

# Legislative Committee for Local Government Taxes and Finance



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**LEGISLATIVE COMMITTEE FOR  
LOCAL GOVERNMENT TAXES AND FINANCE**

**BULLETIN 03-16**

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## SUMMARY OF RECOMMENDATIONS

### LEGISLATIVE COMMITTEE FOR LOCAL GOVERNMENT TAXES AND FINANCE

This summary presents the recommendations approved by the Legislative Committee for Local Government Taxes and Finance (NRS 218.5388 to 218.53886, inclusive). The Committee will submit these proposals to the 72<sup>nd</sup> Session of the Nevada Legislature.

#### FUEL TAX REVENUES

- Draft legislation to index state and local gasoline tax rates to a five-year average of the change in the Consumer Price Index, but ensure that gas tax rates do not increase by more than four percent in any given year. **(BDR 32-622)**
- Draft legislation to adjust the intercounty fuel tax distribution formula so that the formula:
  1. Is based two-thirds on population and one-third on roadway mileage; and
  2. Holds harmless counties that lose revenues under the formula by taking a proportionate share of the gains received by the counties that receive additional revenues under the formula and distributing them to the counties that lose revenues. **(BDR 32-622)**
- Draft legislation to clarify that road mileage means the mileage from one end of a roadway to the other without regard to the number of lanes the roadway has for the purposes of the intercounty and intracounty fuel tax distribution formulas. **(BDR 32-622)**
- Draft legislation to amend NRS 365.196 to require the Department of Motor Vehicles to apportion directly to local governments the receipts of the one-cent tax on motor vehicle fuels, except aviation fuel, imposed for the costs of maintaining existing local government roads, highways, and streets. **(BDR 32-622)**
- Draft legislation to authorize a local government to impose an additional tax on fuel for jet or turbine-powered aircraft and aviation fuel when that local government owns or operates an airport and to require that the revenues from any additional tax imposed on fuel for jet or turbine-powered aircraft be distributed back to the local government that owns or operates the airport. **(BDR 32-628)**

## **ADJUSTMENTS TO THE CONSOLIDATED TAX DISTRIBUTION FORMULA**

Draft legislation to adjust the consolidated tax distribution formula set forth in NRS 360.690 to:

1. Calculate allocation rates according to the lesser of the actual distribution or the prior's year's base, indexed to inflation, when a high-growth entity would receive a higher proportion of a deficit distribution based on the previous year's excess distribution;
2. Add a one to an entity's negative combined growth factor when all entities in a county have a negative excess distribution growth factor because population and assessed values have decreased; and
3. Use county population as a second growth factor for special districts when a county's population is declining at a greater rate than its assessed valuations are increasing to ensure that special districts do not receive all of the excess revenues. **(BDR 32-624)**

## **TAX REVENUES RECEIVED FROM UTILITIES**

- Draft legislation to require a customer of a public utility or alternative seller to pay any tax, fee or assessment that would be due a governmental entity had the customer continued to purchase natural gas or electrical energy, capacity, or ancillary services from a public utility. **(BDR 58-626)**
- Draft legislation to mitigate the impacts to local governments that could result from counties, cities and general improvement districts acquiring or expanding certain facilities of a public utility by:
  1. Requiring a local government that purchases a public utility, other than a water or sewer utility, to pay an amount to other local governments "in lieu of taxes" that is equal to the taxes that would have been paid to those local governments by the public utility;
  2. Requiring the Department of Taxation to establish annually the assessed valuation attributable to a utility that has been purchased by a local government and requiring the use of that established valuation in distribution formulas that include assessed valuation; and
  3. Requiring local governments that acquire or expand the facilities of a water or sewer utility or that expand the facilities of any other utility to execute an interlocal agreement with other local governments that may be impacted by the acquisition or expansion for the mitigation of those impacts. **(BDR 627)**

## **DISTRIBUTION OF GOVERNMENTAL SERVICES TAX REVENUES**

Draft legislation to repeal provisions providing that any property tax rate authorized for school capital projects must be included as part of the property tax rate used to determine the school district's portion of the governmental services tax revenues. **(BDR 43-623)**

## **ADJUSTMENTS TO THE LOCAL GOVERNMENT PROPERTY TAX CAP**

Draft legislation to decrease the statutory property tax cap for local governments from \$3.64 per \$100 of assessed value to \$3.14 per \$100 of assessed value and to exclude from the cap the levy imposed by the Legislature for bonded indebtedness of the State of Nevada, which has been set at \$0.15 in recent years, and the levy imposed for the support of public schools pursuant to NRS 387.195, which is currently \$0.75. **(BDR 32-625)**

## **AUTHORIZE THE CREATION OF TAX INCREMENT DISTRICTS**

Draft legislation to authorize the creation of tax increment areas to provide counties with another mechanism to conduct infrastructure improvement projects and to provide cities with another method for financing economic development projects. **(BDR 22-629)**

## **REVISIONS TO AUTHORITY TO PLEDGE CONSOLIDATED TAX DISTRIBUTION REVENUES**

Draft legislation to authorize special districts to pledge consolidated tax distribution revenues for the payment of bonds issued by special districts. **(BDR 32-630)**

## **REVISIONS TO THE MANNER IN WHICH THE COMMITTEE CONDUCTS BUSINESS**

Draft legislation to eliminate the Subcommittee to Study the Costs of Maintaining Highways, Roads and Streets and authorize the Advisory Committee to perform the duties currently assigned to the Subcommittee, to authorize the Advisory Committee to appoint subcommittees, and to provide that the member of the Advisory Committee representing General Improvement Districts should be an employee of a district rather than a member of the Board of Trustees of a district. **(BDR 17-631)**



**REPORT TO THE 72<sup>ND</sup> SESSION OF THE NEVADA LEGISLATURE  
BY THE LEGISLATIVE COMMITTEE FOR LOCAL  
GOVERNMENT TAXES AND FINANCE**

**I. INTRODUCTION**

The Legislative Committee for Local Government Taxes and Finance is a statutorily created committee of the Nevada Legislature that consists of eight members. The Senate Majority Leader and the Speaker of the Assembly each appoint four members from their respective houses. Two of the members from each house must be selected from the membership of each of the respective standing committees on government affairs and taxation. The Committee consults with an 11-member advisory committee consisting of the Executive Director of the Department of Taxation and 10 other members appointed by groups representing local governments and representing various geographical areas of the State of Nevada. Pursuant to NRS 218.53884, the Committee is also required to appoint a subcommittee to study the cost to counties and cities of maintaining highways, roads, and streets and the practices of the counties and cities in maintaining those highways, roads, and streets. A copy of the statutory provisions that create and set forth the power and duties of the Committee (NRS 218.5388 to 218.53886, inclusive) is provided in Appendix A.

**A. COMPOSITION OF THE COMMITTEE**

The Senate Majority Leader and the Speaker of the Assembly appointed the following eight legislators to the Legislative Committee for the 2001-03 biennium:

Assemblyman David R. Parks, Chairman  
Senator Ann O'Connell, Vice Chairwoman  
Senator Terry Care  
Senator Mike McGinness  
Senator Joseph M. Neal, Jr.  
Assemblywoman Vivian L. Freeman  
Assemblyman P.M. Roy Neighbors  
Assemblywoman Sandra Tiffany

The following persons were appointed to serve as members of the Advisory Committee and the Subcommittee to Study the Cost to Counties and Cities of Maintaining Highways, Roads and Streets and were serving in those positions at the time of this report:

Guy Hobbs, Advisory Committee Chairman, Managing Partner of Hobbs, Ong & Associates  
Marvin Leavitt, Representative of Various Local Governments, Subcommittee Chairman  
Michael Alastuey, Committee on Local Government Finance  
Bob Anderson, Director of Fiscal Services, Carson City School District

Charles Chinnock, Executive Director, Nevada Department of Taxation  
Janet Murphy, Administrator, Tahoe-Douglas Improvement District (designee of Ross Swickard)  
Linda Ritter, City Manager, City of Elko  
John Sherman, Director of Finance, Washoe County  
Claudette Springmeyer, Comptroller, Douglas County  
Terri Thomas, Director of Finance, City of Sparks  
Philip F. Stoeckinger, Finance Director, City of North Las Vegas

The following persons also served on the Advisory Committee and the Subcommittee to Study the Cost to Counties and Cities of Maintaining Highways, Roads and Streets during a portion of the 2001-03 biennium:

Bruce R. Brooks, Comptroller, Humboldt County  
Richard Kester, Director of Business Services, Douglas County School District  
David P. Pursell, Executive Director, Nevada Department of Taxation (retired)

Legislative Counsel Bureau (LCB) staff services for the study were provided by Rick Combs, Deputy Fiscal Analyst, Fiscal Analysis Division; Ted Zuend, Deputy Fiscal Analyst, Fiscal Analysis Division; Kim Marsh Guinasso, Principal Deputy Legislative Counsel, Legal Division; William Keane, Principal Deputy Legislative Counsel, Legal Division; Carol Thomsen, Interim Secretary, Fiscal Analysis Division and Joi Davis, Office Manager, Fiscal Analysis Division. During the course of the 2001-03 biennium, Kevin Welsh, Deputy Fiscal Analyst, Fiscal Analysis Division, also provided staff services.

