courts disagreed. The FCC had stated that cable

franchise fees were not taxes. Additionally, the courts had ruled that a cable franchise fee was not a tax, but "an expense of doing business that is essentially a form of rent." Franchise fees were part of the cost structure for providing multi-channel video through a cable system. The DBS system had its own unique cost structure as a result of the way services were delivered to consumers. For example, said Mr. Palkovic, satellites transmit a signal directly to the customer and therefore did not require local jurisdiction rights of way. However, satellites occupied a spectrum that was under the jurisdiction of the FCC. As a result, satellite television companies were required to pay both initial and reoccurring annual regulatory fees to the FCC.

Thirdly, Mr. Palkovic remarked, while Direct TV acknowledged the state of Nevada's desire to enhance revenue, they did not believe that imposing a tax solely on residents who received their television programming via satellite was the answer. Any short-term fiscal benefits of a DBS sales tax must be weighed against the long-term decrease in total retail sales revenue that such a tax would inevitably cause. Since its inception, the DBS providers had generated millions of dollars in Nevada sales tax revenue through the sale of satellite TV equipment, such as set top receivers and dishes by locally owned retailers and major consumer electronics outlets, such as Circuit City, Best Buy and Radio Shack. Together, these businesses employed thousands of Nevada residents.

In conclusion, Mr. Palkovic said he appreciated the opportunity to share Direct TV's views on the cable industry's tax proposal. He respectfully requested the Task Force consider the potential impact and long-term tax revenues, consumer choice, and cable competition in evaluating this decision. He strongly suggested that a proposal to initiate a tax solely on satellite television programming not be a recommendation of the Task Force, but rather the committee should seek other more uniform solutions to this issue.

Mr. Sloan inquired if any of the gentlemen testifying had a view as to their industry's position on the proposed gross receipts tax. Mr. McDonnell responded he had not had adequate time to fully consider the tax; however, if a gross receipts tax was imposed in a uniform fashion on all businesses, he did not believe his industry would necessarily oppose the tax after a very preliminary review of the issue. Mr. Palkovic indicated his concurrence with Mr. McDonnell.

Mr. Greenspun acknowledged that he had an interest in the cable industry, and could provide some history on how this issue came about. It was the goal of this committee to recommend a tax that was as fair as possible, with the understanding that no tax was completely fair. The idea was that all industries would be taxed with the gross receipts tax in a fair and like manner. Mr. Greenspun appreciated that there was no opposition to such a tax that may be recommended by the Task Force. Regarding those companies that paid some type of franchise fee or other specific fees to local governments for the right to do business, if a gross revenue tax was imposed on top of taxes the industries were already paying, it would create a competitive disadvantage to those who did not pay any franchise fees. The cable industry had stated if a .25 percent gross receipts tax was charged on the industry, the playing field should be leveled in terms of all other people who provided similar services. Mr. Greenspun acknowledged that when the local stations were added to the DBS services, as a consumer, he felt that a very similar product would be provided to the cable industry. If the same kind of product was being provided to the same kind of consumers, it seemed logical that the consumers should not be disadvantaged one over the other by the franchise fees they were required to pay, depending on which company the consumer subscribed to.

Given that background, Mr. Greenspun asked if it was fair that any industry, whether telephone, cable television, trash collection, or others that had any type of competition and paid a fee to local government should be exempt from the gross business tax as opposed to any company in a like industry who did not pay those local fees. In response, Mr. McDonnell said DBS companies were not opposed to the concept that a franchise fee was considered part of the cable industry's cost structure. This was a unique cost to cable in the sense there was a need to obtain and pay for rights of way. Obviously, the satellite industry had it own unique costs, but the franchise fee was not one of those costs. Imposing a sales tax on the DBS industry and not on the cable industry would place an unfair burden on the industry and perhaps not be in the best interest of the consumer. The fundamental issue was that the satellite industry did not view the franchise fee paid by the cable companies as a tax, but a cost of doing business. This viewpoint was supported by studies done in the past and Mr. McDonnell emphasized this fee was an operating cost unique to the cable industry.

Mr. Greenspun recalled Mr. McDonnell had said it would be unconstitutional to impose some type of fee or tax that

would provide parity. Mr. McDonnell clarified that he believed it would be unconstitutional for a tax to be imposed only on DBS services and not on cable services. It was his understanding that the proposal would say because the cable companies paid franchise fees, DBS would be charged sales tax and that would level the playing field, which Mr. McDonnell felt was not leveling the playing field.

Mr. Greenspun asked if Mr. Gillespie would address the issue of legislation passed in Florida and one of the Carolinas, because if the tax was unconstitutional, Mr. Greenspun did not want to waste the Task Force's time on the issue. Mr. Gillespie explained the tax passed in North Carolina a couple of years ago was explicitly termed an equalization tax. It was a 5 percent tax intended to equalize the playing field between DBS and cable as had been suggested earlier. In Florida, there were a series of taxes and DBS was taxed at a rate of 4.5 percent higher than cable, again in an effort to recognize the difference in the overall tax treatment between the two industries. Responding to Mr. Greenspun's question, Mr. Gillespie said the legislation had been in effect for several years, and neither tax was being challenged. The constitutional question of a compensatory tax had been reviewed, and Mr. Gillespie felt that it was constitutional and there was Supreme Court precedence for that tax.

Chairman Hobbs observed there was a bit of a semantics issue between taxes and fees. As a former chief financial officer, he believed he could resolve the problem so they would not be in conflict with each other. The purpose and application should be reviewed as more germane than whether the issue was about a tax or fee. If it was a percentage based on the bill, and whether it was called a sales tax or a franchise fee or some other name, the issue could be resolved. That was not an indication of the will of the Task Force, advised the chairman, it was a personal comment. Mr. McDonnell understood the point made by Chairman Hobbs; however, he still believed the cable companies had a unique need to dig up streets and cause disruption, which was the purpose of the fee.

Chairman Hobbs said given the mission of this particular Task Force, he felt there were a couple of different ways to deal with this issue. One would be to investigate the issue in more depth at another time by having a member or two of the Task Force review the material provided over the next week or two and bring back to the committee some type of summary and recommendation. The second course of action would be, due in part to current time constraints, to recognize under section 8 in the report, in other observations of the Task Force to the Legislature, that a question of parity was raised before the committee, but was not resolved. Included in the notes would be the materials provided to the Task Force, a suggestion made that as a part of the overall effort to achieve the mission of ACR 1, and the additional missions of the Legislature, they give particular attention to this matter. Chairman Hobbs added there might be other ways to resolve this issue, but these were the two that came to mind.

Mr. Greenspun noted that he would prefer that a couple members of the Task Force review the issue before the next meeting and make a recommendation to be included in the report. The goal of this committee had always been to lessen the number of people going to Carson City to oppose the recommendations of the Task Force. If the people who paid the franchise fees in all industries found they were being put in a worse position, it would be an open invitation to come to Carson City. In addition, it was an opportunity for the Task Force to follow its mandate, which was to spread the tax and make it as fair as possible across all industries.

