

STUDY OF THE LIMITATION OF TAXES
AND OF PUBLIC EXPENSES

BULLETIN NO. 87-9

LEGISLATIVE COMMISSION
OF THE
LEGISLATIVE COUNSEL BUREAU

STATE OF NEVADA

AUGUST 1986

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Senate Concurrent Resolution No. 65—Committee on Legislative Affairs and Operations
FILE NUMBER ¹³⁸.....

SENATE CONCURRENT RESOLUTION—Directing the legislative commission to study the limitation of taxes and of public expenses.

WHEREAS, The people of this state have in recent years considered and narrowly rejected constitutional amendments proposed by initiative to restrict taxation in various forms, specifically Question 6 in 1978 and 1980 and Question 12 in 1984; and

WHEREAS, Certain other states, such as California, have amended their constitutions or taken other action to limit taxation or public expenditure; and

WHEREAS, This state has by statute imposed such limitations upon local governments; now, therefore, be it

RESOLVED BY THE SENATE OF THE STATE OF NEVADA, THE ASSEMBLY CONCURRING, That the legislative commission is hereby directed to study:

1. The feasibility and most appropriate means of limiting by constitutional amendment the legislature's power to impose taxes and to expend public revenue; and

2. The need and most appropriate means of further limiting, by statute or by constitutional amendment, the power of local governments to impose taxes and to expend public revenue;
and be it further

RESOLVED, That the legislative commission is directed to submit a report of its findings and any recommended legislation, including a proposal for any necessary constitutional amendments, to the 64th session of the legislature.

REPORT OF THE LEGISLATIVE COMMISSION
TO THE MEMBERS OF THE 64TH SESSION OF THE NEVADA LEGISLATURE:

This report is submitted in compliance with Senate Concurrent Resolution No. 65 which directs the legislative commission to study the limitation of taxes and of public expenses. The resolution requires that the study include:

1. The feasibility and most appropriate means of limiting by constitutional amendment the legislature's power to impose taxes and to expend public revenue; and
2. The need and most appropriate means of further limiting, by statute or by constitutional amendment, the power of local government to impose taxes and to expend public revenue.

The legislative commission, under the auspices of the interim finance committee, appointed the following members to a subcommittee to conduct the study:

Senator Kenneth K. Redelsperger, Chairman
Assemblyman O. Charles Horne, Vice Chairman
Assemblyman Bob Coffin

This report attempts to present clearly and succinctly the findings and recommendations of the subcommittee. A considerable amount of information was gathered in the course of the study. The data which bear directly upon recommendations are included either in the narrative or appendices. All supporting documents and minutes are available to any member from the fiscal analysis division of the legislative counsel bureau.

This report is transmitted to the members of the 1987 legislature for consideration and appropriate action.

Respectfully submitted,

Legislative Commission
Legislative Counsel Bureau
State of Nevada

Carson City, Nevada
August 1986

* * * * *

LEGISLATIVE COMMISSION

Assemblyman Louis W. Bergevin, Chairman

Senator James H. Bilbray	Assemblyman Bob L. Kerns
Senator Helen A. Foley	Assemblyman Robert M. Sader
Senator Lawrence E. Jacobsen	Assemblyman James W. Schofield
Senator Kenneth K. Redelsperger	Assemblyman Danny L. Thompson
Senator Sue Wagner	Assemblyman Barbara A. Zimmer

SUMMARY OF RECOMMENDATIONS

This summary represents the major conclusions reached by the subcommittee. These conclusions are based upon (1) suggestions made to the subcommittee at public hearings by citizens associated with the private and public sectors of the state economy; (2) written information from various sources pertaining to tax and expenditure limitations in other states; and (3) the experience and knowledge of the members of the subcommittee.

The subcommittee recommends:

1. Nevada Revised Statutes 353.213 be amended to change the base biennium used in determining the limit upon total proposed expenditures for subsequent bienniums from the 1975-77 biennium to the 1987-89 biennium. Further, the portion of any allowable spending increase due to inflation is to be limited to a maximum of 9.2 percent each biennium (BDR 31-69).
2. A concurrent resolution be adopted directing the senate finance committee and the assembly ways and means committee to limit the increase in general fund appropriations over those in the preceding biennium to a maximum of the increase in state population and consumer prices from July 1984 to July 1986 (BDR 77).
3. A statute be enacted to contingently reduce the budgetary surplus if the unappropriated general fund balance reaches at least \$60 million on July 1, 1988. The reduction would be accomplished through appropriations to the distributive school fund to offset a temporary reduction in local property taxes for schools and to a budgetary stabilization fund to be used only when revenues fall short of projections (BDR 31-78).
4. Legislative support for any actions approved by the interim subcommittee to study the funding of cities and counties in Nevada (S.C.R. 53) to address problems associated with the existing revenue limitations on local governments.

SCR65/r

REPORT TO THE 64TH SESSION OF THE NEVADA LEGISLATURE BY
THE LEGISLATIVE COMMISSION'S SUBCOMMITTEE TO STUDY
THE LIMITATIONS OF TAXES AND OF PUBLIC EXPENSES

I. INTRODUCTION

The 1985 session of the Nevada legislature adopted Senate Concurrent Resolution 65 which directs the legislative commission to study the limitation of taxes and of public expenses. The impetus for the resolution was the support for past initiatives to limit taxes such as Question 6 and Question 12 and the introduction of several bills during the 1985 legislative session to limit state and local taxation or spending.

The subcommittee held 5 days of meetings:

1. October 23, 1985, in Carson City.
2. January 14, 1986, in Las Vegas.
3. March 5, 1986, in Reno.
4. May 6, 1986, in Tonopah.
5. June 3, 1986, in Ely.

During the various meetings, the subcommittee heard from interested persons from across the state. A list of the persons who testified before the subcommittee is included in the "Credits" section of this report.