## **B. OVERVIEW OF COMMITTEE PROCEEDINGS**

The Committee conducted six meetings. Four of the meetings were held in Las Vegas with videoconferencing to Carson City and two of the meetings were held in Carson City with videoconferencing to Las Vegas. The Advisory Committee and the Subcommittee to Study the Costs to Counties and Cities of Maintaining Highways, Roads, and Streets each met five times.

During the course of its work, the Committee considered testimony from members of the Advisory Committee and the Subcommittee to Study the Costs of Maintaining Highways, Roads, and Streets and various other representatives of local governments, including school districts and general improvement districts. The Committee received a report regarding the condition of Nevada's roads and bridges from The Road Information Project, which is a transportation research firm from Washington, D.C. The Committee also heard testimony from representatives of the Nevada Taxpayer's Association, regional transportation commissions, and a group studying methods to improve the economies of rural areas in Nevada. Representatives of the Nevada Department of Taxation and the Nevada Department of Transportation (NDOT) provided expert testimony to the committees throughout the biennium.

During its meetings the Committee voted to approve 10 requests for bill drafts for consideration by the 2003 Legislature in a number of areas affecting local government finance. The proposed legislation includes technical changes to the consolidated tax distribution and intercounty fuel tax formulas, indexing of the gasoline tax rates for inflation, revisions to the statutory cap on property tax rates imposed by local governments, requirements to ensure that local governments continue to receive utility revenues in a deregulated utility market or when a public utility is acquired by another local government, the authorization of tax increment financing by local governments, allowing a jurisdiction that operates an airport to impose the current optional tax on aircraft fuel, technical adjustments to the manner in which the governmental services tax is distributed and the manner in which tax revenue is pledged by special districts for the payment of debt, and amendments to the manner in which the Advisory Committee conducts its business during the 2003-05 biennium.

The information included in this report provides a general overview of the complex issues and information considered by the Legislative Committee in formulating its recommendations for legislation to be considered by the 2003 Legislature. For more detailed information please review the minutes and exhibits from the Committee's meetings, which are available from the LCB's research Library. The minutes, excluding the exhibits, and a copy of this report are available electronically on the Legislature's Internet Web site at [www.leg.state.nv.us](http://www.leg.state.nv.us).

## **II. RECOMMENDATIONS FOR THE 2003 LEGISLATIVE SESSION**

During the course of the Committee's work during the 2001-03 biennium, the Committee approved 10 requests for bill drafts to be considered by the 2003 Legislature. The issues the Committee discussed and the recommendations that resulted from those discussions are detailed below.

### **A. RECOMMENDATIONS REGARDING FUEL TAX REVENUES**

The Committee approved two bill draft requests regarding fuel taxes. The first bill draft request addresses four distinct concerns with respect to motor vehicle fuels. The second bill draft request addresses a concern with respect to the imposition of optional taxes on fuel for jet or turbine-powered aircraft and aviation fuel.

1. Draft Legislation to index state and local gasoline tax rates to a five-year average of the change in the Consumer Price Index, but ensure that gasoline tax rates do not increase by more than four percent in any given year. (BDR 32-622)

The Subcommittee to Study the Cost to Counties and Cities of Maintaining Highways, Roads and Streets conducted a study of the funding available for highway construction and maintenance projects and the adequacy of those funding sources. The Subcommittee heard testimony from representatives of NDOT and considered a

report presented by The Road Information Project, which is a transportation research firm from Washington, D.C.

Representatives of NDOT provided information regarding the tendency of highway construction costs in Nevada to rise gradually over time and the tendency of fuel tax rates in Nevada to remain flat for many years with occasional extreme increases to catch up with the consistent increase in construction and maintenance costs. Agency representatives provided information comparing the gasoline tax rates in Nevada since 1955 to the present and projected from the present to 2007 to the inflation-adjusted rate for that same period. A table including that information is included in Appendix B. The table shows that gasoline tax rates tend to keep pace with or exceed inflation for a short period immediately after a rate increase; however, the rate eventually falls behind and continues to trail inflation until the next rate increase.

At the June 24, 2002 meeting of the Legislative Committee, Paul Haaland, Associate Director of Policy and Research for The Road Information Project presented a report entitled "Meeting Nevada's Future Mobility Needs: A Report Card about the Condition, Use and Safety of Nevada's Systems of Roads and Bridges." A copy of the report has been included in Appendix C. The report assigned the following grades to Nevada's road and bridge system:

Roads	B
Bridges	B+
Congestion	D+
Safety	C-
Funding	C-

The report concluded that the investment in road and bridge improvement projects throughout the state is:

"[T]hreatened by an eroding state motor fuels tax and current Congressional proposals to reduce federal highway funding to the states by 10 to 15 percent nationally."

Based on the information presented to the Subcommittee, members considered three methods that could be used to index the gasoline tax rate to inflation. After considering proposals to index the tax rate to the Federal-Aid Highway Construction Index, the wholesale price of fuel, and the Consumer Price Index (CPI), the Subcommittee recommended that the Legislative Committee approve a bill draft request to index the state and local gasoline tax rates to the CPI. The Subcommittee believed that increases and decreases in the CPI would be less volatile than the other two methods of indexing and that the CPI was a measurement with which most Nevadans were familiar.

The Legislative Committee approved the Subcommittee's recommendation for a bill draft request to:

- Index gasoline tax rates to a five-year moving average of the CPI.
  - Require the first measurement of the CPI on December 31, 2003 and implement the first adjustment for the fiscal year beginning July 1, 2004.
  - Prohibit the increase from exceeding four percent in any one-year period, regardless of the five-year moving average of the CPI.
  - Eliminate the taxes imposed pursuant to NRS 590.120 and 590.840 from the requirement to index, since those taxes are not related to road construction or maintenance.
2. Draft legislation to adjust the intercounty fuel tax distribution formula so that the formula is based two-thirds on population and one-third on roadway mileage and holds harmless counties that would lose revenues under the formula by taking a proportionate share of the gains received by the counties that receive additional revenues under the formula and distributing that proportionate share as necessary to ensure that counties do not lose revenues. (BDR 32-622)

#### **Current Formula**

Prior to the enactment of Senate Bill 557 by the 2001 Legislature, the motor vehicle fuel tax revenues were distributed to the counties based on a formula that placed equal weight (25 percent) on total area, population, road mileage and street mileage of nonfederal aid primary roads and vehicle miles traveled on nonfederal aid primary roads. The provisions of SB 557 replaced that formula with a formula based two-thirds on population and one-third on the road mileage and street mileage of improved roads or streets maintained by the county or an incorporated city within the county.

Because the new formula based two-thirds on population and one-third on road and street mileage would result in a loss of revenues to some counties, SB 557 included a provision providing that a county could not receive less than the amount it received in FY 2001. Under the formula enacted by SB 557 all counties would be allocated an amount identical to the amount they received for FY 2001. Next, the bill required a determination of the amount each county would receive under the new two-thirds population and one-third road and street mileage formula. Each county that would have received more under the new formula than it received in FY 2001 would be allocated a portion of the funding that was left after it received its FY 2001 allocation based on the new two-thirds population and one-third road and street mileage formula.

#### **Recommended Amendment to the Current Formula**

Members of the Subcommittee to Study the Cost to Counties and Cities of Maintaining Highways, Roads and Streets pointed out that because the formula implemented pursuant to SB 557 only allocated a small portion of motor vehicle fuel tax revenues under the new formula based two-thirds on population and one-third on

road and street mileage, the intent of the Subcommittee during the previous biennium was not being carried out. Because of the dissatisfaction with the formula enacted in SB 557, the Subcommittee began considering adjustments to the formula that would distribute a larger percentage of motor vehicle fuel tax revenues to the counties based on the new formula and would distribute a smaller percentage of the revenues based on the old formula.