Mr. Greenspun added that he had been struck by Mr. McDonnell's comment that the rural counties would suffer under this particular proposal. Mr. Greenspun was under the impression that DBS had a significant impact in Clark County and Washoe County, and asked if Mr. McDonnell had a breakdown of how many subscribers were located in Clark County compared to other areas of the state. Mr. McDonnell answered he did not currently have that information available, but he would be happy to provide it later to Mr. Greenspun.

Chairman Hobbs commented that from what he had heard from members of the cable industry and the DBS industry, neither expressed great dismay over the proposed gross receipts tax. In fact, although the representatives did not support the tax, neither did they oppose it. The cable industry was somewhat more supportive and this position was appreciated given that the gross receipts tax was a cornerstone of the recommendations of the Task Force. Therefore, the issue was not support of the tax, but an issue of leveling the playing field and it was a state tax policy matter for determination by the Legislature. Mr. Greenspun disagreed with the chairman and stated he understood the representatives to be concerned about being placed in a less competitive position tomorrow than they were today. Depending on how the .25 percent tax would apply could put cable representatives in a further eroding competitive

position with the DBS companies.

In deference to Mr. Greenspun's suggestion, Mr. Sloan felt that the second option suggested by the chairman was probably the most prudent, as he did not share Mr. Greenspun's enthusiasm. This was a huge issue between two national industries that would have to resolve the problem on a state-by-state basis. He shared the chairman's view that the Task Force should suggest to the Legislature that areas of apparent or alleged inequities resulting from special fees or taxes should be examined. Therefore, forms of discrimination would not be created between the same businesses. Mr. Sloan did not feel this committee could resolve the issue in less than one week.

Mr. Greenspun observed he had no real issue as to which of the two options should be pursued by the Task Force, as long as the committee's recommendation to the Legislature had the caveat that unless the Legislature dealt with this issue, the incumbent companies who paid fees would be put at a competitive disadvantage. There should be a suggestion the Legislature deal with this issue or consider exempting those particular industries from the gross receipts tax.

Chairman Hobbs suggested that both options could be pursued at once. With the exception of a few pieces of correspondence (Exhibits E, F, G, and H), the Task Force did not have much other information on this very complex tax matter. It may be worthwhile, to the extent time permits, for a couple members of the Task Force to gain a little better feeling of this issue during the course of next week, and if information was received that would guide the committee in a different direction in its recommendation to the Legislature, there would be a timeframe in which to work. Chairman Hobbs suggested the Task Force follow this course of action with the notion that at least a recommendation could be made at the next meeting and included in the report. He asked if there were any volunteers who could look into the matter. Mr. Greenspun and Mr. Lange offered to help, and the chairman indicated he would also assist in order to translate language into the report.

Chairman Hobbs thanked the gentlemen who testified and recognized Tom McGowan who wished to make a comment.

Mr. McGowan thanked the chairman and said he wished to comment because he had a long history of dealing with the cable industry. Over 50 years ago, cable television was predominantly and entirely comprised of rural subscribers, which was why the business was created. Broadcast television was unable to reach some subscribers because they were beyond line of sight, and Mr. McGowan did not think the industry was concerned because this was a very small market niche. Since then, the cable industry had been very diligent and industrious and had grown to three networks. He commended the cable industry for its diligence and hard efforts. It was important to understand that the comments made by the DBS representatives were essentially the same as the cable companies had made years ago when they were an emergent industry. It was also important to recognize, according to Mr. McGowan, that there was no technology that could successfully transmit any kind of information, entertainment, or otherwise, directly from the point of origin to the conscious or subconscious awareness of the human receptor.

Mr. McGowan pointed out the atmosphere of the earth was a physical medium and so was a satellite dish. Therefore, there were many kinds of rights, licensings, franchises, and taxes applicable to direct satellite broadcast. He opined it was the job of the Task Force to listen to all the voices, because one person was not smarter than all combined. In order to solve this issue, a level playing field meant omni-inclusive of all relevant data.

Chairman Hobbs thanked Mr. McGowan for his comments. This concluded the comments on item IV of the agenda, and the committee moved to item V.

Review and Approval of Draft Sections of Report

Chairman Hobbs suggested the discussion be subdivided because a bit more time would be needed to review these sections of the report. Members of the Task Force had received section 4, which had been modified to deal with the some issues identified at the last meeting. He asked if any members had questions or comments concerning section 4.

Mr. Sloan inquired if it was appropriate to comment on editorial or other changes that were not substantive. Chairman responded any comments would absolutely be welcome. During the last 48 hours, many comments had been received

and the chairman and Mr. Aguero had done their best to integrate those changes into the section. If the changes were improvements to style or comment without changing the intent of the section, he would prefer receiving those comments via e-mail.

Mr. Sloan commented the work product produced since the last meeting by Chairman Hobbs and Jeremy Aguero and their willingness to entertain and accept comments on the work product, then turn it around in such a short timeframe, bordered on Herculean. Mr. Sloan added he was extraordinarily impressed with the work done, and a great deal of family time had been given up to this effort. He felt all the members owed the chairman and Mr. Aguero a debt of gratitude for the labor invested in this project.

Chairman Hobbs thanked Mr. Sloan for his comments and pointed out his goal was that at the end of this process, the work product not only serve as an accurate archive and chronicle, but was also a document that every member of the Task Force would be proud to be associated with. In addition, Chairman Hobbs wanted to take a moment to comment on the efforts of Mr. Aguero. Rarely was someone encountered who was so willing to give of their time in such a highly professional and high quality manner. When Mr. Aguero was brought into this effort, the chairman felt he was a match for the task, but he had learned that Mr. Aguero was more than a match for the task. He had put extraordinary effort into this project and Chairman Hobbs wished to commend Mr. Aguero once again.

With reference to section 4, Chairman Hobbs said if there were only stylistic and nit types of changes, he would like to ask for a motion for approval. He added that some modifications had been made to section 3, and he believed those could be incorporated to improve the quality of section 3. Sections 1, 2, 3, and 4 would be seen before next Wednesday's meeting, and the chairman assured the members they would not be provided with 800 pages of reading material on Tuesday evening. It was the chairman's objective to move forward on sections 1, 2, 3 and 4 in order to concentrate the committee's efforts on the balance of the report. He asked for a motion from the committee.

DR. MACK MOVED TO APPROVE SECTIONS 1, 2, 3, AND 4 OF THE REPORT.

MR. SLOAN SECONDED THE MOTION.