II. DISCUSSION OF ISSUES

A. Limitations on State Government

At its first meeting in Carson City, the subcommittee set as its goal the development of legislation to limit state taxes or spending. The subcommittee believed that any such legislation must take a moderate approach to receive serious consideration by the 1987 Legislature. At its various hearings, however, the subcommittee received only one specific proposal--that from the Nevada Taxpayers Association--to limit state taxes or spending. The general testimony from taxpayers was that the Nevada tax revolt has been subdued because of the restraint shown by the last few legislatures and the tax limitations imposed on local governments. Taxpayers who addressed the subcommittee believed, however, that if the restraint is not continued, tax revolt fever could quickly surface and a new initiative petition to limit taxes will be circulated.

The subcommittee seriously considered the tax limitation proposal offered by the Nevada Taxpayers Association (see appendices). This proposal would have required a super majority of both houses of the legislature or a majority of both houses and voter approval to raise taxes. However, to effect this change requires a constitutional amendment. The subcommittee chose not to attempt a constitutional change at this time, preferring instead to develop proposals that will have an effect in the upcoming biennium. Moreover, these proposals can be easily reviewed by the 1989 legislature for effectiveness and practicality and modified accordingly.

B. Limitations on Local Governments

Since 1979, the Nevada legislature has imposed various types of tax and spending limitations on local governments. The current limitations focus on the revenues a local government may receive and by most accounts have been very effective in limiting the growth of local government.

The subcommittee heard a considerable amount of testimony regarding the limitations on local governments. Although there was little or no support for additional limitations on the ability of local governments to tax or spend, representatives of local governments suggested various changes to the maximum allowable revenue formula and other revenue limitation statutes.

The subcommittee recognized the problems noted by the local government officials. For example, the treatment of net proceeds of mines in the limitation formula may create adverse consequences for certain counties because net proceeds can vary widely from year to year. The members of the S.C.R. 65 subcommittee, however, did not wish to conflict with the work of the S.C.R. 53 subcommittee which was studying the funding of local governments.

Much of the testimony heard by the S.C.R. 65 subcommittee regarding the limitations on local governments was duplicative of testimony presented to the S.C.R. 53 subcommittee. Therefore, the S.C.R. 65 subcommittee decided not to independently develop legislation to address local government limitations but instead support the actions of the S.C.R. 53 subcommittee regarding this issue.

III. FINDINGS AND RECOMMENDATIONS

This section represents the subcommittee's recommendations regarding the limitation of state and local taxes and expenditures.

A. Limitation Upon Total Proposed Expenditures

As part of the 1979 tax reform package, NRS 353.213 was enacted to place a limit upon the amount of general fund expenditures proposed in the executive budget. Although not binding on the legislature, the provision has a strong influence on legislative appropriations because total general fund appropriations have historically been within a percent or two of the governor's recommendation.

Under NRS 353.213, the 1975-77 biennium is the expenditure base and increases in spending are allowed for population growth and inflation since July 1, 1974. Since 1979, however, changes in the methods for funding education have interrupted the consistency of biennial changes in general fund spending. More importantly, the recessions of 1980 and 1981-82 have created a wide gap between the calculated limitation upon total proposed expenditures and the amount of spending that can be proposed without major tax increases. This condition is likely to persist for the foreseeable future, making NRS 353.213 an ineffective statute as currently written. The subcommittee believes, however, that the concept in NRS 353.213 is useful and should be preserved by amending the statute to reflect more current conditions.

The subcommittee also believes that the discipline on the executive budget should be similar to that the legislature currently imposes on local governments. Therefore, the increase in the proposed budget attributable to inflation should be no greater than the 4.5 percent per year (roughly equivalent to 9.2 percent for two years) limit on local property taxes.

To accomplish these goals, the subcommittee recommends:

1. NEVADA REVISED STATUTES 353.213 BE AMENDED TO CHANGE THE BASE BIENNIUM USED IN DETERMINING THE LIMIT UPON TOTAL PROPOSED EXPENDITURES FOR SUBSEQUENT BIENNIUMS FROM THE 1975-77 BIENNIUM TO THE 1987-89 BIENNIUM. FURTHER, THE PORTION OF ANY ALLOWABLE SPENDING INCREASE DUE TO INFLATION IS TO BE LIMITED TO A MAXIMUM OF 9.2 PERCENT EACH BIENNIUM (BDR 31-69).

B. Limitation upon General Fund Expenditures, 1987-89 Biennium

The subcommittee believes that the same spending restraint imposed on future governors by recommendation no. 1 should be demonstrated by the 1987-89 legislative session. The subcommittee, therefore, recommends:

2. A CONCURRENT RESOLUTION BE ADOPTED BY THE 1987 LEGISLATURE DIRECTING THE SENATE FINANCE COMMITTEE AND THE ASSEMBLY WAYS AND MEANS COMMITTEE TO LIMIT THE INCREASE IN GENERAL FUND APPROPRIATIONS OVER THOSE IN THE PRECEDING BIENNIUM TO A MAXIMUM OF THE INCREASE IN STATE POPULATION AND CONSUMER PRICES FROM JULY 1984 TO JULY 1986 (BDR 77).

C. Contingent Reduction in Budgetary Surplus, Fiscal Year 1988-89

During most of the legislative sessions of the last 25 years, the legislature has convened facing a much larger budgetary surplus than that expected when the budget was approved at the preceding legislative session. To some extent those larger surpluses have been the result of the generally conservative forecasts of expected revenues, which in turn usually ensure that enough revenues are available to meet legislated appropriations.

In general, the surpluses have been used to pay for needed capital and park improvement projects and other "one-shot" expenditures. This alleviates the need for the state to use short or long-term financing to pay these costs and therefore tends to reduce the level of ongoing operating appropriations. Nevertheless, large surpluses have been one of the catalysts of "tax revolt" activity, especially when the surplus results after taxes have been increased to make up for anticipated budgetary "shortfalls."