Ultimately the Legislative Committee voted to approve the Subcommittee's recommendation to adjust the intercounty motor vehicle fuel distribution formula in the following manner:

- Allocate to each county its share of the motor vehicle fuel tax revenues under the new formula based two-thirds on population and one-third on road and street mileage.
  - Determine if any counties are receiving less under the new formula than they received under the old formula in FY 2001.
  - If a county receives less under the new formula than it received under the old formula in FY 2001, make an additional allocation to that county to ensure that it receives its FY 2001 allocation by reducing the share provided to all of the counties that do not receive less under the new formula than they received in FY 2001.
  - To determine the amount that should be transferred from each county that does not receive less under the new formula than it received under the old formula in FY 2001, each county that does not receive less revenue under the new formula should deduct from its allocation under the new formula a proportionate share of the difference between the revenue it received under the new formula and the revenue it received under the old formula in FY 2001.
3. Draft legislation to clarify that road mileage means the mileage from one end of a roadway to the other without regard to the number of lanes the roadway has for the purposes of the intercounty and intracounty fuel tax distribution formulas. (BDR 32-622)

At the May 16, 2002 meeting of the Subcommittee to Study the Cost to Counties and Cities of Maintaining Highways, Roads and Streets, representatives of NDOT indicated to the Subcommittee that the Roadway Systems Division of NDOT was required by law to audit all county and city miles of roadways, based on inventories provided to NDOT by the cities and counties. In order to ensure continuity in the inventories received from the local governments, NDOT requested that NRS 365.550 be amended to clarify that road mileage included in inventories provided to NDOT should be based on centerline mileage rather than lane mileage.

Based on the request from representatives of NDOT, the Legislative Committee approved the Subcommittee's recommendation to submit a bill draft request to clarify

that road mileage means the mileage from one end of a roadway to the other without regard to the number of lanes the roadway has for the purposes of the intercounty and intracounty fuel tax distribution formulas and the road inventories that local governments are required to submit to NDOT to implement those formulas.

4. Draft legislation to require the Nevada Department of Motor Vehicles to apportion directly to local governments the receipts of the one-cent tax on motor vehicle fuels, except aviation fuel, imposed for the costs of maintaining existing local government roads, highways and streets. (BDR 32-622)

The 2001 Legislature approved Senate Bill 124, which required the allocation and remittance of the 3.6-cent per gallon mandatory tax on motor vehicle fuel imposed pursuant to NRS 365.180 and the 1.75-cent per gallon tax on motor vehicle fuel imposed pursuant to NRS 365.190 to be made directly to incorporated cities. Prior to the enactment of SB 124, the proceeds from both of the levies were remitted monthly to the counties. In counties in which one or more incorporated cities are located, the appropriate amounts were distributed from the counties to the cities after the funds had been transferred from the state to the counties. The provisions of SB 124 were enacted to eliminate the extra transfer by the counties and to accelerate the receipt of payments by the cities.

The Advisory Committee noted that SB 124 did not include a provision requiring the allocation and remittance of the 1-cent per gallon mandatory tax on motor vehicle fuel imposed pursuant to NRS 365.192 to be made directly to incorporated cities. As a result, the proceeds from the tax imposed pursuant to NRS 365.192 were still being transmitted from the State to the counties and then from the counties to the incorporated cities. Based on testimony indicating that the changes effected by the provisions of SB 124 had been well received, the Committee voted to approve the Advisory Committee's recommendation to approve a bill draft request to require the direct apportionment to the incorporated cities of the receipts of the one-cent tax on motor vehicle fuel imposed pursuant to NRS 365.192 for the costs of maintaining existing local government roads, highways and streets.

5. Draft legislation to authorize a local government other than a county to impose an additional tax on fuel for jet or turbine-powered aircraft and aviation fuel when that local government owns or operates an airport and to require that the revenues from any additional tax imposed at an airport be distributed back to the entity that owns or operates the airport. (BDR 32-628)

The provisions of NRS 365.203 currently authorize a board of county commissioners to impose a tax of not more than four cents per gallon on fuel for jet or turbine-powered aircraft and not more than eight cents per gallon on aviation fuel. Testimony presented to the advisory and legislative committees indicated that, in a few instances, the county was not the entity that operated the airport. This created a

situation that resulted in a board of county commissioners being asked to levy a tax from which it would receive no revenues.

The committees also heard testimony that the statutory formula for the distribution of the mandatory and optional aviation fuel tax revenues could be improved. Currently NRS 365.540 requires that the money collected from the tax on aviation fuel must be deposited into a revolving account for taxes on aviation fuel. The provisions of NRS 365.565 provide that a sum not to exceed \$130,000 must be transferred from that account to the Civil Air Patrol each year. The remaining funds must be transmitted to the treasurer of the counties based on the proportional amount remitted by dealers or users in those counties. Once the funds are transmitted to the county treasurers pursuant to NRS 365.565, the funds must be apportioned among county and city-operated airports in the county in the same ratio as the assessed valuation of property within the boundaries of those cities bears to the total assessed valuation of property within the county.

The Advisory Committee determined that local governments that operate airports should be authorized to impose the optional taxes on fuel for jet or turbine-powered aircraft and aviation fuel. The Advisory Committee also determined that because the assessed valuation of property was not an indicator of the costs to operate an airport, the proceeds of the optional aviation fuel tax should be distributed to the entity that operated the airport. Based on these determinations, the Legislative Committee approved the Advisory Committee's recommendation to request a bill draft to authorize local governments other than counties to impose the optional taxes on fuel for jet or turbine-powered aircraft and aviation fuel and to distribute the proceeds of any optional taxes imposed to the entity that operates the airport where the proceeds were collected.

## **B. RECOMMENDATIONS TO MAKE TECHNICAL ADJUSTMENTS TO THE CONSOLIDATED TAX DISTRIBUTION FORMULA**

### **Report Regarding the Functioning of the Amendments Made to the Consolidated Tax Distribution Formula During the 17<sup>th</sup> Special Session**

Assembly Bill 10 enacted during the 17<sup>th</sup> Special Session of the Nevada Legislature directed the Advisory Committee to conduct a study of the effects of the formula for the distribution of funds from the Consolidated Tax Distribution account and the amendatory provisions of AB 10. The provisions of section 8 of AB 10 also required the Advisory Committee to report its findings to the Legislative Committee on or before October 1, 2002. The Advisory Committee determined that the adjustments made to the formula for the distribution of consolidated tax revenues as a result of the enactment of AB 10 had resulted in the formula being more responsive to growth. The Advisory Committee indicated that it believed this was the intended effect of the amendments made pursuant to AB 10. The report presented to the Legislative Committee is provided in Appendix D.

Although the Advisory Committee believed that the amendments made to the formula pursuant to AB 10 were ensuring that faster-growing entities were receiving a greater share of excess distributions under the formula, the Advisory Committee recommended a bill draft request to address concerns that occurred when excess distributions were not available or when population growth and assessed valuations were not increasing in a county. The Legislative Committee approved a bill draft request to make three minor technical adjustments to the consolidated tax distribution formula set forth in NRS 360.690. The three issues identified by the Advisory Committee and the recommended adjustments to the formula to address those concerns are described below:

1. Draft legislation to adjust the consolidated tax distribution formula to calculate allocation rates according to the lesser of the actual distribution or the prior year's base, indexed to inflation, when a high-growth entity would receive a higher proportion of a deficit distribution based on the previous year's excess distribution. (BDR 32-624)

Currently if, after making the consolidated tax distribution allocation to each enterprise district for the month, there is not sufficient money in a county's subaccount to make the base monthly allocation to each local government and special district, the allocation rate is based on the percentage each local government or special district in that county received of the total amount that was distributed in the county during the prior fiscal year. The Advisory Committee determined that during months when there is not sufficient money to make the base monthly allocation, the current formula can result in an entity that received a greater percentage of an excess distribution in a prior fiscal year also receiving a greater percentage of the distribution in the current year even if the entity is not growing faster than the other local governments and special districts in the county. To address this concern the Legislative Committee approved the Advisory Committee's recommendation to adjust the formula to allocate to each local government and special district an amount equal to its proportionate percentage of the total amount of the base monthly allocations when there is insufficient money in the county's subaccount to make the actual base monthly allocations.

2. Draft legislation to adjust the consolidated tax distribution formula to add a one to an entity's negative combined growth factor when all entities in a county have a negative excess distribution growth factor because population and assessed values have decreased. (BDR 32-624)

The Advisory Committee also determined that if the combined growth in population and growth in assessed valuations in all local governments and special districts within a county is negative, but there are excess revenues to distribute from the county's subaccount, the current formula would provide for a larger excess distribution to the local governments and special districts whose combined population and assessed values are declining the fastest. Because this result is contrary to the idea that the formula should distribute a larger percentage of excess revenues to the entities that

are growing the fastest, the Legislative Committee approved the Advisory Committee's recommendation to adjust the formula to add a plus one to the negative growth factors of the local governments and special districts in a county when excess revenues are available and all of those entities have a negative combined growth factor. The adjustment to the formula will result in an entity whose growth is declining the fastest receiving a smaller proportion of the money available after the base monthly allocations are made pursuant to the formula.