Mr. Lange asked for assurances that stylistic changes would be allowed under the scope of this motion, to which the chairman responded affirmatively. Mr. Lange referred to page 4-22 of section 4 (Exhibit C) that referred to rates of inflation. It had been his recollection from reports from the rural counties as well as Clark and Washoe counties, that over the last two or three years medical care expenses had increased at a rate significantly higher than the 1.5 percent rate of inflation. Figures of 8, 9, 12 percent increases had been seen and in some instances, increases of 30-40 percent for insurance premiums for education employees were seen. Projections from education analysts estimated increases of 18-24 percent over the next three to five years. Before that number was accepted as part of this motion, Mr. Lange asked Mr. Aguero to explain why there was such a large difference between what was actually happening in the state and the projections.

Mr. Aguero pointed out the number used in the report came from the consumer price index (CPI) in order to determine what the overall inflation figure would be. The difference between the CPI for medical costs and the CPI for all goods and services was utilized. The differential between those over the last several years had been approximately 1.5 percent, and Mr. Aguero explained he expected the differential to continue. There was no doubt there had been some upward inflation in medical costs, and he had seen reports containing figures that were all over the board. For example, Mr. Aguero had seen one report that said there would be some controlling of medical costs because of some federal actions that would be taken. Certainly, the vast majority of the reports suggested the estimates used in the Task Force report were on the very conservative, low side. Nevertheless, without trying to make judgments about policy changes in the future, Mr. Aguero explained he had relied on information generally available and historical trends.

Mr. Sloan said he fully concurred with Mr. Lange. Mr. Sloan disclosed he was a trustee for the international health and welfare fund for hotel and restaurant employees across the United States. As a trustee, he would be thrilled with a figure of less than 10 percent. This week, there had been a major article in *U.S.A. Today* that discussed 15-20 percent increases over the next three to four years, and there had been double-digit increases over the last two years. Mr. Sloan felt increases of 5-8 percent were unrealistic. During the last few meetings, there had been discussions not only about

raising taxes, but the fact that bills must be paid. If teachers and other public employees were seeing health care increases of 10-20 percent, those bills must be paid. He mentioned a very expensive negotiation had recently taken place in his industry where union employees chose to take the largest increase in the history of the gaming industry and place nearly all those funds into health care to reflect these kinds of increases. Mr. Sloan thought the figures in the report should be revised, but additionally, the members must be mindful that all the discussions of the Task Force had been predicated on just paying for what was already in existence. If a member of the public, the press, or even the Legislature could figure how to pay for these increases without raising taxes, every member of the Task Force would be the first to offer congratulations.

Mr. Lange commented the numbers did not have to be reconfigured, but there should be a note of the discrepancy between reality and this particular projection because it was very troublesome to him. During the past week, it was acknowledged that employees in many school districts were paying a much more significant amount toward their own health care plan, which was a significant departure from previous practice. To assume the Task Force could manage this problem down the line by raising the rate 1.5 percent over inflation was unrealistic. Mr. Lange felt this issue should be noted, even if no corresponding adjustment was made in the baseline number.

Chairman Hobbs inquired of Mr. Aguero if the 1.5 percent was based on the differential in inflation for general inflation and medical costs inflation. Mr. Aguero indicated that was correct, and over the last couple of years, the numbers had continued to increase. Chairman Hobbs stated there was statistical basis for continuing an upward curve, a bit of an increase through the model, and the effect of the flow through on the model was going to widen the gap. The chairman suggested to Mr. Lange and Mr. Sloan that the figures could be reviewed and the 1.5 percent modified to reflect more recent activity. To the extent this was a more comfortable reflection of where this Task Force believed it was going to be, the chairman said he would concur with making that particular adjustment. He indicated that change would be made and reported back to the committee and would also include alteration in both section 4 and the model. He asked if there was any further discussion about that statistical change. Mr. Lange said that would meet his concerns. Mr. Greenspun also agreed this would meet with his approval.

With the caveat about the increased inflation percentage added to the report, Chairman Hobbs asked to move forward with the approval of sections 1, 2, 3, and 4. He reminded the members the entire report would be before the Task Force next week for final approval as a whole.

THE MOTION CARRIED UNANIMOUSLY BY ALL THOSE PRESENT.

Chairman Hobbs assumed there would be further discussion on the executive summary of the report and section 7. In order for the executive summary to be available to the Task Force and members of the audience, the chairman proposed taking a short break to have copies made of the executive summary. He hoped there would be time to make copies of the text portion of section 7, but that section was very long, so there would not be many copies available. The Task Force broke at 10:24 a.m. and reconvened at 10:50 a.m.

Chairman Hobbs asked if the members had a chance to review section 7 and if there were any questions. Ms. Garcia-Mendoza called attention to the executive summary and asked if it was correct when it stated there were no industry-specific exemptions. Chairman Hobbs indicated that was correct on the adjusted gross receipts tax. In response to a question from Ms. Garcia-Mendoza about boxing and wrestling fees, the chairman said he did not believe there was an exemption for boxing. Mr. Sloan commented if someone was in the business of organizing fights, to the extent they had gross revenue, they would be subject to the tax, to which the chairman agreed. Mr. Sloan added that when a gaming property hosted a fight which provided gross revenue to the casino, the gross revenue would be subject to tax just as if the fight was held at the Thomas and Mack Center or anywhere else.

To clarify, Chairman Hobbs called attention to existing boxing and wrestling fees and said the exemption was related to the transaction tax, not the gross receipts tax. Ms. Garcia-Mendoza said she understood that, but wanted to ensure that Dr. Mack knew that the promoter of a fight, the seller of tickets, would pass the .25 percent tax onto the spectators. Mr. Sloan added that fights held in other states were taxed based on gross receipts or income taxes; they were not exempted from tax. The chairman acknowledged the same would be true of concert promoters, motor sports and other events as well. Dr. Mack added the idea was to be competitive with the gaming properties that did not pay a tax, such as Indian

gaming. Chairman Hobbs noted that the conversations held by the Task Force had suggested that the gross receipts tax would include boxing and other types of promoted events.

With reference to the gaming industry, Chairman Hobbs understood come confusion could exist around this issue. He understood the Task Force had agreed that the gross receipts tax would apply to all businesses and there would not necessarily be an industry-specific exemption. Regarding non-gaming parts of the gaming industry, where there currently was no tax other than specific pass-through taxes, such as room tax, sales tax on food and beverage, the collective other non-gaming operations within a hotel/casino would be subject to the .25 percent gross receipts tax. On the gaming side, the recommendation would be to increase the top level 6.25 percent non-restricted rate to 6.5 percent. The point of distinction was the tax on the gross revenue for gaming was levied on a different basis than the gross receipts tax, given the long history of providing funding for the state. There would be an increase in the gross revenue tax on gaming, but in addition, there would not be an application of the gross receipts tax in addition to the gross revenue tax because of the dissimilar way a gross receipts tax was constructed from the way a gross gaming revenue tax was constructed.