The past several legislative sessions have approved various trigger mechanisms to "spend" some of the revenue resulting from extraordinary budgetary surpluses. The money has been used for such things as state employee pay raises, property tax relief and higher school funding. The subcommittee believes that these trigger mechanisms are appropriate because the legislature meets only once every two years. The subcommittee further believes that the use of surplus moneys should focus primarily on tax relief and secondarily on appropriations to a budgetary stabilization fund.

The tax relief envisioned by this recommendation is in the form of a temporary reduction in the property tax for schools to be offset by a supplemental appropriation to the distributive school fund. Also, any revenue appropriated to the budgetary stabilization fund should only be used if revenues in a future year fall short of operating appropriations as was the case during the 1981-83 biennium.

The appropriations to pay for tax relief and the establishment of a budgetary stabilization fund would not reduce the budgetary surplus below \$50 million at the start of fiscal year 1988-89. Furthermore, the ending fund balance for the biennium will likely continue to increase if there is an extraordinary surplus because revenues will continue to accrue from a higher than expected base.

To trigger tax relief and the creation of a budgetary stabilization fund, the subcommittee recommends:

3. A STATUTE BE ENACTED TO CONTINGENTLY REDUCE THE BUDGETARY SURPLUS IF THE UNAPPROPRIATED GENERAL FUND BALANCE REACHES AT LEAST \$60 MILLION ON JULY 1, 1988. THE REDUCTION WILL BE ACCOMPLISHED THROUGH APPROPRIATIONS TO THE DISTRIBUTIVE SCHOOL FUND TO OFFSET A TEMPORARY REDUCTION IN LOCAL PROPERTY TAXES FOR SCHOOLS AND TO A BUDGETARY STABILIZATION FUND TO BE USED ONLY WHEN REVENUES FALL SHORT OF PROJECTIONS (BDR 31-78).

D. Local Government Revenue Limitations

The subcommittee was charged with reviewing the revenue limitations on local governments to determine whether further limitations are appropriate. Because the existing limitations appear to be very effective, the subcommittee found almost no support for further limitations. The subcommittee did find certain potential inequities resulting from the existing limitations on local governments. However, because the subcommittee created by S.C.R. 53 to study the funding of cities and counties in Nevada is a more appropriate vehicle to address these problems, the S.C.R. 65 subcommittee believes its most appropriate position is to support the actions of the S.C.R. 53 subcommittee.

The subcommittee, therefore, recommends:

4. LEGISLATIVE SUPPORT FOR ANY ACTIONS APPROVED BY THE INTERIM SUBCOMMITTEE TO STUDY THE FUNDING OF CITIES AND COUNTIES IN NEVADA (S.C.R. 53) TO ADDRESS PROBLEMS ASSOCIATED WITH THE EXISTING REVENUE LIMITATIONS ON LOCAL GOVERNMENTS.

IV. ANNOTATED BIBLIOGRAPHY

The following is a list of the information sources reviewed by the subcommittee during the course of its study.

Arizona Constitution, Article IX, Sections 17-21.

--Text of Arizona's constitutional expenditure limitation.

Austermann, Winnifred M. and Daniel E. Pilcher. A Legislator's Guide to State Tax and Spending Limits. National Conference of State Legislatures, 1979.

--Discusses in detail the many issues surrounding the imposition of state tax and expenditure limitations.

"Balanced Budgets and Fiscal Discipline," State Budget and Tax News, 1985, pp. 9-11.

--Evaluates and ranks the budget stringency of the 50 states.

Beier-Solberg, Ann. "State and Local Taxes and Economics Growth--Review of the Research Literature". Wisconsin Department of Revenue, Division of Research and Analysis, October 19, 1984.

--Reviews and analyzes the research literature regarding the impact of the types of taxes and the tax burden on state and local economies.

Benker, Karen and Daphne Kenyon. "The Tax Revolt - Round II?", Intergovernmental Perspective, Summer 1984, pp. 14-24.

--Discusses the issues surrounding eight tax limitation initiatives voted upon in various states at the 1984 general election.

California Constitution, Article XIII-B.

--Text of California's constitutional expenditure limitation.

The Council of State Governments. Tax and Expenditure Legislation Approved for Distribution by the Committee on Suggested State Legislation of the Council of State Governments, 1978.

--Examples of various types of legislation to limit taxes or expenditures.

Gold, Steven D. Results of Local Spending and Revenue Limitations: A Survey. Legislative Finance Paper #5. National Conference of State Legislatures, July 1981.

--Reviews and analyzes the existing published information on the effects of tax and spending limitations on local governments.

Gold, Steven D. State Tax and Spending Limitations: Paper Tigers or Slumbering Giants? Legislative Finance Paper #33. National Conference of State Legislatures, January 1983.

--Reviews and analyzes the effects of existing state tax and spending limitations.

Idaho Code, Title 67, Chapter 68

--Text of Idaho's statutory expenditure limitation.

Maryland General Assembly, Special Joint Committee on Tax and Spending Limitations. Report of the 1979 Interim to the Maryland General Assembly (excerpts), 1979.

--Provides an outline of the issues reviewed during a study of tax and spending limitations in Maryland.

Matz, Deborah. "The Tax and Expenditure Limitation Movement," Urban Government Finance (Roy Bohl, ed.), Chapter 5. Sage Publications, 1981.

--Discusses the history and effects of the tax and expenditure limitation movement.

Mouritsen, Paul M. "Colorado's 7 Percent Expenditure Limitation." Nevada Legislative Counsel Bureau, Research Division. Memorandum to Legislator, April 29, 1985.

--Discusses the state spending limitation imposed in Colorado.

Nevada. Department of State. "Question 6," November 4, 1980.

--Explains Question 6 which sought to limit property taxes in Nevada.

Nevada. Department of State. "Question 12," November 6, 1984.

--Explains Question 12 which sought to limit the ability of the legislature and other governing bodies in Nevada to increase taxes and fees.

Oregon Revised Statutes 291.355

--Text of Oregon's statutory expenditure limitation.

"Planning Ahead for a Rainy Day: State Budget Stabilization Funds," Fiscal Letter, National Conference of State Legislatures, January/February, 1986.