3. Draft legislation to adjust the consolidated tax distribution formula to use county population as a second growth factor for special districts when a county's population is declining at a greater rate than its assessed valuations are increasing to ensure that special districts do not receive all of the excess revenues. (BDR 32-624)

The Advisory Committee determined that there are currently counties with declining populations and increasing assessed valuations. In some counties the population is declining at a faster rate than the assessed valuations are increasing, which results in a negative combined growth factor for the local governments in the county. Special districts in those counties, however, would, in almost all cases, have a positive growth factor because population is not included in the formula for determining the growth rate of special districts. Under these circumstances a special district would receive 100 percent of the revenues available in the county's subaccount after the base monthly allocation was made to each local government and special district. Based on these factors, the Legislative Committee approved the Advisory Committee's recommendation to adjust the formula to use population as a second growth factor for special districts when all local government entities in a county have negative combined growth factors and special districts have increased assessed valuations.

## **C. RECOMMENDATIONS REGARDING TAX REVENUES RECEIVED FROM UTILITIES**

The Committee approved two bill drafts to ensure that local governments continue to receive revenues from taxes and fees imposed on utilities. The first bill draft request addresses a concern with respect to a potential loss of revenue to local governments as a result of a deregulated utility market. The second bill draft request addresses the potential loss of local government revenues that could result from a local governmental entity acquiring a public utility.

### **1. Impacts of Utility Deregulation**

Draft legislation to require a customer of a public utility or alternative seller to pay any tax, fee or assessment that would be due a governmental entity had the customer continued to purchase natural gas or electrical energy, capacity, or ancillary services from a public utility. (BDR 58-626)

The Advisory Committee formed a working group to address a concern raised by local governments regarding the ability of local governments to continue collecting franchise fees and taxes from customers of out-of-state providers of natural gas and electrical services. Public utilities in Nevada are required to collect franchise fees from their customers and to remit those payments to the local governments imposing the fee. The Advisory Committee was concerned that it would be difficult to require the out-of-state providers of those services to collect the fees from customers and to require the providers to submit the payments to local governments.

Based on the concerns raised by the Advisory Committee, the Legislative Committee approved a bill draft request to require the customer of an out-of-state seller of natural gas service to pay the same taxes and fees that the customer would have been required to pay if the customer had continued to purchase the natural gas from a public utility in Nevada. The bill draft request approved by the Legislative Committee also would require the customer of a provider of electrical services that converts non-electrical energy into electrical energy or otherwise produces electrical energy and is not owned by an electric utility for which a certificate of convenience and necessity has been approved to pay the same taxes and fees the customer would have been required to pay had the customer continued to purchase those products from an electric utility for which a certificate of public convenience and necessity had been approved.

## **2. Impacts of Local Governments Acquiring or Expanding Public Utilities**

The provisions of SB 557 required the Legislative Committee to conduct a study of the impact on revenue from state and local taxes received by local government as a result of certain local governments acquiring or expanding facilities for the generation, transmission and distribution of electricity and for the provision of telecommunications services or community antenna television service to retail customers who are, before the acquisition or expansion, customers of a public utility. The bill also required the Committee to submit a report of its findings, including any recommended legislation, to the director of the Legislative Counsel Bureau for transmittal to the 72<sup>nd</sup> session of the Nevada Legislature.

The Legislative Committee determined that revenues received by local governments are impacted each time a county, city or general improvement district acquires or expands the facilities of a public utility. Depending on the size of the utility that is acquired or expanded, the impacts can vary from relatively minor reductions in revenue that would not affect a local government's ability to provide services, to significant reductions in revenues that would have to be recouped through other means in order for the local government to continue to provide basic services. A copy of the report required pursuant to SB 557 is included in Appendix E.

Based on the Committee's findings regarding the impacts that could result to local governments from counties, cities and general improvement districts acquiring or

expanding certain facilities of a public utility, the Legislative Committee approved the Advisory Committee's recommendation to:

Draft legislation to mitigate the impacts to local governments that could result from counties, cities and general improvement districts acquiring or expanding certain facilities of a public utility by:

- Requiring a local government that purchases a public utility, other than a water or sewer utility, to pay an amount to other local governments "in lieu of taxes" that is equal to the taxes that would have been paid to those local governments by the public utility;
- Requiring the Department of Taxation to establish annually the assessed valuation attributable to a utility that has been purchased by a local government and requiring the use of that established valuation in distribution formulas that include assessed valuation; and
- Requiring local governments that acquire or expand the facilities of a water or sewer utility or that expand the facilities of any other utility to execute an interlocal agreement with other local governments that may be impacted by the acquisition or expansion for the mitigation of those impacts. (BDR 627)

The Advisory Committee indicated that a distinction between water and sewer utilities and other utilities was warranted based on testimony indicating that in many instances a local government is required to acquire the facilities of a water or sewer utility in response to health and safety concerns. When a local government is forced to provide water and sewer services based on health and safety concerns, the public and other local governments may be receiving a benefit that would compensate for the loss of revenue that may be realized by the local government's acquisition or expansion of the services. In those instances, the Advisory Committee believed the impacts could be mitigated through an interlocal agreement.

The Advisory Committee also believed it was important to distinguish between the expansion of a current service area as opposed to the acquisition of a utility that was not formerly owned by a local government. In cases of expansion there was some concern that it would be difficult to identify the activities that were taxable as opposed to those activities that were not taxable. Therefore, the Advisory Committee determined that it would be appropriate to require "in lieu of taxes" payments when an electric, natural gas, or telecommunications utility was acquired, while authorizing mitigation through an interlocal agreement by affected parties when a local government expanded the services of an electric, natural gas or telecommunications utility already owned by that local government. The Legislative Committee determined that local governments should only be required to pay taxes for operating utility services when their operation of those utilities would result in a loss of revenues to another local government.

#### **D. RECOMMENDATION REGARDING GOVERNMENTAL SERVICES TAX REVENUES**

The Committee approved the following bill draft request with respect to governmental services tax revenues:

Draft legislation to repeal provisions providing that any property tax rate authorized for school capital projects must be included as part of the property tax rate used to determine the school district's portion of the governmental services tax revenues. (BDR 43-623)

Through the enactment of Assembly Bill 501, the 2001 Legislature provided that any property tax rate authorized for school capital projects is to be included as part of the property tax rate used to determine the school district's portion of the governmental services tax. Before the enactment of AB 501, only a school district's property tax rate attributable to debt service was included in the formula for distributing governmental services tax proceeds to school districts. Because Elko County imposes a property tax rate for school construction and does not impose a property tax rate attributable to debt service, the school district did not receive governmental services revenues for school capital construction before the enactment of AB 501. A copy of AB 501 is included in Appendix F.

Information presented to the Legislative Committee indicated that the school district would have received no funding for school capital construction from governmental service tax revenues under the law in effect prior to the enactment of AB 501, but after the enactment of AB 501, approximately \$862,000 in governmental services tax proceeds would be provided for that purpose. However, it was also noted that the provisions of AB 501 would result in a decrease in the revenue received by other local governmental entities in Elko County, including the Elko County School District's allocation for school operating costs. Information provided to the Committee indicated that the school district's operating funds from governmental services tax revenues would be decreased by approximately \$418,000 in FY 2002 as a result of AB 501.

Since Elko County is the only county in Nevada that imposes a property tax rate for school capital projects pursuant to NRS 387.3285, Elko County was the only county in the state affected by the provisions of AB 501. Representatives of the City of Elko, Elko County, and the Elko County School District requested the Legislative Committee to approve the Advisory Committee's recommendation to request a bill draft to repeal the provisions of AB 501 of the 71<sup>st</sup> Session of the Nevada Legislature. The Legislative Committee approved the Advisory Committee's recommendation at the Legislative Committee meeting conducted on May 17, 2002.

## **E. RECOMMENDATION TO MAKE ADJUSTMENTS TO THE LOCAL GOVERNMENT PROPERTY TAX CAP**

The Committee approved the following bill draft request regarding the local government property tax cap:

Draft legislation to decrease the statutory property tax cap for local governments from \$3.64 per \$100 of assessed value to \$3.14 per \$100 of assessed value and to exclude from the cap the levy imposed by the Legislature for bonded indebtedness of the State of Nevada, which has been set at \$0.15 in recent years, and the levy imposed for the support of public schools pursuant to NRS 387.195, which is currently \$0.75. (BDR 32-625)

The Advisory Committee considered throughout the interim the details of a recommendation to provide tax cap relief to local governments that have reached or are nearing the statutory property tax cap of \$3.64 per \$100 of assessed value. The Advisory Committee settled on a proposal that would place local governments in the same condition they were in after the tax shift in 1981. Following the tax shift, the tax cap was \$3.64 per \$100 of assessed value but no rate for the state's bonded indebtedness was imposed at that time. Additionally, the levy for the support of public schools was only \$0.50, instead of the current levy of \$0.75. In the years after the tax shift, a levy for the state's bonded indebtedness (now \$0.15) was added and the levy for the support of public schools was increased by \$0.25, but the tax cap was not increased.