Ms. Garcia-Mendoza pointed out there was an exemption for gaming. Mr. Sloan explained the tax on gaming revenues would increase by .25 percent. Since that was the only business in the State of Nevada that currently paid a gross receipts tax, there was a history as to how that tax was currently applied and collected by the state Gaming Control Board. Whether the Legislature would take a new .25 percent and have that subject to administration by the Department of Taxation as opposed to the state Gaming Control Board, or if they wanted to increase the gaming tax .25 percent, and continue collection by the Gaming Control Board, gaming would pay .25 percent more on its gaming revenue than it was currently paying, and like every other business in Nevada, would start paying .25 percent tax on non-gaming revenue.

Ms. Garcia-Mendoza wanted to ensure that the Nevada Revised Statutes (NRS) were changed to reflect the gaming tax increase of .25 percent, there would also be a change concerning the state activity tax (SAT). Mr. Sloan felt this would be very clear. If one quarter of one percent tax was collected under NRS Chapter 463, where the gaming taxes had historically been collected, it was just a question of having two separate agencies administer a tax, particularly a tax that had been collected in the past. Mr. Sloan opined it was just a matter of which pocket the tax dollar was taken from.

Ms. Garcia-Mendoza asked Mr. Sloan if that same argument would follow for all the other industries where a recommendation would be made to raise taxes, such as the liquor tax, cigarette tax, slot route operators tax, etc. Mr. Sloan responded the cigarette tax was collected from the patron as part of the price. The person who sold the cigarette pack would pay a tax on his gross receipts. There was no business today, other than the insurance premium tax, where people were currently paying a tax based on gross receipts. The slot route operators paid a flat tax, and when gaming was started, casinos paid a flat tax. Under section 7, Mr. Sloan explained the recommendation was to resist placing the slot route operators on the same tax base as the non-restricted licensees, to keep them on a flat fee in anticipation of them having to pay .25 percent.

Ms. Garcia-Mendoza clarified that some industries would pay a double tax, the SAT and a pass-through tax such as would be paid by the liquor and cigarette industries. However, the gaming industry would only be required to pay one tax increase. Mr. Sloan disagreed, because 60 percent of the liquor tax increase would be paid by the gaming industry. Even with free drinks, the tax would have to be paid, but it would not be a pass-through tax to the customer. If everyone were charged 6.25 percent of their gross receipts and all other taxes on business eliminated, the state would be in a financially sound situation.

Ms. Garcia-Mendoza submitted there had been confusion in the press about whether gaming would be paying the SAT tax. Mr. Sloan said the gaming industry would be paying a .25 percent increase on the taxes already paid based on gaming revenue. If Ms. Garcia-Mendoza was to look at any state that had a gross receipts tax, including all the gross receipts taxes on gaming in the United States, those taxes were comparable to the taxes in Nevada. In fact, the gaming tax in Washington was identical to the one here; even though they only had a gross receipts tax. In any event, the Legislature could determine whether it would make sense to separate the taxes paid by gaming, whereby the Gaming Control Board would be responsible for collecting the first 6.25 percent tax and the Department of Taxation would collect the last .25 percent. If he had been aware of Ms. Garcia-Mendoza's concerns, Bill Bible, who was chairman of

the Gaming Control Board for a number of years, could have testified before the Task Force about the exemptions, offsets and deductions provided in NRS 463. Mr. Sloan suggested the Legislature could be asked to evaluate whether it would be more beneficial to the state to have the SAT tax administered separately from the 6.25 percent already paid by gaming.

Chairman Hobbs suggested he might be able to clarify this matter. The report recommended no industry-specific exemptions because of some mechanical issues with the existing tax on gross gaming revenue versus the gross receipts or SAT. If the taxes were put on exactly equivalent terms, the rates would be wildly different than the rates under discussion, because of the nature of the differences. If other non-gaming businesses were put on a similar computation of gross receipts, the rate would be substantially higher than .25 percent. Conversely, to extract roughly the same amount of revenue from the gaming industry without using the exemptions, deductions and credits that now existed in gross gaming, that rate would be extraordinarily lower than the current 6.25 percent. The two would be very difficult to equalize given the way the gross gaming tax was originally established.

Mr. Sloan pointed out that gaming revenue was third-party money until it was won. That would be equivalent to trying to tax the proceeds from the lottery before any of the expenses or prizes were paid. The only thing that could be taxed would be the money received before any expenses for payroll, buildings, food, or any other such things. For example, a person could take the same $20 bill and watch it go back and forth across the table ten times, but it could not be taxed until either the house or the player retained that $20 bill.

If there was a semantics issue in the executive summary that needed to be clarified, Chairman Hobbs indicated it could be resolved. The tax was intended to impact all industries. Mr. Greenspun commented he did not share Ms. Garcia-Mendoza's concern on this issue because he understood how the taxes were computed. The Task Force had been charged with expanding the tax base, and the way to do so was to apply this .25 percent tax to every single business that did not pay a gross tax. Gaming already paid a gross tax, albeit a tax that was defined a little differently. To the extent that gaming revenues had been decreasing over the years, although total revenues, including non-gaming, had been increasing, the casinos would be taxed exactly the way every other business in Nevada would be taxed. The gaming industry had supported this tax increase and agreed to include a .25 percent increase on their gross gaming tax, even though it was at some adjusted number, possibly at .22 percent. Mr. Greenspun was concerned that if the members of the Task Force could not get past this issue on a unanimous basis, tying the gaming industry in with every other business in the state made sense in terms of taxation. Gaming would pay at a rate of 6.5 percent; non-gaming revenues would be taxed at .25 percent, along with every other business. If the Legislature wanted to increase revenues in that area, they not only must convince the gaming industry, but they must also convince every other business. This made sense as a policy matter because then everyone would have to be educated in the same way.

Mr. Greenspun conceded he understood Ms. Garcia-Mendoza's concern. If it meant telling the public that gaming taxes would go up, not at .25 percent, but at .22 percent, that was worth the risk rather than losing this great conjoining of interests between the gaming industry and other businesses, and at the same time expanding to what was now over 50 percent of gaming's non-gaming revenue.

Ms. Garcia-Mendoza indicated her amazement at Mr. Greenspun's change of opinion from last week when he had expressed concern about too many people coming to testify against the tax during the legislative session. If every business was going to be assessed a tax, and gaming paid a tax because it was a privileged industry and all privileged industries paid taxes, she wondered why these semantics games were being played; e.g., gaming would be taxed under Chapter 432, which had different rules than all the other businesses in terms of the taxes they would pay. Therefore, there was disparity of equality. Mr. Greenspun replied his concern during last week's meeting was that too many families would be coming forward to testify against the transaction tax on baseball games. With reference to gaming and business, the history in Nevada had always been one of finger pointing between the non-gaming industries and the gaming industry as to who was going to pay more taxes. This was an opportunity to tax both industries together. Mr. Greenspun acknowledged there would be a slight disparity in the tax increase for gaming. As Mr. Sloan had said, the increase could be handled either way, but to make the increase from 6.25 to 6.5 percent would be so simple. If it was necessary to go the other way to make the increase unified with the rest of the business community, that would also be fine, but it did not make a lot of sense to expend all the extra effort.