--Analyzes the procedure for deposits and withdrawals from the budgetary stabilization ("rainy-day") funds in 28 states.

Rose, Jerome G. (ed.). Tax and Expenditure Limitations: How to Implement and Live within Them. New Brunswick, New Jersey: Center for Urban Policy Research, 1982.

--Discussions of a wide variety of policy issues relating to tax and expenditure limitations.

Utah Code Annotated, Title 59, Chapter 27

--Text of Utah's statutory expenditure limitation.

Zuend, Ted. "Information Pertaining to State Spending Amendment." Nevada Legislative Counsel Bureau, Fiscal Analysis Division. Memorandum to Legislator, December 17, 1984.

--Discusses tax and spending limitation imposed in other states and the type of measures that may be used to effect such limitations.

V. CREDITS

The following is a listing of the names, titles and affiliations of the persons who appeared before the subcommittee:

Askew, Dale
Assistant County Manager
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Atkinson, Glen, Ph.D.
Nevada State Education Association
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APPENDIX A

Testimony of Roy Nickson, Executive Vice President
of the Nevada Taxpayers Association, to the
Subcommittee on January 14, 1986,
in Las Vegas

PRESLNTATION TO THE INTERIM LEGISLATIVE COMMITTEE
ON THE STUDY OF LIMITATION OF TAXES AND OF PUBLIC EXPENSES

TUESDAY, JANUARY 14, 1986 - LAS VEGAS

CHAIRMAN KEDELSPERGER, ASSEMBLYMEN HORNE AND COFFIN. I AM
ROY NICKSON, EXECUTIVE VICE PRESIDENT OF THE NEVADA TAXPAYERS
ASSOCIATION.

I APPLAUD THE ACTION OF THE LEGISLATURE IN APPROVING SCR65
AND IN RECOGNIZING THE INTEREST OF THE CITIZENS IN ESTABLISHING
LIMITATIONS ON THE IMPOSITION OF TAXES AND THE CONTROL OF PUBLIC
EXPENDITURES AT BOTH THE STATE AND LOCAL GOVERNMENT LEVELS.

THE RUNAWAY INFLATION OF REAL ESTATE VALUES IN THE 1970s
CREATED AN AUTOMATIC AND DRAMATIC INCREASE IN THE AD VALOREM TAX
BASE. THE CONSTITUTIONAL LIMITATION OF A \$5 PER \$100 OF ASSESSED
VALUE TAX RATE WAS THE NORM AND, WITH THE GUARANTEED TAX RATE FOR
SCHOOL DISTRICTS AND THE SERVICING OF VOTER-APPROVED DEBT, THE
REMAINING LOCAL GOVERNMENTS, THE CITIES, COUNTIES AND GENERAL AND
SPECIAL DISTRICTS, WERE IN COMPETITION FOR THE BALANCE OF THE TAX
RATE. THERE WAS NO INCENTIVE TO REDUCE LEVIES AS EACH ENTITY AS-
SUMED, MORE RIGHTLY THAN WRONGLY, THAT ANY SLACK WOULD BE TAKEN
UP BY A COMPETING ENTITY. THUS, HOMEOWNERS AND BUSINESS PROPERTY
OWNERS EXPERIENCED AN ANNUAL ESCALATING PROPERTY TAX BILL AS THE
COUNTY ASSESSORS REAPPRAISED ON A MARKET VALUE BASIS.

THE DISCONTENT OF PROPERTY OWNERS SURFACED WITH THE OVER-
WHELMING APPROVAL OF QUESTION 6 IN 1978. IT WAS ONLY THROUGH THE
ACTION OF THE 1979 LEGISLATURE IN REDUCING, BY STATUTE, THE CONSTI-
TUTIONALLY-AUTHORIZED \$5 TAX RATE TO \$3.64 AND THROUGH A VIGOROUS

STATEWIDE CAMPAIGN THAT QUESTION 6 WAS DEFEATED IN 1980. MANY CITIZENS BELIEVED THAT A FURTHER CONSTITUTIONAL LIMIT ON REVENUES AND EXPENDITURES WAS APPROPRIATE AND QUESTION 12 WAS ONLY NARROWLY DEFEATED IN 1984.

FARSIGHTED AND WISE LEGISLATORS IN THE LAST FOUR SESSIONS HAVE ESTABLISHED AND REFINED CONTROLS OVER RAMPANT GOVERNMENT REVENUE AND EXPENDITURE INCREASES. IN 1979, THE STATE BUDGET WAS CONTROLLED THROUGH A LIMITATION ON EXPENDITURE RECOMMENDATIONS BASED ON POPULATION GROWTH AND THE RATE OF INFLATION (NKS 353.213). WHILE THUS RESTRICTING THE EXECUTIVE DEPARTMENT BUDGET, NKS 353.246 EXEMPTS THE LEGISLATIVE AND JUDICIAL DEPARTMENTS AND THE PUBLIC EMPLOYEES RETIREMENT SYSTEM. IF CONSIDERED NEEDED, A CONSTITUTIONAL RESTRICTION ON REVENUE RAISING CAPABILITIES MAY BE MORE APPROPRIATE THAN THE EXPENDITURE LIMITATION. SHOULD AN EMERGENCY ARISE, THE LIMITATION COULD BE OVERRIDDEN BY A TWO-THIRDS VOTE OF BOTH HOUSES OF THE LEGISLATURE. IN A NON-EMERGENCY SITUATION, A MAJORITY VOTE AND APPROVAL BY THE ELECTORATE WOULD PROVIDE A MEANS TO EXPAND THE TAX BASE FOR SERVICES DESIRED BY THE CITIZENS.