Because the Advisory Committee determined that local governments should be returned to the position they were in at the time of the tax shift and because the State of Nevada would be provided with additional flexibility by removing the tax rate for state bonded indebtedness and school operating costs from the local government cap, the Advisory Committee recommended a bill draft request to provide local governments with an additional \$0.40 under the current property tax cap. As approved by the Legislative Committee, the bill draft would reduce the property tax cap to \$3.14 but would provide \$0.40 in additional space for local governments under the cap by removing the levy for the state's bonded indebtedness (\$0.15) and the levy for the support of public schools (\$0.75) from the local government cap. The Legislative Committee approved the request for the bill draft as a means of providing cap relief to local governments. The bill draft will include a provision excluding future state levies for bonded indebtedness and school support from the local government cap.

## **F. RECOMMENDATION TO AUTHORIZE THE CREATION OF TAX INCREMENT DISTRICTS**

The Committee recommended the following bill draft request to create tax increment districts:

Draft legislation to authorize the creation of tax increment areas to provide counties with another mechanism to conduct infrastructure improvement projects and to provide cities with another method for financing economic development projects. (BDR 22-629)

The Legislative Committee to Study the Distribution Among Local Governments of revenues from State and Local Taxes, which was the predecessor to the Legislative Committee for Local Government and Taxes and Finance, requested for the consideration of the 2001 Legislature a bill draft request to authorize the creation of tax increment districts. The bill draft request was introduced as Senate Bill 266 during the 2001 Legislative Session, and was indefinitely postponed by the Senate Committee on Taxation based on testimony indicating that detailed amendments would have to be worked out before the bill would be in a form that could be enacted. A copy of SB 266 has been included in Appendix G.

The Advisory Committee determined that the concept of creating tax increment districts for projects of economic development and public infrastructure was a beneficial concept for local governments. The Advisory Committee believed that tax increment districts could be established to freeze the base property tax valuation in an area, so that the tax increment district could receive the revenues generated by the incremental growth above the base multiplied by the various tax rates that overlapped the district. The Advisory Committee also supported the concept of authorizing tax increment districts to only capture a fractional increment of the increased property tax rates resulting from redevelopment or improved infrastructure, while allowing the remaining portion of the increased revenues to be transferred to the overlapping entities that would have received all of the tax revenues if the tax increment district had not been created.

Based on the recommendation of the Advisory Committee, the Legislative Committee voted to approve a bill draft request to authorize the creation of tax increment districts and directed the Advisory Committee to ensure that the bill draft request satisfied the concerns that were expressed regarding SB 266 during the 2001 Legislative Session.

## **G. RECOMMENDATION TO REVISE AUTHORITY TO PLEDGE CONSOLIDATED TAX DISTRIBUTION REVENUES**

The Committee recommended the following bill draft request regarding the authority to pledge consolidated tax distribution revenues:

Draft legislation to authorize special districts to pledge consolidated tax distribution revenues for the payment of bonds issued by special districts. (BDR 32-630)

The provisions of NRS 377.080 authorize local governments and special districts to pledge consolidated tax distribution revenues for the payment of general obligation and revenue bonds. However, testimony provided by John Swenseid of Swenseid & Stern, L.L.C., indicated that the statute currently only authorized special districts to pledge consolidated tax distribution revenues for the payment of bonds issued by a local government. Since the definition of local government included in NRS 377.080 does not include a special district, Mr. Swenseid indicated that the statute does not authorize special districts to pledge revenues for the payment of bonds issued by the special districts. Additionally, Mr. Swenseid indicated that the statute does not currently authorize special districts to treat pledged revenues from the consolidated tax distribution account as pledged revenues for the purposes of NRS 350.020, which authorizes the issuance of general obligation bonds without an election in certain circumstances. Mr. Swenseid's concerns with respect to the provisions of NRS 377.080 and his recommended amendments to the section to alleviate those concerns are detailed in a letter that has been included in Appendix H.

Based on the concerns expressed by Mr. Swenseid, the Advisory Committee recommended the approval of a bill draft request to authorize special districts to pledge revenues from the consolidated tax distribution for the payment of bonds issued by those special districts and to authorize special districts to treat general obligation bonds issued based on payment from consolidated tax distributions to be treated as pledged revenues for the purposes of NRS 350.020. The Legislative Committee approved the recommendation of the Advisory Committee regarding the bill draft request.

## **H. RECOMMENDATIONS TO REVISE THE MANNER IN WHICH THE COMMITTEE CONDUCTS BUSINESS**

The Legislative Committee requested the following bill draft regarding the manner in which the Committee conducts its business:

Draft legislation to eliminate the Subcommittee to Study the Costs of Maintaining, Highways, Roads and Streets and authorize the Advisory Committee to perform the duties currently assigned to the Subcommittee, to authorize the Advisory Committee to appoint subcommittees, and to provide that the member of the Advisory Committee representing General Improvement Districts should be an employee of a district rather than a member of the Board of Trustees of a district. (BDR 17-631)

Pursuant to the provisions of NRS 218.53884, the Legislative Committee is required to appoint a subcommittee to study the cost to the counties and incorporated cities in this state of maintaining highways, roads and streets and the practices of the counties and incorporated cities in maintaining those highways, roads and streets. The Subcommittee is responsible for reviewing requests from local governments to

examine the estimates of the mileage of improved roads or streets prepared by NDOT each year. The estimates prepared by NDOT are used to apply the fuel tax distribution formula set forth in NRS 365.550.

In recent years the subcommittee appointed by the Legislative Committee has had the same membership as the Advisory Committee; however, because the Advisory Committee and the Subcommittee are technically different entities, the meetings of the two entities have been held separately and separate minutes of the meetings have been required. To alleviate unnecessary duplication of effort, the Legislative Committee approved a bill draft request to eliminate the Subcommittee and to require the Advisory Committee to perform any appeals hearings requested by local governments in regards to the estimates of the mileage of improved roads and streets prepared by NDOT. This amendment to statute will allow the Advisory Committee to create subcommittees, as its membership deems necessary to perform its duties.

Paragraph (f) of subsection 2 of NRS 218.53881 provides that one member of the Advisory Committee must be a member of the Board of Trustees of a General Improvement District appointed by the Legislative Commission. Although a member of the Board of Trustees of a General Improvement District has been appointed in previous biennia, the appointee has designated an employee of the General Improvement District to serve in his place on the Advisory Committee. Based on the current practice, the Legislative Committee approved a recommendation to amend NRS 218.53881 to require the Legislative Commission to appoint an employee of a General Improvement District to the Advisory Committee rather than appointing a member of the Board of Trustees of a General Improvement District.

### **III. OTHER ISSUES CONSIDERED BY THE COMMITTEE**

In addition to the items discussed above, the Advisory and Legislative Committees spent considerable time studying three additional issues relating to local government taxes and finances. The three issues are described below:

#### **A. THE IMPACTS ON LOCAL GOVERNMENT REVENUES FROM DEPRECIATION ON REAL PROPERTY**

Pursuant to NRS 361.227 an improvement to real property in Nevada is depreciated at 1.5 percent of the cost of the replacement for each year of adjusted actual age of the improvement, up to a maximum of 50 years. Depreciation has been identified by some as a cause for the need to increase property tax rates in order to keep pace with growth, because the value of real property for property tax purposes is reduced by depreciation. The Legislative and Advisory Committees considered three ideas for eliminating or reducing depreciation on real property and the effects that the reduction or elimination of depreciation would have on taxpayers and local governments. The committees considered an option that would remove the 1.5 percent annual depreciation factor and all accumulated depreciation on a date certain. The committees also considered a proposal to phase out depreciation over a period of time, while allowing depreciation to continue

to accrue at 1.5 percent until depreciation was completely phased out. Finally, consideration was given to requesting an amendment to the *Nevada Constitution* to allow for elimination of accumulated depreciation on an improvement to real property when the ownership of the real property is transferred. It was determined that the final proposal would require a constitutional amendment because it would violate section 1 of article 10, which requires a uniform and equal rate of taxation for all property.

The Advisory Committee determined that additional study was necessary before any action could be taken with respect to eliminating or reducing depreciation. Members of the Legislative Committee voiced concerns regarding the impacts that such a move could have on persons who had lived in their homes for extended periods of time. The Legislative Committee indicated that persons who have lived in their homes for an extended period of time are often people of modest incomes, and noted that the elimination or reduction of depreciation could have severe economic impacts on those persons. The Legislative Committee voted not to take any action with respect to the elimination or reduction of depreciation but authorized the Advisory Committee to continue its study of the issue.

## **B. THE FISCAL HEALTH OF RURAL LOCAL GOVERNMENTS**

On May 8, 9, and 10, 2002, members of the legislative and advisory committees participated in meetings with elected officials of local governments in Humboldt, Lander, Pershing, Mineral and Lincoln Counties. Staff of the Fiscal Analysis Division, The Nevada Association of Counties (NACO), the Nevada League of Cities, and the Department of Taxation accompanied advisory and legislative committee members to the meetings. The meetings were conducted in order to receive comments from rural local governments about their current and projected financial condition and any ideas they had for improving the financial conditions of the local governments in those counties.