Mr. Sloan called attention to Chapter 463, and said the point was that not every privileged industry paid a receipts tax. One of the early privileged industries, the liquor industry, did not pay a privilege tax in Nevada for engaging in business based on their receipts. Additionally, at one time, the sale of firearms was considered a privileged industry and that distinction largely had to do with due process rights rather than taxation. Most states that imposed a gross receipts tax imposed it on all businesses, not because they were involved in gaming or the sale of liquor, but because they were engaged in business and they were doing it under the privilege of the laws of the state. During the course of this last year, the Task Force had heard from Cox Communications and the gaming industry that had indicated a willingness to pay increased taxes. People in business had also testified they would be willing to pay a business tax.

Mr. Sloan said he agreed with Mr. Greenspun and would also support the inclusion of language advising the Legislature to evaluate the application of the gross receipts tax at the new rate on gaming, insurance, mining and anyone else who presently paid a specific percentage tax to the state. If the cost of administration exceeded the revenue generated, then the increase would not make sense. As the chairman had suggested in the draft report, a valuation of credits and deductions would make sense in a number of issues. For example, people who sold gasoline should be able to deduct those taxes that were previously paid. By the same token, that could also apply to gaming, where the industry could deduct the 6.25 percent; however, that was not the recommendation of the Task Force. There had been a succession of people who had testified before the committee as to why they could not or should not pay a gross receipts tax. Not one of them, or even anyone on the Task Force, had challenged the notion that there were ten times more dollars generated in this state by non-gaming businesses than by gaming businesses. Mr. Sloan reiterated the gaming industry had said it would support the gross receipts tax and application of that tax to non-gaming income. No other industry had come forward with the same support. Mr. Sloan expressed his frustration with other businesses that did not pay much, if anything, and were constantly pointing at other people to pay more.

In order to change the focus of the discussion from gaming versus non-gaming, Chairman Hobbs pointed out the members have had to deal with these issues in order to reach this point, which was only nine days from the due date of the report. In certain types of industries, insurance for example, the premiums paid would be considered pass-through revenue and deducted. In essence, it would mean that industry was being dealt with differently than a dry cleaning business. However, there were reasons to substantiate those types of deductions. As Mr. Sloan had mentioned, the pass-through monies collected on behalf of a governmental entity should not count as taxable income for a particular business. This was a general statement about the application of a deduction than rather than specific to an industry. Chairman Hobbs said the report did not deal completely with the peculiarities that existed for financial institutions because those issues would have to be addressed by the Legislature. Certain credits and deductions had been agreed upon by the Task Force members, and some had not. The chairman felt the issue at hand was an existing tax that was applied in a particular way, and there were some general deductions from that tax that applied to a broader scope of businesses, that were not described as an industry-type of credit. He did not feel these issues were too terribly different, but if there was something in the report that should be worded differently to be more accurate concerning industry-specific exemptions, he would be willing to make the changes.

Ms. Garcia-Mendoza noted that as a part of the business activity tax (BAT), there was a recommendation that credit be given back to the business at $100 per year per full-time-equivalent employee (FTE). She asked if the gaming industry would be subject to that same deduction. Chairman Hobbs responded that was a generally applied credit for a qualified Nevada employee for any firm that employed anyone for whom they paid the BAT and would receive a credit. Ms. Garcia-Mendoza interjected that the gaming, as opposed to the non-gaming, industry, would not be paying the SAT, and she wanted to know if the gaming industry would be allowed the deduction. Chairman Hobbs maintained that the way the report was written, any person who qualified as a Nevada employee, gaming or non-gaming, would receive the $100 credit. Ms. Garcia-Mendoza stated in that case there should be a separate category from the SAT.

Dr. Mack noted that all businesses would be paying the SAT tax, to which the Chairman agreed, with a few exceptions such as sole proprietorships. That issue had been addressed in the report – the business license tax (BLT) had been extended to sole proprietorships; therefore, all businesses would be paying the BLT. Mr. Greenspun added that to the extent any industry went beyond the $350,000 exemption, they would get the $100 credit, which included gaming. Chairman Hobbs indicated that was correct and clarified the issue by saying the threshold exemption, which had been in a state of flux until the model had been locked down in order to finish the report, was established at $350,000. At a previous meeting of the Task Force, an indexing of the BLT had been discussed. The tax was currently at $100 and

would be indexed up to an amount equal to approximately $140, which would be paid by all businesses. If a business had less than $350,000 in gross receipts, it would pay $140 per employee. No credit would be received by the business because the SAT would not be paid. If a business had revenues in excess of $350,000 after the deductions and credits had been applied, the business would pay the .25 percent gross receipts tax and would receive a deduction of $100 per employee, and the net result would be a payment of $40 per employee above the $350,000 level. This would apply to all Nevada employees, who qualified as an employee for whom the BLT was paid in the prior quarter.

If the gaming industry paid the SAT tax, Ms. Garcia-Mendoza asked would the numbers be wildly different, and if so, in which direction, up or down? In response, the chairman explained if the goal was to produce an equivalent amount of revenue and the tax was then applied to the total amount of wagers or bets made, the percentage of the tax would have to be dramatically under the .25 percent to produce a like amount of revenue. If pass-through revenue were not included, it would be the same situation as the insurance industry. The .25 percent tax on commissions would not be the same as the .25 percent on commissions plus premiums paid, and there would be a wildly different reduced rate to make an equivalent amount of revenue from the insurance industry.

Ms. Garcia-Mendoza insisted that her question had not been adequately answered. Her concern was that if the gaming tax was increased .25 percent under Chapter 463, the way the Gaming Control Board computed the taxes, the gaming industry would actually be paying approximately .22 percent. She felt there must be some reason why Mr. Greenspun and Mr. Sloan were so adamant that the gaming industry be taxed under Chapter 463 and not under the chapter that would detail the SAT. Both Mr. Greenspun and Mr. Sloan emphasized they were not adamant about this issue at all, and Mr. Sloan suggested the issue should be reviewed by the Legislature. Ms. Garcia-Mendoza inquired why this could not be resolved in the report, as had other issues before the Task Force.