THE LEGISLATURE HAS, I BELIEVE, ESTABLISHED EXCELLENT CONTROLS OVER THE REVENUES AND EXPENDITURES OF LOCAL GOVERNMENTS. NKS 354.59805, 354.59811 AND 354.59816 SPELL OUT IN FINITE DETAIL THE METHOD OF DEVELOPING PROPERTY TAX RATES. A COMBINATION FORMULA THAT REFLECTS A MAXIMUM 4 1/2% INCREASE IN THE AD VALOREM LEVIES ON EXISTING PROPERTY, TEMPERED BY CONTROLS OVER INFLATIONARY PRESSURES THAT MAY INCREASE RECEIPTS FROM THE SUPPLEMENTAL CITY/COUNTY RELIEF TAX, PROVIDES FISCAL FLEXIBILITY. I RECOGNIZE THAT SOME LOCAL GOVERN-

MENTS CONSIDER THESE "CAPS" ENTIRELY TOO RESTRICTIVE. HOWEVER, THE LEGISLATURE RECOGNIZED THAT THERE WOULD BE OCCASIONS WHEN INCREASES OVER AND ABOVE THOSE AUTHORIZED WOULD BE APPROPRIATE. NRS 354.5982 SPECIFICALLY DETAILS THAT AN ADDITIONAL LEVY MAY BE AUTHORIZED IF APPROVED BY THE LOCAL AFFECTED ELECTORATE AT EITHER A SPECIAL OR GENERAL ELECTION. IT IS ODD THAT I RARELY HEAR THIS EXCELLENT PROVISION FOR OBTAINING ADDITIONAL REVENUE MENTIONED BY THOSE LOCAL OFFICIALS WHO HAVE EXPRESSED DISMAY AT A SHORTAGE OF FUNDS THAT THEY APPARENTLY BELIEVE WAS CAUSED BY THE LEGISLATURE. IT IS, CERTAINLY, A VIABLE OPTION AND HAS BEEN SUCCESSFULLY UTILIZED BY NINE LOCAL GOVERNMENTS. (WASHOE COUNTY AND CARSON CITY WITH A LEVY FOR A SENIOR CITIZENS CENTER, NORTH LAKE TAHOE FIRE AND TAHOE-DOUGLAS FIRE TO CREATE A PARA-MEDIC RESCUE OPERATION, HUMBOLDT COUNTY AND NORTH LYON COUNTY FIRE FOR CAPITAL ACQUISITIONS, AMONG SEVERAL OTHERS). IN FACT, ONE WEEK AGO MASON VALLEY VOTERS APPROVED A 10-CENT TAX RATE FOR THEIR FIRE DEPARTMENT. ALL A LOCAL GOVERNMENT NEED DO IS SPECIFY THE NUMBER OF DOLLARS REQUIRED, THE PURPOSE OF THE LEVY AND ITS DURATION -- WHICH COULD BE INDEFINITE. A SIMPLE MAJORITY OF TAX-PAYING VOTERS IS ALL THAT IS NEEDED FOR APPROVAL. WHY ANY GOVERNING BOARD WITH A LEGITIMATE NEED FOR ADDITIONAL REVENUE WOULD BE RELUCTANT TO PROPOSE SUCH A MEASURE, QUITE FRANKLY, BAFFLES ME. IF AN ELECTED OFFICIAL PUTS FAITH IN THE VOTERS TO HAVE THE WISDOM TO PLACE HIM OR HER IN OFFICE, THEY SHOULD HAVE NO QUALMS ABOUT TRUSTING THE ELECTORATE TO MAKE THE CORRECT DECISION ON INCREASES IN TAXES AND EXPENDITURES IF TRULY NEEDED.

OBVIOUSLY, THE COMPLICATED FORMULAE AND MATHEMATICAL CALCULATIONS SET FORTH IN THE STATUTES HAVE NO PLACE IN THE NEVADA CONSTITUTION AND TO PLACE ALL OF THE EXISTING STATUTORY PROVISIONS IN THE CONSTITUTION WOULD BE MUCH TOO CUMBERSOME.

BASED ON THE FACT THAT THE ENACTMENTS OF THE 1981 LEGISLATIVE SESSION HAVE REMAINED VIRTUALLY INTACT THROUGHOUT TWO SUCCEEDING SESSIONS, WHICH INCLUDED CHANGES IN THE PARTY IN POWER IN THE STATE HOUSE AND IN ONE HOUSE OF THE LEGISLATURE, IT WOULD APPEAR THAT A CONSTITUTIONAL AMENDMENT, WHILE POSSIBLY DESIRABLE, IS NOT ESSENTIAL. IF A CONSTITUTIONAL AMENDMENT IS CONSIDERED APPROPRIATE, A DECISION TO APPROACH THE VOTERS ON TAX AND FEE INCREASES SHOULD BE TAKEN UPON THE ACTION OF A SIMPLE MAJORITY RATHER THAN A TWO-THIRDS APPROVAL OF THE ELECTED OFFICIALS.

IN SUMMARY, IF YOU BELIEVE THAT SOME FUTURE LEGISLATURE WOULD BE UNABLE TO WITHSTAND THE PRESSURE TO ELIMINATE CURRENT RESTRICTIONS ON STATE AND LOCAL GOVERNMENT REVENUE AND EXPENDITURE CONTROLS, IT IS RECOMMENDED THAT ANY PROPOSED CONSTITUTIONAL AMENDMENT INCLUDE THE FOLLOWING:

FOR THE STATE:

1. PRECLUDE ANY IMPOSITION OF A NEW OR INCREASED TAX OR NEW FEE FOR LICENSES OR PERMITS OR SERVICE CHARGE UNLESS IT IS FIRST AFFIRMED BY A MAJORITY VOTE OF BOTH HOUSES OF THE LEGISLATURE AND APPROVED BY A MAJORITY OF THE VOTERS.

2. PRECLUDE ANY INCREASE IN FEES FOR LICENSES OR PERMITS OR SERVICE CHARGES THAT EXCEED THE LESSER OF \$10 OR 10% OF THE EXISTING CHARGE WITHOUT VOTER APPROVAL.