The members who attended the tours were informed that rural local governments are struggling to provide services to their residents in the face of decreasing revenues. The elected officials from many of the rural local governments indicated that the solutions to their problems lie primarily in efforts to diversify their economies through economic development activities and the promotion of tourism. Although the rural officials made some suggestions regarding efforts that can be made to assist them in their efforts, the officials did not express support for increasing taxes in their counties. A copy of the report regarding the meetings conducted with rural local government officials is included in Appendix I.

## **C. THE RELATIONSHIP BETWEEN STATE AND LOCAL REVENUE SOURCES**

The Advisory Committee developed a working group to study the relationship between state and local revenue sources. To assist the Governor's Task Force on Tax Policy in its consideration of the comparative responsiveness of different revenues to increases in

population and the Consumer Price Index, the Advisory Committee prepared information detailing the revenues deposited directly to the State's General Fund and the revenues received from State-imposed taxes that offset appropriations necessary to support state education and pay for state bonded indebtedness. The information prepared by the Advisory Committee indicated that nearly two-thirds of the revenue needed to fund these state responsibilities in FY 2001 was available from property taxes or sales taxes, which both generally respond positively to growth in population and inflation. The Legislative Committee voted to send the information to the Governor's Task Force on Tax Policy in Nevada (Assembly Concurrent Resolution 1 of the 17<sup>th</sup> Special Session, 2001). A copy of the information submitted to the Task Force is included in Appendix J.

#### **IV. CONCLUSION**

The Legislative Committee completed its work for the 2001-02 Interim on August 23, 2002 and will begin meeting again in the fall of 2003. At its final meeting, the Committee discussed potential areas of study for the 2003-04 interim. In consultation with the Advisory Committee, the following potential areas of study were identified:

- Modifications to the second-tier motor vehicle fuel tax distribution formula;
- Continued monitoring of the consolidated tax distribution formula;
- A continuation of the study of eliminating or reducing depreciation;
- The fiscal health of local governments;
- Methods for mitigating the adverse fiscal effects of development within the boundaries of a local government upon surrounding or adjacent local governments; and
- The development of a statewide fuel tax policy.



## V. APPENDICES

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## **LEGISLATIVE COMMITTEE FOR LOCAL GOVERNMENT TAXES AND FINANCE**

**NRS 218.5388 “Committee” defined.** [Effective through July 1, 2005.] As used in NRS 218.5388 to 218.53886, inclusive, “committee” means a legislative committee for local government taxes and finance.

(Added to NRS by 1997, 3305; A 2001, 1604, 2075; 2001 Special Session, 120)

**NRS 218.53881 Establishment; membership; advisory committee; chairman and vice chairman; vacancies; annual reports.** [Effective through July 1, 2005.]

1. There is hereby established a legislative committee for local government taxes and finance consisting of:

(a) Two members appointed by the majority leader of the senate from the membership of the senate standing committee on government affairs during the immediately preceding session of the legislature;

(b) Two members appointed by the majority leader of the senate from the membership of the senate standing committee on taxation during the immediately preceding session of the legislature;

(c) Two members appointed by the speaker of the assembly from the membership of the assembly standing committee on government affairs during the immediately preceding session of the legislature; and

(d) Two members appointed by the speaker of the assembly from the membership of the assembly standing committee on taxation during the immediately preceding session of the legislature.

2. The committee shall consult with an advisory committee consisting of the executive director of the department of taxation and 10 members who are representative of various geographical areas of the state and are appointed for terms of 2 years commencing on July 1 of each odd-numbered year as follows:

(a) One member of the committee on local government finance created pursuant to NRS 354.105 appointed by the Nevada League of Cities;

(b) One member of the committee on local government finance created pursuant to NRS 354.105 appointed by the Nevada Association of Counties;

(c) One member of the committee on local government finance created pursuant to NRS 354.105 appointed by the Nevada School Trustees Association;

(d) Three members involved in the government of a county appointed by the Nevada Association of Counties;

(e) Three members involved in the government of an incorporated city appointed by the Nevada League of Cities; and

(f) One member who is a member of a board of trustees for a general improvement district appointed by the legislative commission.

The members of the advisory committee are nonvoting members of the committee. When meeting as the advisory committee, the members shall comply with the provisions of chapter 241 of NRS.

3. The legislative members of the committee shall elect a chairman from one house of the legislature and a vice chairman from the other house. Each chairman and vice

chairman holds office for a term of 2 years commencing on July 1 of each odd-numbered year.

4. Any member of the committee who is not a candidate for reelection or who is defeated for reelection continues to serve until the next session of the legislature convenes.

5. Vacancies on the committee must be filled in the same manner as original appointments.

6. The committee shall report annually to the legislative commission concerning its activities and any recommendations.

(Added to NRS by 1997, 3305; A 2001, 1604, 1820; 2001 Special Session, 120)

**NRS 218.53882 Meetings; regulations; quorum; approval of recommended legislation; compensation of members. [Effective through July 1, 2005.]**

1. The members of the committee shall meet throughout each year at the times and places specified by a call of the chairman or a majority of the committee.

2. The director of the legislative counsel bureau or a person he designates shall act as the nonvoting recording secretary.

3. The committee shall prescribe regulations for its own management and government.

4. Except as otherwise provided in subsection 5, five voting members of the committee constitute a quorum.

5. Any recommended legislation proposed by the committee must be approved by a majority of the members of the senate and by a majority of the members of the assembly appointed to the committee.

6. Each legislative member of the committee, except during a regular or special session of the legislature, and any member of the advisory committee who is not employed by a local government is entitled to receive the compensation provided for a majority of the members of the legislature during the first 60 days of the preceding regular session for each day or portion of a day during which he attends a meeting of the committee or is otherwise engaged in the business of the committee plus the per diem allowance provided for state officers and employees generally and the travel expenses provided pursuant to NRS 218.2207. The salaries and expenses paid pursuant to this subsection and the expenses of the committee must be paid from the legislative fund.

7. A local government that employs a member of the advisory committee shall pay the regular salary, per diem allowance and travel expenses of that member for each day or portion of a day during which he attends a meeting of the committee or is otherwise engaged in the business of the committee.

(Added to NRS by 1997, 3306; A 2001 Special Session, 120)

**NRS 218.53883 Powers and duties. [Effective through July 1, 2005.]**

1. The committee shall:

(a) Review the laws relating to the distribution of revenue generated by state and local taxes. In conducting the review, the committee may consider the purposes for which the various state and local taxes were imposed, the actual use of the revenue collected from the various state and local taxes and any relief to the taxpayers from the burden of the various state and local taxes that may result from any possible recommendations of the committee.

(b) Study whether removing the authority of the board of county commissioners of Washoe County to impose a certain additional governmental services tax is a prudent act which is in the best interests of this state.

2. In conducting its review of the laws relating to the distribution of revenue generated by state and local taxes, the committee may review:

(a) The distribution of the revenue from:

(1) The local school support tax imposed by chapter 374 of NRS;

(2) The tax on aviation fuel and motor vehicle fuel imposed by or pursuant to chapter 365 of NRS;

(3) The tax on intoxicating liquor imposed by chapter 369 of NRS;

(4) The tax on fuel imposed pursuant to chapter 373 of NRS;

(5) The tax on tobacco imposed by chapter 370 of NRS;

(6) The governmental services tax imposed by or pursuant to chapter 371 of NRS;

(7) The tax imposed on gaming licensees by or pursuant to chapter 463 of NRS;

(8) Property taxes imposed pursuant to chapter 361 of NRS;

(9) The tax on the transfer of real property imposed by or pursuant to chapter 375 of NRS; and

(10) Any other state or local tax.

(b) The proper crediting of gasoline tax revenue if the collection is moved to the terminal rack level.

3. The committee may:

(a) Conduct investigations and hold hearings in connection with its review and study;

(b) Contract with one or more consultants to obtain technical advice concerning the study conducted pursuant to NRS 218.53884;

(c) Apply for any available grants and accept any gifts, grants or donations and use any such gifts, grants or donations to aid the committee in carrying out its duties pursuant to this chapter;

(d) Direct the legislative counsel bureau to assist in its research, investigations, review and study; and

(e) Recommend to the legislature, as a result of its review and study, any appropriate legislation.

(Added to NRS by 1997, 3306; A 2001 Special Session, 120)

**NRS 218.538835 Study of impact on revenue from certain state and local taxes. [Effective through July 1, 2003.]** The committee shall:

1. Study the impact on revenue from state and local taxes received by local governments as a result of counties, cities and general improvement districts acquiring or expanding facilities for the generation, transmission and distribution of electricity and for the provision of telecommunications services or community antenna television service to retail customers who are, before the acquisition or expansion, customers of a public utility which provides such service and which is subject to chapter 704 or 711 of NRS; and

2. Not later than November 1, 2002, submit a report of its findings, including any recommended legislation, to the director of the legislative counsel bureau for transmittal to the 72nd session of the Nevada Legislature.