Chairman Hobbs asked the members to stop for a moment and articulate to him the exact issue at hand. Dr. Mack suggested someone explain Chapter 463 and the fact the gaming tax did not need to be placed under that chapter. Ms. Garcia-Mendoza stated that was what she was trying to suggest. The chairman wondered if the members wished to apply the tax differently than had been previously discussed. Ms. Garcia-Mendoza said yes, because the chairman had said there was no industry-specific exemption in the executive summary, and now upon her questioning, the chairman had said that gaming was going to be exempt because they would be taxed under Chapter 463, and not under the NRS that would govern all the other businesses. Chairman Hobbs commented he could re-word the language which said "industry-specific exemption" or drop the language entirely. However, the chairman pointed out that his business would be treated differently than an insurance business, which would be treated differently than a travel agency, and ultimately, all businesses would be treated differently than gaming or a restaurant through the application of deduction. Whether it was through deduction or whatever chapter of the NRS that contained the tax, the chairman did not understand why it made any difference.

Ms. Garcia-Mendoza insisted there was a huge difference because of the way the gaming taxes were calculated. Mr. Sloan asked Ms. Garcia-Mendoza to identify the differences, because upon review of other states, the definition of gross revenue for gaming tax purposes was identical. He agreed with the chairman that the gaming tax could be put under the SAT and then the validity of the deductions that had been in place since 1935 could be discussed. The bottom line was that gaming would be subject to the .25 percent tax on all non-gaming revenues such as hotel rooms, entertainment, food, etc. This would be all new revenue, just as it would be when other businesses were subject to the tax, such as Ms. Garcia-Mendoza's business, and those of Dr. Mack, Chairman Hobbs, and Mr. Greenspun.

Dr. Mack suggested that Mr. Aguero might be able to clarify the issue for the members. Mr. Aguero pointed out the difference between gross gaming win and taxable gaming win was somewhere between 3 and 4 percent. As such, if a similar rate was applied to gross gaming win as opposed to taxable gaming win, the figure would be less than $1/100^{th}$ of the change. That having been said, that did not mean that gaming escaped paying on the difference between gross gaming win and taxable gaming win. The difference between that was largely associated with credit play and when credit pay was collected. That meant that the money was collected at some later date and then it became subject to the gross gaming tax. The difference in the rates that was alluded to by Mr. Greenspun was the difference between .25 percent, whether the tax was collected under Chapter 463 or .25 percent that was collected under some other statute, and would be almost nil.

Ms. Garcia-Mendoza insisted and reiterated there was a great difference because in that instance, the privileged gaming tax was not being increased; the gaming industry would just be participating with all other businesses in the same SAT. Mr. Aguero advised he understood that legislatively and through application that it was different, but the differences in the amount collected were negligible.

Mr. Lange felt this conversation had been very confusing and to help clarify up to this point, he understood that the Task Force recommended that .25 percent tax would be applied to non-gaming revenues. The non-gaming revenue was approximately 50 percent of the industry's overall business revenue, and the .25 percent would apply to that part of the gaming industry. The Task Force had recommended raising the gross gaming receipts tax by .25 percent, which may or may not deliver that full amount; it appeared the difficulty arose when the committee members had not actually made the statement and it was not in the report. The gross gaming receipts tax had been recommended to rise by .25 percent from 6.25 percent to 6.5 percent. The issue could be addressed semantically and should be delineated in the report as a separate change in a revenue source. If the change was combined under the SAT, this same discussion would be held in front of many different committees in the Legislature, in many different ways, because it was not clearly articulated in the report as an increase in the gross gaming receipts tax.

Chairman Hobbs expressed his absolute agreement with Mr. Lange's statement. Clarity and accuracy in putting together what was described in the executive summary, and more importantly in the report, was the goal. The chairman pointed out that if he had been unclear in the executive summary and report, it could be fixed in a very little amount of time.

At this point, the chairman announced that the Task Force would meet next Wednesday after the members had reviewed the entire report. During that meeting, the committee would approve the contents of the report, which embodied the recommendations of the Task Force, and then the Task Force would be finished. The committee was an advisory body making recommendations, and everyone needed to understand that the committee was tasked with very specific things to do under ACR 1. Whether all the members agreed with the wording of the resolution, they were given a task and that was what they had accomplished. At the end of the day, the Task Force would be delivering a report with a lot of data to help the state make decisions. Also, the report would give the Legislature a beginning point for those discussions, giving them the benefit of all the analysis and deliberations held by the committee. From November 16, 2002 and on, each part of the report or the report as a whole could take a number of different courses and would meander many different ways. Chairman Hobbs expected members of the Task Force to be called upon to help explain some of the recommendations made by the committee.

Chairman Hobbs acknowledged this was a very different task for him. He had always taken on a role similar to that of Mr. Aguero in the past, calculating numbers and answering questions. This was a different role because the chairman had his own opinion about issues and there were some things in the report where he had to move away from his own opinion and convictions. There were also recommendations that he had seen as more problematic than some of the other members of the Task Force. That was acceptable because the report was the Task Force's report, not Guy Hobbs' report. He would have to explain it, and do so in a way that would not necessarily reflect his own opinion. To reach a conclusion together was very important for the members of the Task Force to accomplish, regardless of the passions of certain members about certain pieces of the report. The chairman understood the report for what it was – the product of discussion and consensus among the members, and it was the beginning point for dialogue that would likely take different courses. For all the reasons cited in discussions of the Task Force, the chairman reminded the members those discussions would come up ten-fold at the Legislature.

Calling attention to section 7 (Exhibit C), Chairman Hobbs said that, with the exception of any stylistic changes, the transaction tax required further discussion. In the interest of time, he would not give a lengthy explanation; he totally believed in the transaction tax as it had originally been proposed, because the discretionary nature of spending was the common denominator of the included items. As the discussion had unfolded on this issue, there appeared to be somewhat of a division between those things that were spectator-driven and those that were participation-driven. It appeared clear that most of the concerns raised related to participation elements. In order to move the recommendation forward, the members must discuss and decide to continue to disagree on this point, agree to leave the transaction tax in as it was voted upon at 6-2, or try to come to some other acceptable consensus.

Mr. Greenspun noted the chairman had explained the situation very succinctly. The members had discussed expanding the sales tax base as a way of meeting the requirements of ACR 1. He believed there was unanimity on the Task Force that expanding the sales tax met most of the characteristics required under ACR 1. However, the committee had failed to reach agreement on which items were not regressive, which ones were progressive, and what the impact would be. Part of the recommendation would be for the Legislature to either empanel this group or another similar group to report to the next Legislature on the best way to expand the sales tax base.

Mr. Greenspun agreed that unanimity from the Task Force was far more important, and suggested a compromise regarding spectator and participatory entertainment. He suggested the report delineate participatory entertainment and include a strong recommendation to the Legislature of the need to expand the sales tax base, and also to expand the amusement and entertainment tax to those items delineated as participatory entertainment in the report. That would allow some other group to study the sales tax and participatory entertainment areas before the next session convened. By doing that, Mr. Greenspun felt the revenue model would not be affected, and referred to page 7-8 of Exhibit C. He suggested that as part of the compromise the Task Force could recommend an increase the property tax from 10 cents to 12-13 cents to offset any reduction in the transaction tax. Chairman Hobbs added, that on that particular point, the model was correct with the increase in property tax cap.