3. SHOULD THE LEGISLATURE DETERMINE THAT AN "IN EXTREMIS" SITUATION EXISTS, A NEW OR INCREASED SOURCE OF REVENUE COULD BE APPROVED BY A TWO-THIRDS VOTE OF BOTH HOUSES OF THE LEGISLATURE WITHOUT VOTER APPROVAL.

FOR LOCAL GOVERNMENTS:

1. PRECLUDE ANY IMPOSITION OF A NEW OR INCREASED TAX OR NEW FEE FOR LICENSES OR PERMITS OR SERVICE CHARGES UNLESS IT IS FIRST AFFIRMED BY A MAJORITY VOTE OF THE GOVERNING BODY AND APPROVED BY THE AFFECTED ELECTORATE.

2. PRECLUDE ANY INCREASED FEE FOR LICENSES OR PERMITS THAT EXCEEDS THE LESSER OF \$10 OR 10% OF THE EXISTING CHARGE WITHOUT VOTER APPROVAL AND LIMIT ANY NON-VOTER APPROVED FEE INCREASE TO NOT MORE FREQUENTLY THAN ONCE EVERY FIVE YEARS.

3. FUNDS NECESSARY FOR AN "IN EXTREMIS" SITUATION TO BE PROVIDED FROM A STATE-CONTROLLED RESERVE FUND APPROVED BY A DESIGNATED LEGISLATIVE COMMITTEE.

APPENDIX B

Followup Testimony of Roy Nickson, Executive Vice
President of the Nevada Taxpayers Association,
to the Subcommittee on March 5, 1986,
in Reno

PRESENTATION TO THE INTERIM LEGISLATIVE COMMITTEE
ON THE STUDY OF LIMITATION OF TAXES AND OF PUBLIC EXPENSES
WEDNESDAY, MARCH 5, 1986 - RENO

CHAIRMAN REDELSPERGER, ASSEMBLYMEN HORNE AND COFFIN, I AM ROY NICKSON REPRESENTING THE NEVADA TAXPAYERS ASSOCIATION.

HAVING EXPRESSED MY VIEWS AT YOUR JANUARY 14 MEETING, I HAD NOT ANTICIPATED PRESENTING FURTHER TESTIMONY AND HAD PLANNED TO JUST LISTEN TO OTHERS TESTIFY TODAY. HOWEVER, TWO DAYS AFTER YOUR LAST MEETING AN ARTICLE APPEARED IN BOTH THE LAS VEGAS REVIEW-JOURNAL AND THE NEVADA APPEAL THAT MAKES FURTHER COMMENTS APPROPRIATE.

WHILE I HAVE NOT CHANGED MY POSITION THAT A CONSTITUTIONAL AMENDMENT IS NOT ESSENTIAL IN THE CASE OF LOCAL GOVERNMENT REVENUE-RAISING CAPABILITIES, I AM NOW HAVING SOME SECOND THOUGHTS REGARDING THE NEED FOR SUCH A CONSTITUTIONAL AMENDMENT RELATING TO CONTROL OVER STATE REVENUE-RAISING CAPABILITIES.

THE ARTICLE I REFER TO IS HEADLINED "UNIONS CONSIDER TAX-RAISING PETITION". SIGNIFICANT PORTIONS ARE QUOTED:

"PUBLIC EMPLOYEE UNIONS ARE CONSIDERING CIRCULATING AN INITIATIVE PETITION TO RAISE TAXES --- REPRESENTATIVES FOR THE NEVADA STATE EDUCATION ASSOCIATION AND THE STATE OF NEVADA EMPLOYEES ASSOCIATION, BOTH OF WHOM HAVE A BIG STAKE IN STATE GOVERNMENT FUNDING, CONFIRM THEY ARE CONSIDERING CIRCULATING AN INITIATIVE PETITION THIS YEAR TO FORCE THE 1987 LEGISLATURE TO RAISE TAXES. THE TEACHERS' ASSOCIATION IS STAYING OPEN ON WHAT SORT OF TAX HIKE TO CONSIDER --- EVEN IF A HIKE OF GAMING TAXES

CAN BE ASSURED IN THE LEGISLATURE, BOTH GAGNIER AND VANDER WOUDE ARE CONCERNED THAT IT MIGHT NOT PROVIDE ENOUGH MONEY. --- EDUCATION IN NEVADA NEEDS 'NEW REVENUE' --- SAYS VANDER WOUDE, ADDING HE IS NOT SURE REVENUES FROM THE GAMING TAX HIKE 'WILL BE ADEQUATE'. IN ADDITION, THE MEMBERSHIP OF BOTH ASSOCIATIONS IS ON RECORD AS BACKING PETITIONS ON TAXES. -- THE RECOMMENDATION BY THE TEACHERS WAS MORE GENERAL, TO USE DUES TO SUPPORT SOME SORT OF TAX PETITION. --- VANDER WOUDE SAID IT WOULD PROBABLY TAKE ANOTHER VOTE OF THE MEMBERS TO AVOID DOING SOMETHING IN TERMS OF A TAX PETITION. JUST WHAT THE ASSOCIATION WILL DO IS STILL OPEN, SAID PRESIDENT SUE STRAND. IT MIGHT INCLUDE SUPPORT FOR MELLO'S INITIAL TAX PROPOSAL, FOR A STATE LOTTERY OR SOMETHING ELSE, SHE SAID. THE POINT IS THAT MORE MONEY IS NEEDED FOR EDUCATION, SAID STRAND. 'WE CANNOT AFFORD NOT TO EDUCATE OUR CHILDREN.' THE ASSOCIATION COULD CONSIDER ANY NUMBER OF OTHER APPROACHES, INCLUDING A PROPERTY TAX INCREASE, A SALES TAX ON SERVICES AND A TAX ON THE GROSS PROFITS OF CORPORATIONS, VANDER WOUDE SAID. 'OUR GOAL ISN'T JUST TO TAX SOMEBODY, OUR GOAL IS AN EQUITABLE TAX STRUCTURE THAT WILL GENERATE A DEPENDABLE SOURCE OF REVENUE,' HE SAID."