(Added to NRS by 2001, 2075)

**NRS 218.53884 Study of cost and practices for local maintenance of highways, roads and streets: Appointment and duties of subcommittee; payment of cost of study. [Effective through July 1, 2005.]**

1. The committee shall appoint a subcommittee to conduct a study of the cost to the counties and incorporated cities in this state of maintaining highways, roads and streets and the practices of the counties and incorporated cities in maintaining those highways, roads and streets.

2. The subcommittee shall:

(a) Identify the practices and procedures used to maintain the highways, roads and streets in this state or in any other state;

(b) Develop a database for a uniform system of maintenance of highways, roads and streets by counties and incorporated cities;

(c) Identify procedures for developing that database;

(d) Develop computer software for use in support of those procedures;

(e) Prepare a manual that sets forth those procedures; and

(f) Determine the average cost per mile of the highways, roads and streets maintained by the counties and incorporated cities in this state.

3. As soon as practicable after July 1, 1997, the director of the legislative counsel bureau shall determine the cost of the study and notify the executive director of the department of taxation of the cost of the study. The cost of the study must not exceed \$250,000.

4. Upon receipt of the notice required pursuant to subsection 3, the executive director shall prorate the cost of the study for each month of the 1997-98 fiscal year among each of the counties and cities in the proportion that the amount allocated to a county or city each month pursuant to NRS 365.550 bears to the total amount allocated to all the counties and cities for that month. After determining each month the prorated cost for each county and city, the executive director shall:

(a) Withhold the prorated amount from the amount allocated to the county or city for that month pursuant to NRS 365.550; and

(b) Notify the state controller, in writing, of the amount withheld.

5. Upon receipt of the notice required pursuant to subsection 4, the state controller shall transfer the amount specified in the notice to the legislative fund.

6. The money transferred to the legislative fund pursuant to subsection 5 is hereby authorized for expenditure by the director of the legislative counsel bureau to pay the cost of the study conducted pursuant to this section.

7. The committee shall, not later than November 1, 1998, submit a report of the findings of the subcommittee, including any recommended legislation, to the director of the legislative counsel bureau for transmittal to the 70th session of the Nevada legislature.

(Added to NRS by 1997, 3307; A 2001 Special Session, 120)

**NRS 218.53885 Administration of oaths; deposition of witnesses; issuance and enforcement of subpoenas. [Effective through July 1, 2005]**

1. In conducting the investigations and hearings of the committee:

(a) Any member of the committee may administer oaths.

(b) The chairman of the committee may cause the deposition of witnesses, residing either within or outside of the state, to be taken in the manner prescribed by rule of court for taking depositions in civil actions in the district courts.

(c) The chairman of the committee may issue subpoenas to compel the attendance of witnesses and the production of books, papers or documents.

2. If a witness refuses to attend or testify or produce books, papers or documents as required by the subpoena, the chairman of the committee may report to the district court by petition, setting forth:

(a) That due notice has been given of the time and place of attendance of the witness or the production of the books, papers or documents;

(b) That the witness has been subpoenaed by the committee pursuant to this section; and

(c) That the witness has failed or refused to attend or produce the books, papers or documents required by the subpoena before the committee that is named in the subpoena, or has refused to answer questions propounded to him, and asking for an order of the court compelling the witness to attend and testify or produce the books, papers or documents before the committee.

3. Upon such a petition, the court shall enter an order directing the witness to appear before the court at a time and place to be fixed by the court in its order, the time to be not more than 10 days after the date of the order, and to show cause why he has not attended or testified or produced the books, papers or documents before the committee. A certified copy of the order must be served upon the witness.

4. If it appears to the court that the subpoena was regularly issued by the committee, the court shall enter an order that the witness appear before the committee at the time and place fixed in the order and testify or produce the required books, papers or documents. Failure to obey the order constitutes contempt of court.

(Added to NRS by 1997, 3308; A 2001 Special Session, 120)

**NRS 218.53886 Fees and mileage for witnesses. [Effective through July 1, 2005.]**

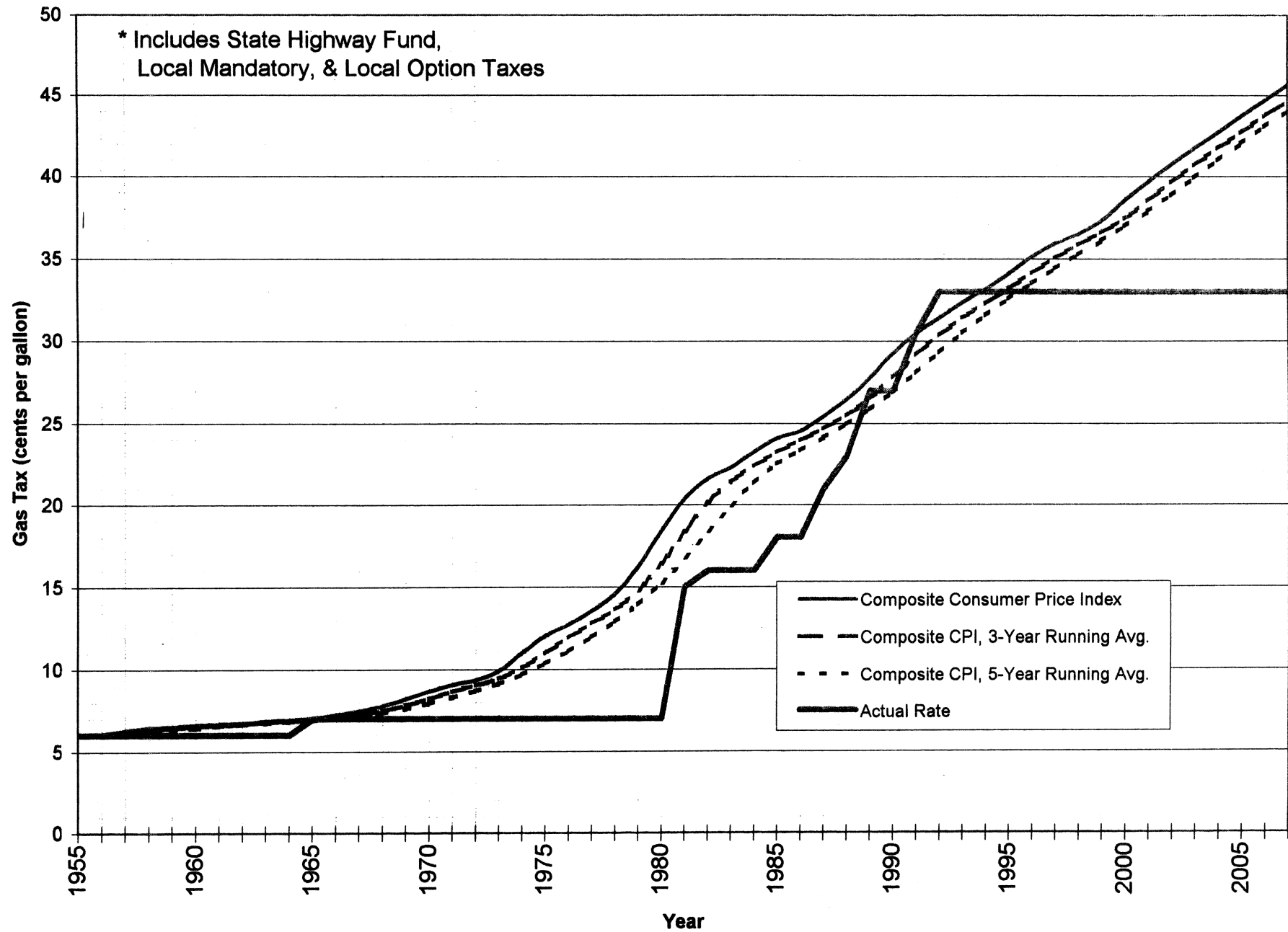
Each witness who appears before the committee by its order, except a state officer or employee, is entitled to receive for his attendance the fees and mileage provided for witnesses in civil cases in the courts of record of this state. The fees and mileage must be audited and paid upon the presentation of proper claims sworn to by the witness and approved by the secretary and chairman of the committee.

(Added to NRS by 1997, 3309; A 2001 Special Session, 120)



# Nevada\* Gasoline Tax vs. Inflation-Adjusted Tax

1955-2001 Actual; 2002-07 Projected





***Meeting Nevada's Future Mobility Needs:  
A Report Card about the Condition, Use and Safety  
of Nevada's System of Roads and Bridges***

June 2002

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***Founded in 1971, The Road Information Program (TRIP) ® of Washington, DC is a nonprofit organization that researches, evaluates and distributes economic and technical data on highway transportation issues. TRIP is sponsored by insurance companies, equipment manufacturers, distributors and suppliers; businesses involved in highway engineering, construction and finance; labor unions; and organizations concerned with an efficient and safe highway transportation network.***

## EXECUTIVE SUMMARY

Nevada's system of roads and bridges is experiencing the fastest increase in use in the nation as a result of its significant population growth, its continuing popularity as a tourist destination, and its role as a major distribution center for the western United States. The state's expanding light manufacturing industry is also contributing to new truck travel.