Mr. Greenspun felt that would provide the state with a couple years to make a good, solid recommendation. If the next group empanelled to review this matter believed that participatory entertainment and the expansion of the sale tax made sense, that would be their choice. However, he would like to know all the ramifications before he would vote otherwise.

> MR. GREENSPUN MOVED TO REMOVE THE PARTICIPATORY ENTERTAINMENT AREAS FROM THE ADMISSIONS AND AMUSEMENTS TRANSACTION TAX RECOMMENDATION, AND INCLUDE THOSE IN THE RECOMMENDATION FOR MORE STUDY WITH THE SALES TAX. THE PROPERTY TAX COULD THEN BE INCREASED TO COVER ANY LOSS OF REVENUES.

Chairman Hobbs said he understood how to balance the model. The one limiting issue was the ability to definitively extract the participatory piece quantitatively. This was not an issue for the Task Force as such, but for the chairman and others who were writing the report. The chairman noted he would like some additional emphasis in the report about the importance and urgency of further consideration of the expansion of the sales tax base as part of the committee's recommendation. This tax base must be strengthened because, from the very beginning, the chairman had spoken of the weakness of this particular leg of the stool. Whether the tax was called a transaction tax or not, it was a direct effort to achieve stability on the bottom line of a weakened transaction-oriented base. Should the motion prevail, Chairman Hobbs would like to add emphasis to the importance of this stability. In the spirit of the present dialogue, the chairman noted that he did not agree with the segregation of the transaction tax base. However, for the sake of finalizing the model, he would be agreeable to supporting segregation with the caveat he had just mentioned. Obviously, all the members had been required to make that statement in some form, and he appreciated the fact that everyone had come to the table willing to do so.

Mr. Lange agreed that he could vote along with the consensus; however, once the process of subdividing was begun on any of these issues, the expansion of the base would not happen. At some point, everything would become unpalatable, whether it was dry cleaning, a plumber or anything else. He had some grave concerns about opening that door, but if the door was going to be opened, it was necessary to know what was behind it. Mr. Lange concurred with the chairman's position that the report outline and articulate the arguments for and against. Everyone, at some time, must use a plumber; everyone needed recreation and to be able to go to the movies. All the arguments made sense to someone. Ultimately, the Task Force would have to come to grips with that issue, and the closer the committee came to the end of this assignment, the more difficult it became. As part of the discussion, Mr. Lange would like to have the issues on the services tax "pre-framed." If a recommendation was made to the Legislature to go forward with further study, that dialogue would be constructed as much as possible.

Secondly, Mr. Lange understood that the recommended 40-cent increase in the property tax cap made by the Legislative

Committee for Local Government Taxes and Finance (SB 557-2001) was primarily directed to give local and county governments more flexibility rather than the state. He would prefer to set an upward limit above the $4.04 property tax cap or to create some language that would allow any increase to float in terms of the recommendations from the Task Force, in addition to what was recommended by the SB 557 Committee. Chairman Hobbs clarified the state did not have a cap on property taxes, as it was really $5 as stated in the Constitution. Bifurcating the tax would create a little room on the local government side, and the probability of the county governments receiving some additional services from the state without the benefit of additional dollars was fairly high. The state was not capped and would not be capped; it had everything above the prevailing combined rates up to $5, and that could be clarified in the report. Mr. Lange agreed because when discussing the cap in the Legislature, most believed that the state cap was $3.64, not $5. The Legislature needed to be reminded that the $3.64 cap was arbitrary and not constitutional, and it was under their power and authority to adjust the cap however they wanted. Nevertheless, it was a psychological ceiling of some substance.

Chairman Hobbs agreed, adding he hoped to break through the ceiling this time, with the Task Force recommendations combined with the recommendations from the SB 557 Committee. It was time something was done about the property tax cap. Beyond that, it was a rural issue as much as it was an urban issue.

Ms. Wong called attention to Mr. Lange's comments and agreed that she would prefer not to split the admissions and amusements tax between spectator and participatory. She had been a strong proponent of the expansion of the sales and use tax for services and if the progressivity and regressivity studies were reviewed, this area in general was one that was considered discretionary, as had been pointed out by Mr. Allen. She suggested that rather than adjusting the property tax rate increase, it should be left as it was and a recommendation made that the admissions and amusements tax include both participatory and spectator entertainment.

MS. GARCIA-MENDOZA SECONDED THE MOTION.

Mr. Sloan called for the question.

Dr. Mack indicated he concurred with Mr. Greenspun and felt the committee needed to move forward to put the report together. Since the votes had been counted from the election and the new legislators were in their seats, he felt they would be more aggressive toward moving forward on the tax recommendations. He agreed with Mr. Greenspun that the issue could be reviewed again during the next legislative interim period. In response to a question posed by Dr. Mack, Chairman Hobbs explained that a 10-15 cent rise in property tax was just a guess. If there were a $30 million loss, a 5-cent bump in the property tax would be necessary to balance the budget.

Chairman Hobbs recognized there had been a motion, a second, and a call for the question.

THE MOTION CARRIED WITH MR. SLOAN AND MS. WONG VOTING AGAINST, AND MR. FIELDS ABSENT.

The chairman asked if there were any other comments from the members on the executive summary or section 7. If the comments were stylistic, he asked that they be sent to him via e-mail or fax. Regarding the next meeting, Chairman Hobbs told the members they would have sections 5 and 6 by approximately Friday, and section 8 should arrive over the weekend. The intent would be to move on the final report at the meeting next Wednesday.

Mr. Greenspun stated that as the vote was not unanimous, he would like to return to his original request, since this was the only issue that did not have unanimity among the Task Force members. He asked that those in the minority be able to write a paragraph explaining their reasoning. Chairman Hobbs opined that understanding the issues as the members did, clearly there was a tradeoff by weakening the recommendation of the Task Force. Neither the prior vote nor this vote had been unanimous. The expansion of the sales tax base was an extraordinarily important piece of the puzzle, and there needed to be a compromise. He reiterated he had made compromises on some of the other components of the report because the Task Force was moving on an expansion of the transaction base. If it appeared the proposal was going to flounder because of fragmentation, the chairman said he would be in a position to rethink how he felt about some of the other components, because the piece he was holding on to would be the piece least likely to succeed.

Mr. Sloan remarked a fair interpretation of the votes taken would be that at one point, there were six members who were in favor of a broader application of the transaction tax, and the two members who voted today against Mr. Greenspun's motion did so on the theory that broader was better rather than reduction. He hoped that would not be interpreted as weakening the support for the transaction tax, but rather an affirmation that at least two members felt it should be more broad rather than less broad.

