

Assembly

MINUTES OF MEETING - COMMITTEE ON TAXATION - Assembly 55th Session, April 1, 1969 117

Present: Hafen, Young, Smith, Hillbrecht, Swackhamer, Getto, Tyson

Absent: Schouweiler, Espinoza

Guests: Senator Swobe, Jim Butler, Glenn Mackie, Dick Vanderwoodie, Jerry Connors, Bob Bruce, Ernest Newton

The meeting was convened at 7:00 at the Nugget by Chairman Hafen.

SB-198 - Provides for submission at next general election of question proposing exemption of prescription medicines from sales and use taxes and from local school support tax, and removing exemption from such taxes on sales of periodicals.

Coe Swobe: Mr. Swobe presented members of the committee the estimated cost. He indicated that the tax commission did some work on this and felt that it would just about wash itself out by placing the tax on magazines and exempting prescription drugs. Mr. Swobe also presented to the committee a copy of a letter from Eagle Thrifty which indicated that it would actually facilitate their work and would be of benefit to the public; they further felt that it would give some relief to the large families and the elderly people. The State Board of Examiners passed a resolution in support of this measure. We feel that the tax on drugs is the most objectionable of the sales and use taxes. This hurts families when they are raising their families and when they are older and neither comes at the time of highest earnings of the breadwinner.

Swackhamer indicated that it was a nuisance to collect on one item and not the other as far as retail sales were concerned.

Swobe indicated that this had been passed in many states and there is no problem on constitutionality.

It was determined that this tax eliminates the newspapers.

Swackhamer moved a "do pass". Tyson seconded.

Discussion followed on whether they would put this on the special election in June with another matter; it was decided that the next general election would be the time.

Motion carried unanimously to do pass SB-198.

School Education Tax: Jim Butler: In regard to this proposal to increase the state's sales tax by 3¢ by a vote of the people in June, we understand from opponents of this measure that this comes as a result of teachers' demands for increased salaries. Nevada State Education Association made a proposal last spring and this was adopted at the Elko convention. We indicated that

we were proposing an increase in appropriation to the distributive school fund with sufficient money to withstand a base salary of \$8,000. Our estimate of the cost of this proposal which is included in a legislative report was \$37,000,000 plus the cost of enrollment growth or \$40,000,000 total total of additional state aid for the next two years.

It was determined that this was a 33% average increase. It was further determined that this is what AB-557 does.

Butler: The average classroom teacher's salary is \$8,321 as reported by the State Department of Education. As part of our report we indicated that it would take additional tax revenue and our report indicated that we urged the Legislature to examine and provide additional revenues. We recommended that the Legislature adopt one or more of the taxes recommended in the Librand report. Our feeling was that rather than specify a single tax source this report was available regarding any possible increases. When the Tax Committee of the Assembly voted that a bill be drawn, we had a meeting of our legislative committee and discussed this matter. There has been a tremendous reaction from teachers as well as the public regarding the publicity relating to the proposed bill. The reaction of the teachers, specifically Clark County, has been one of increased frustration. We understand that it takes time to see what resources are available and that the school budget is one of the largest and that it does take time to do these things. The teachers have all been waiting for some word relating to teachers' salaries. The first word that they heard was that the Taxation Committee was proposing to introduce a bill to increase the sales tax by 3¢ and this would be put to a vote of the people. The reaction was negative; the 3¢ sales tax is a ridiculous proposition and would not pass. He read editorials in the Nevada Appeal and Reno Evening Gazette.

Our feeling is similar to 1967; we feel that a 1¢ tax combined with the other revenue would come close to providing these services. We are suggesting that it is the Legislative responsibility to determine the need, availability and if the availability does not meet the taxes, it is then up to the Legislature to decide. We recommend the 1¢ sales tax increase.

Hilbrecht pointed out that if it is our responsibility to decide to allocate and fund, I'm interested in knowing why you forclose our election to go to the people if it is a 1¢ tax or 2¢ tax or what.

Butler stated that there was nothing in the proposal that indicates how the money is allocated or whether it is being put into the formula or not - if the tax were to pass.

Hilbrecht said that the significant thinking of the committee about this is that we're raising revenue and we're setting up an educational fund. We don't feel that this is appropriate without referendum to the people.

Butler stated that he was against an earmarked fund; the situation in 1955 where the original sales tax was sold on the basis of it going to education and it did go into the general fund. Educators

would prefer to go to the general fund to get available funds of the Legislature.

It was indicated by some members of the committee that they did not want to be faced with this problem again two years from now.

Mr. Butler gave some statistics on the starting salaries of teachers as compared with other professions. Getto felt that the salaries of teachers could not be compared because teachers only worked 9 months.

Mr. Butler said that they have advocated that ways be developed by school districts to use and have a 12 month school year. He did not think teachers were overpaid with the value they have to offer and they have to work at other professions during the summer and also attend summer school.

There was a discussion regarding the quarter system of schools and some thought that the people would not go for this proposal. Mr. Newton indicated that the cost of amortization in Clark County, for example, cost approximately \$5,000,000 a year to amortize capital construction costs of around \$40,000,000. The quarter system, which my board has urged for years, is considered by the school people as "it won't work" or "it won't save any money"; unfortunately nobody has ever tried it. He indicated that it would save in capital construction costs. He also indicated that he didn't think building maintenance year round would be a great amount.

Bob Bruce: If you take the Governor's budget plus the supplemental request for funds right now, you're just breaking even with available revenues and still retaining \$6,000,000 balance in the general fund. One cent will develop between \$12,000,000 and \$15,000,000. He stated that in 1961 the sales tax increased 7.3%; 1962, 10%; 1963, 27.8%; 1964, 8.9%; 1965, 4.7%; 1966, 5.3%; 1967, -.2%; 1968, 7.2%. For 1969 I have projected 12% and Mr. Barrett of the Budget Division is approximately 1% behind mine.

Mr. Butler felt that if AB-661 passes the salaries will remain status quo in the first year, and in the second year he indicated that they would drop even farther behind. It was indicated that Nevada's cost of living ranks high; so must teacher's salaries.

Smith and Tyson indicated that they had received numerous letters regarding this matter and wondered if \$8,000 would satisfy them; they did not think so.

Mr. Vanderwoodie indicated that the \$10,500 figure was one adopted by the convention of the Nevada Educators Association at their convention; it was adopted as an aspiration of a belief that this is where educators should be. Mr. Vanderwoodie also indicated that this would always be a legislative problem of what to appropriate for schools. He felt that the 3¢ tax referendum would lose and in the fall there would be a school crisis.

Mr. Hafen pointed out that they were considering more areas than 120 teachers' salaries; the cities and counties, parks and recreation, etc.

Mr. Hilbrecht felt that the crisis has come about because of patchwork done in the previous session.

Mr. Vanderwoodie felt that lç would do the job; he indicated that AB-557 would put them on the top and AB-661 would put them in status quo for two years.

Glen Mackie: He indicated that the schools were being used in the summertime. He also pointed out that if the lç sales tax referendum went to the vote of the people in June. He felt that teachers would not wait until then to decide where they are going to teach the next year. They cannot reconsider without a firm salary figure. I feel that all of the teachers will accept a reasonable amount (\$8,000).

MEETING ADJOURNED.

Next meeting Wednesday, April 2, 1969 at the Nugget, 7:00 am.