WHILE THAT POSITION HAS NOW BEEN SOFTENED, ACCORDING TO A FEBRUARY 3, 1986 NEWSPAPER ARTICLE, THE NSEA HAS "VOTED TO HAVE ATTORNEYS DRAFT LANGUAGE FOR AN INITIATIVE THAT MIGHT BE CIRCULATED IN THE FUTURE BUT PROBABLY NOT BEFORE THE 1986 ELECTION." DICK VANDER WOUDE IS ALSO QUOTED AS SAYING THE BOARD WANTS TO CONTINUE TO LOOK AT INITIATIVE CHANGES IN THE TAX SYSTEM TO IMPROVE FUNDING

FOR EDUCATION, BUT BELIEVES A LONG TERM APPROACH, SUCH AS A CONSTITUTIONAL AMENDMENT, IS BETTER. "WHY DO ONE THING ONE YEAR THAT THE POLITICIANS CAN TURN AROUND THE NEXT YEAR," VANDER WOUDE SAID.

WITH THESE VEILED THREATS I AM CONCERNED AND PERHAPS YOUR COMMITTEE SHOULD RECOMMEND A PROPOSED CONSTITUTIONAL AMENDMENT FOR STATE REVENUES. MY PREVIOUS RECOMMENDATIONS REGARDING THE PROVISIONS OF SUCH AN AMENDMENT REMAIN UNCHANGED -- THEY WERE:

1. PRECLUDE ANY IMPOSITION OF A NEW OR INCREASED TAX OR NEW FEE FOR LICENSES OR PERMITS OR SERVICE CHARGES UNLESS IT IS FIRST AFFIRMED BY A MAJORITY VOTE OF BOTH HOUSES OF THE LEGISLATURE AND APPROVED BY A MAJORITY OF THE VOTERS.

2. PRECLUDE ANY INCREASE IN FEES FOR LICENSES OR PERMITS OR SERVICE CHARGES THAT EXCEED THE LESSER OF TEN DOLLARS OR TEN PERCENT OF THE EXISTING CHARGE WITHOUT VOTER APPROVAL.

3. SHOULD THE LEGISLATURE DETERMINE THAT AN "IN EXTREMIS" SITUATION EXISTS, A NEW OR INCREASED SOURCE OF REVENUE COULD BE APPROVED BY A TWO-THIRDS VOTE OF BOTH HOUSES OF THE LEGISLATURE WITHOUT VOTER APPROVAL.

APPENDIX C

Recommended Legislation

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SUMMARY---Revises statutory limits on state budget. (BDR 31-69)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: No.

AN ACT relating to governmental finance; revising statutory limits on the state budget; revising the method for certifying information concerning changes in the cost of living and the estimate of population for the state; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND
ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 353.213 is hereby amended to read as follows:

353.213 1. In preparing the state budget for each biennium, the chief shall not exceed the limit upon total proposed expenditures for purposes other than construction from the state general fund calculated pursuant to this section. [The base for each biennium is the total expenditure, for the purposes limited, from the state general fund appropriated and authorized by the legislature for the biennium beginning on July 1, 1975.]

2. The limit for [each] the biennium beginning on July 1, 1989, is calculated as follows:

(a) The amount of total expenditure [constituting the base] , for the purposes limited, from the state general fund appropriated and authorized by the legislature for the biennium beginning on July 1, 1987, is multiplied by the percentage of change in population [for the current biennium from the population on July 1, 1974,] last certified by the fiscal analysis division of the legislative counsel bureau, and this product is added to or subtracted from the amount of expenditure [constituting the base.] for the biennium beginning on July 1, 1987.

(b) The amount calculated under paragraph (a) is multiplied by the percentage of inflation not to exceed 9.2 percent or the percentage of deflation, last certified by the fiscal analysis division of the legislative counsel bureau, and this product is added to or subtracted from the amount calculated under paragraph (a).

(c) If the amount resulting from the calculations under paragraphs (a) and (b) represents a net increase over the [base] biennium beginning on July 1, 1987, the chief may increase the proposed expenditure accordingly. If the amount represents a net decrease, the chief shall decrease the proposed expenditure accordingly. If the amount is the same as in the [base biennium,] biennium beginning on July 1, 1987, that amount is the limit of permissible proposed expenditure.

3. [The revised estimate of population for the state issued by the United States Department of Commerce as of July 1, 1974, must be used, and the governor shall certify the percentage of increase or decrease in population for each succeeding biennium. The Consumer Price Index published by the United States Department of Labor for July preceding each biennium must be used in determining the percentage of inflation or deflation.

4.] The limit for each biennium beginning on or after July 1, 1991, is calculated as follows:

(a) The limit upon total expenditures for the preceding biennium is multiplied by the percentage of change in population last certified by the fiscal analysis division of the legislative counsel bureau, and this product is added to or subtracted from the limit upon total expenditures for the preceding biennium.

(b) The amount calculated under paragraph (a) is multiplied by the percentage of inflation not to exceed 9.2 percent or the percentage of deflation, last certified by the fiscal analysis division of the legislative counsel bureau, and this product is added to or subtracted from the amount calculated under paragraph (a).

(c) If the amount resulting from the calculations under paragraphs (a) and (b) represents a net increase over the preceding biennium, the chief may increase the proposed expenditure accordingly. If the amount represents a net decrease, the chief shall decrease the proposed expenditure accordingly. If the amount is the same as in the preceding biennium, that amount is the limit of permissible proposed expenditure.

4. For the purposes of the calculations required in subsections 2 and 3, the fiscal analysis division of the legislative counsel bureau shall certify as of July 1 of each even-numbered year the:

(a) Change in population for the preceding 2 years based on the revised estimates of population for the state issued by the United States Department of Commerce if those estimates are accurate, as corroborated by such other statistical information as:

(1) The industrial employment in the state;

(2) The enrollment of pupils in schools in the state from kindergarten to grade 12, inclusive;

(3) The issuance of new drivers' licenses by the department of motor vehicles and public safety; and

(4) The additional estimates of population for the state issued by a person or governmental agency involved in the compilation, analysis or dissemination of statistical information.