Chairman Hobbs commented two members had also expressed in different ways a disagreement with the tax, but did not vote that way. Therefore, the breakdown of the votes was 2-2-2. He believed the members needed to devise a way to provide for this issue in the recommendations and fairly profile the participatory part, both pro and con. Again, the chairman reiterated he wanted to add emphasis to the importance of broadening the sales tax base as part of the recommendation. The language would be drafted to attempt to meet with the approval of the various members of the committee.

Mr. Greenspun observed that he was unsure if anyone on the panel would be opposed to broadening these taxes. His concern was whether it was necessary to broaden the tax to include participatory without having more information. This was the same situation as not knowing the impact of broadening the sales tax to every single category that had been initially recommended. That was his reason for suggesting the issue be studied more thoroughly by another panel or by the Legislature in earnest to determine whether the tax should be imposed on all these areas.

Chairman Hobbs noted that how he felt about certain things was integrally linked to this particular issue and the broadening of the sales tax base in the long run. In the same manner as had been recommended concerning the DBS and cable TV companies, the chairman suggested that Mr. Greenspun and Ms. Wong take the opportunity to talk the issue through and see if there was a way to bring it to a point where a meaningful recommendation could be supported by all the Task Force members. The chairman told Mr. Greenspun he would be relieved of his assignment to investigate the DBS/cable TV issue if he would volunteer to help resolve this tax issue. Mr. Greenspun accepted the new assignment.

The chairman appreciated everyone's willingness to take up a difficult issue, adding that all these issues were difficult. Chairman Hobbs said he cared for all the members on this panel and, as he had previously said about his own beliefs, he knew all the members had to deal with the same issues to bring this report forward to conclusion. Ultimately, the report would be a beginning place for the Legislature and would provide them with an adequate foundation, whether or not the members agreed with all the pieces.

Scheduling of Next Meeting

Chairman Hobbs reminded the members the next meeting had already been scheduled for Wednesday, November 13, 2002, at 9 a.m. in Las Vegas. There would be one agenda item – to review and approve the draft report, which would embody all the recommendations of the Task Force. If there were any other comments from the members on any of the sections, the chairman asked that they be forwarded to him.

Public Comment

The chairman asked if there was any comment from Carson City; there was none, so the chairman asked for comments in Las Vegas.

Carole Vilardo, Executive Director of the Nevada Taxpayers Association, referred to Mr. Greenspun's suggestion to "pre-frame" the issue of sales tax base expansion for discussion, and she asked that there also be a recommendation for the exemptions being eliminated.

Chairman Hobbs referred to the precursor committee to the SB 557 Committee that had recommended language to stop the proliferation of exemptions, and asked why that issue had not appeared on the last ballot for the second vote. Ms. Vilardo explained it had not appeared on the last ballot because there was testimony by a couple of non-profit groups who wanted a very minor change. Because the change was made and considered substantive, it had to go back to the

next session for approval. It should appear on the 2006 ballot. The chairman asked if Ms. Vilardo would briefly explain to the members the constitutional intent of that amendment.

Ms. Vilardo responded there had been a concern about the increasing proliferation of the amount of exemptions on property tax and sales tax that eroded the base. In discussions with the SB 557 Committee, there was an attempt to round up these exemptions to prevent continued erosion. The technical group made the recommendation to the legislative committee that there should be conditions placed on when an exemption should be allowed, the timeframe of the exemption, and a review process. Legal counsel to the committee advised the members that what the Legislature imposed upon themselves, the Legislature may change or ignore. The suggestion was made for a constitutional amendment that would specifically address conditions of exemptions for taxes. That way, the Legislature would not be able to ignore the parameters set by what was contained in the resolution. Ms. Vilardo hoped the resolution would pass this next session and be placed on the ballot in 2006.

Mr. Sloan inquired if voters had voted for new exemptions at the most recent election. Ms. Vilardo responded potentially yes on one ballot question, question 8, which was the severe economic hardship for homeowner exemption. The enabling legislation was not written, and when it was written, it hopefully would be very tight. There had been discussion by the Taxpayers Association board members about a provision that if a person had an exemption, upon death of the owner or sale of the home, the amount of money forgiven would have to be repaid. Additionally, in the last election, the voters voted down two of the exemptions for racecars and farm equipment. Chairman Hobbs explained the proliferation of exemptions had been addressed in another committee, but it did not go as far as the review of exemptions that Ms. Vilardo had suggested.

Knight Allen, a private citizen, wished to thank Stephanie Licht for her clever gifts to the committee and to himself. On a more serious note, Mr. Allen thought the Task Force had made a mistake with the resolution at the end. The recommendation was to take away a tax rooted in choice and replace it with tax revenue generated and rooted in coercion that taxed one of the most important necessities of all. He felt that was a mistake, but in order to be honest, every mistake made by the Task Force was good for the people of Nevada.

Chairman Hobbs recognized Tom McGowan of Las Vegas. Mr. McGowan said participation and spectatorship were securely interrelated and non-severable. Below is a synopsis of Mr. McGowan's comments, and a full copy is attached as Exhibit M.

Mr. McGowan felt the efforts of the Task Force had been daunting and he wished to commend the members for their efforts, which were done in the genuine best public and private interests, which were entirely proper. However, the entertainment tax recommended for enactment was inadequate to provide more than a relatively nominal segment of the volume of tax revenue needed to support services and programs throughout the state. The tax was essentially regressive and would impose drastic limitations and constraints upon both entrepreneurial incentives and consumer patronage. The tax would also adversely impact the quality of life and socio-economic viability of all residents.

Mr. McGowan also felt that the City of Las Vegas had consistently failed to enforce compliance with codes governing the unlawful conduct of unlicensed business activities, failed to collect revenues due, and failed to identify sources of a substantial volume of revenue. In addition, the state had done nothing to effectively enforce compliance. Clearly, the Task Force had not explored, perhaps inadvertently, the full range of alternatives to the imposition of a broad-based tax on entertainment in the state and had ignored the equal or greater need for a higher degree of integrity in terms of responsible, effective government in all jurisdictions and levels of government in the state.

Mr. McGowan summarized that his recommendations would include a refund to the public treasury of the cost of the Task Force; advise the Governor and Legislature to institute and maintain a policy of increased efficiency and effectiveness at all jurisdictional levels; and to enact an "across-the-board" ten percent reduction in the rate of compensation for the administrative and management services of state and local government. Finally, he said that at the next scheduled meeting of the Task Force, Mr. McGowan would like to hear if the Task Force intended to make these recommendations to the Governor and Legislature, and if not, why not?

Chairman Hobbs thanked Mr. McGowan and asked if there were any further comments. Mr. Greenspun quipped he

would be willing to pay back every cent he had been paid for serving on the Task Force.

As there was no further business before the committee, Chairman Hobbs adjourned the meeting at 12:15 p.m.

Respectfully submitted,

_____
Reba Coombs
Secretary

APPROVED BY

_____
Guy Hobbs, 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.