(b) Inflation or deflation for the preceding 2 years based on the Consumer Price Index published by the United States Department of Labor if the Consumer Price Index accurately reflects the change in the purchasing power of the federal currency as corroborated by such other measures of inflation or deflation as:

(1) The Implicit Price Deflator for the Gross National Product;

(2) The Implicit Price Deflator for Personal Consumption Expenditures; and

(3) The Implicit Price Deflator for State and Local Government Purchases of Goods and Services.

5. If the Federal Government ceases to publish a Consumer Price Index or a revised estimate of population for the state or the fiscal analysis division determines that the Consumer Price Index or the revised estimate of population is inaccurate, the division shall within budgetary limitations contract with any qualified person or governmental agency to provide the statistical information necessary to establish a figure which accurately reflects the percentage of inflation or deflation or the population for the state.

6. The chief may exceed the limit to the extent necessary to meet situations in which there is a threat to life or property.

SUMMARY---Directs certain committees to limit total amount of money which may be appropriated from State General Fund by 1987 session of Nevada Legislature. (BDR 77)

SENATE CONCURRENT RESOLUTION---Directing the Senate Standing Committee on Finance and the Assembly Standing Committee on Ways and Means to limit the total amount of money which may be appropriated from the State General Fund by the 1987 session of the Nevada Legislature.

WHEREAS, Many states have taken action to limit taxes and public expenditures; and

WHEREAS, Containment of the costs of providing governmental services is of great importance to the residents of this state; and

WHEREAS, The Nevada Legislature has imposed such limitations upon local governments; now, therefore, be it

RESOLVED BY THE SENATE OF THE STATE OF NEVADA, THE ASSEMBLY CONCURRING, That the Senate Standing Committee on Finance and the Assembly Standing Committee on Ways and Means are hereby directed not to exceed the limit upon the total expenditures for purposes other than construction from the State General Fund calculated pursuant to this resolution; and be it further

RESOLVED, That the base for calculating the limit is the total expenditure from the State General Fund appropriated and authorized by the Nevada Legislature for the biennium beginning on July 1, 1985; and be it further

RESOLVED, That the limit is calculated as follows:

1. The amount of expenditure constituting the base is multiplied by the percentage of increase or decrease in population from July 1, 1984, to July 1, 1986, and this product is added to or subtracted from the amount of expenditure constituting the base.

2. The amount calculated under subsection 1 is multiplied by the percentage of inflation or deflation from July 1, 1984, to July 1, 1986, and this product is added to or subtracted from the amount calculated under subsection 1.

3. If the amount resulting from the calculations under subsections 1 and 2 represents a net increase over the base, the Senate Standing Committee on Finance and the Assembly Standing Committee on Ways and Means may increase the expenditure accordingly. If the amount represents a net decrease, the committees shall decrease the expenditure accordingly. If the amount is the same as in the base, that amount is the limit of the permissible expenditure; and be it further

RESOLVED, That the revised estimate of population for the state issued by the United States Department of Commerce as of July 1, 1986, must be used to determine the increase or decrease in population. The Consumer Price Index published by the United States Department of Labor must be used to determine the percentage of inflation or deflation; and be it further

RESOLVED, That this resolution becomes effective upon passage and approval.

SUMMARY---Creates budgetary stabilization fund and provides for contingent distribution of unappropriated balance in state general fund.
(BDR 31-78)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Contains Appropriation.

AN ACT relating to governmental finance; creating the budgetary stabilization fund; providing for the contingent distribution of the unappropriated balance in the state general fund; making contingent appropriations; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND
ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 353 of NRS is hereby amended by adding thereto a new section to read as follows:

1. The budgetary stabilization fund is hereby created as a trust fund.
2. Interest earned on the money in the fund must be credited to the fund.
3. The money in the fund may not be withdrawn except by further act of the legislature.

Sec. 2. On or before May 20, 1988, the state board of examiners shall project the unappropriated balance of the state general fund as of July 1, 1988, using all relevant information known to it. The board shall immediately notify the Nevada tax commission and the board of county commissioners of each county of its projection. The projection must be used in the computations required by sections 3 to 6, inclusive, of this act.

Sec. 3. Upon receiving the notice required by section 2, the board of county commissioners of each county shall for the fiscal year beginning July 1, 1988, and ending June 30, 1989, fix the rate of tax levied pursuant to NRS 387.195 as follows:

Projected balance		Rate in cents per \$100 of assessed valuation
At least	But less than	
\$60,000,000	\$70,000,000	70
70,000,000	80,000,000	65
80,000,000	90,000,000	60
90,000,000	100,000,000	55
100,000,000	----	50

Sec. 4. The factor to be multiplied by the assessed valuation of each local school district to compute the local money available for public schools pursuant to NRS 387.1235 must be set as follows:

Projected balance		Factor
At least	But less than	
\$60,000,000	\$70,000,000	.0020
70,000,000	80,000,000	.0015
80,000,000	90,000,000	.0010
90,000,000	100,000,000	.0005
100,000,000	----	.0000

Sec. 5. The following amounts are hereby contingently appropriated from the state general fund to the budgetary stabilization fund as follows:

Projected balance		Appropriation
At least	But less than	
\$60,000,000	\$70,000,000	\$2,000,000
70,000,000	80,000,000	4,000,000
80,000,000	90,000,000	6,000,000
90,000,000	100,000,000	8,000,000
100,000,000	----	10,000,000

Sec. 6. To offset the loss of local money available for public schools pursuant to section 4 of this act, the following amounts are hereby contingently appropriated from the state general fund to the state distributive school fund as follows:

Projected balance		Appropriation
At least	But less than	
\$60,000,000	\$70,000,000	\$8,000,000
70,000,000	80,000,000	16,000,000
80,000,000	90,000,000	24,000,000
90,000,000	100,000,000	32,000,000
100,000,000	----	40,000,000