The state's highway system needs improvement if this rapid growth is to be accommodated in such a way as to provide state residents and visitors with a better quality of life. Nevada must take advantage of its central geographical location in the West and make road and bridge improvements that will further its ability to serve the truck freight needs of businesses.

Significant growth in personal and commercial travel in Nevada will increase the wear and tear on the state's roads and contribute to further increases in traffic congestion. The rate of the traffic fatalities in Nevada also continues to be above the national average; reducing the number of deaths on the state's roadways will be a significant challenge at the same time that travel is increasing rapidly.

This report looks at the condition and use of the state's road and bridge system as well as the growing challenge to provide adequate levels of mobility and improved safety to the state's residents and visitors.

The following grades have been assigned to Nevada's road and bridge system:

	Grade	Comment
<b>Roads</b>	<b>B</b>	<i>Nevada's major roads are in relatively good shape, but additional investment is needed for road maintenance and capacity expansion to meet the demand of increasing vehicle travel.</i>
<b>Bridges</b>	<b>B+</b>	<i>Most of Nevada's primary bridges are in good condition, but one-third of state-maintained bridges will be approximately 50 years old in 2010, an age when many bridges require major repair or replacement.</i>
<b>Congestion</b>	<b>D+</b>	<i>More than half of Nevada's major urban roads carry a high volume of traffic, and are considered congested because they often carry more traffic than they were designed to handle. Traffic congestion is on the rise in Nevada because of continued increases in highway travel and population, but an inadequate amount of new road capacity has been added to accommodate this mobility demand.</i>
<b>Safety</b>	<b>C-</b>	<i>Traffic safety is a major concern in Nevada, which has a higher traffic fatality rate than the national average. Roadway safety improvements would help reduce motor vehicle accidents.</i>
<b>Funding</b>	<b>C-</b>	<i>Nevada has a nearly \$2 billion dollars worth of road projects that could help relieve traffic congestion and improve traffic safety, but are currently not funded. Inflation and a possible reduction in federal highway funding to the states threaten Nevada's ability to make needed road and bridge improvements. The buying power of the state motor fuels tax declined by 22 percent in the 1990s and Nevada stands to lose between \$20 and \$30 million in federal highway funding cuts in 2003.</i>

The key findings of the report are:

**Nevada led the nation in the rate of increase in highway travel in the 1990s. Nevada also led the country in the rate of increase in population during the same time period. With an inadequate amount of new road capacity built to accommodate this growth in travel and population, urban congestion in the state has increased dramatically.**

- Vehicle miles of travel (VMT) in Nevada increased by 73 percent between 1990 and 2000, from 10.2 billion miles to 17.6 billion miles. Nevada's VMT is projected to increase another 70 percent by 2025, reaching 30 billion miles.
- Las Vegas led all major urban areas in the nation in rate of increase in highway travel between 1995 and 2000, with a 46 percent jump.
- Nevada's population increased by 75 percent from 1990 to 2001, from 1.2 million to 2.1 million. In addition, Clark County's population jumped 98 percent between 1990 and 2001, from 741,000 to 1.46 million.
- Nevada's VMT increased by a rate nearly 15 times greater than its Interstate lane miles over the past decade. Interstate lane miles in Nevada increased just five percent from 1990 to 2000, from 2,219 miles to 2,326 miles.
- More than half, or 54 percent of Nevada's major urban roads carry a high volume of traffic and are considered congested because they are often carrying more traffic than they were designed to handle.
- Delays caused by traffic congestion in the Las Vegas metro area increased by more than half in the 1990s.
- Las Vegas had the seventh largest percentage increase in commute times in the nation from 1990 to 2000, as the average commute time in the metro region increased by 19 percent. Las Vegas motorists spent an additional 31 hours annually getting to work because of traffic congestion in 2000 then in 1990.
- Commercial truck travel in the West is projected to increase by 100 percent by 2020, increasing the wear and tear on roads and bridges.

**Nevada's traffic fatality rate is higher than the national average. Roadway safety improvements could help reduce traffic deaths in the state.**

- Nevada's fatality rate per 100 million vehicle miles of travel is 1.83, 20 percent higher than the national average of 1.52.
- If Nevada's fatality rate were lowered to the national average, it would save 65 lives annually in the state.

- More than 2,000 people were killed in motor vehicle accidents from 1995 through 2000 in Nevada. In 2000, there were 323 traffic fatalities statewide.
- The condition and design of a road or bridge can have a significant impact on safety. Factors such as the number of lanes, whether median barriers exist, the width of lanes and shoulders, the angle of curves, whether pavements are in good condition, and whether intersections have turn lanes have significant impact on overall safety.
- Motor vehicle crashes cost Nevada residents \$872 million annually, or \$436 per capita, for emergency services, medical costs, property damage and lost market productivity.
- Every \$100 million invested in highway safety improvements has been found to result in approximately 145 fewer traffic fatalities over a 10-year period.
- Nationally, more than 77 percent of all fatal crashes occur on two-lane roads while only 14 percent of fatal crashes occur on roads with four or more lanes. In Nevada, 86 percent of the state's critical, non-Interstate roads are two lanes.

**Roads in Nevada are in relatively good condition, but the projected rise in travel by passenger vehicles and heavy trucks will increase the wear and tear on the state's roads. Most of the state's bridges are in good condition, but are in need of modernization to bring them up to current design standards for access and safety. Driving on roads in need of repair costs Nevada residents millions in extra vehicle operating costs.**

- More than one-fourth, or 28 percent of Nevada's major roads are in poor or mediocre condition, with six percent in poor condition, and 22 percent in mediocre condition.
- Nevada motorists pay an average of \$181 each in extra vehicle operating costs (EVOC) annually as a result of driving on roads in poor, mediocre and fair condition. The cost statewide is \$248 million.
- 15 percent of bridges that are 20 feet or longer in Nevada are structurally deficient or functionally obsolete, and need to be repaired or replaced.
- A bridge is structurally deficient if there is significant deterioration of the bridge deck, supports or other major components. Bridges that are functionally obsolete no longer meet current highway design standards, often because of narrow lanes, inadequate underclearances or poor alignment.
- There is a \$483 million backlog in pavement and bridge maintenance in Nevada.

**Nevada has nearly \$2 billion worth of needed highway projects that are currently not funded. These projects would help relieve traffic congestion, improve traffic safety and improve pavement quality statewide. Some of these projects are:**

- I-15 widening from Las Vegas to the California State Line, \$110 million
- U.S. 93 Hoover Dam Bypass (Joint Arizona/Nevada Project), \$210 million
- U.S. 95 widening from the California State Line to 18 miles north of Searchlight, \$53 million
- State Route 160 Pahrump Valley Road widening west of Las Vegas Blvd., \$96 million
- I-580/U.S. 395 Freeway Extension south of Reno to State Capital, \$310 million

**Investment for needed road and bridge improvement projects is threatened by an eroding state motor fuels tax and current Congressional proposals to reduce federal highway funding to the states by 10 to 15 percent nationally.**

- Nevada stands to lose \$20 to \$30 million in federal highway funds in 2003 under current Congressional budget proposals. Federal highway funding for Nevada in 2002 was \$199 million.
- Inflation eroded the state motor fuels tax in the 1990s by more than one-fifth, or 22 percent.
- Road and bridge improvements in Nevada are funded through a number of revenue sources, including state fuel taxes, vehicle registration fees and the Federal Highway Trust Fund. In 1992, the year of the last significant gas tax increase, to 17.65 cents for the State Highway Fund, the average annual tax per motorist was \$132.74 (2001 dollars). In 2001, the average annual gas tax per motorist was \$103.25.

***Sources of information for this study include the Nevada Department of Transportation (NDOT), the Nevada Commission on Economic Development, the Nevada State Demographer's Office, the Federal Highway Administration (FHWA), the Texas Transportation Institute (TTI) and the U.S. Census Bureau.***

## **Introduction**

This report will look at the condition and use of the state's road and bridge system as well as the growing challenge to provide adequate levels of mobility and improved safety to the state's residents and visitors.

Growth in travel on Nevada's system of roads and bridges is the fastest in the nation as a result of significant population growth and increases in tourism, especially in Las Vegas. Reno and Las Vegas are also major distribution centers for the western United States. The state's expanding light manufacturing industry is also adding to truck travel trends.

Nevada led the nation in percent increase in highway travel in the 1990s. Vehicle miles of travel (VMT) in the state jumped 73 percent from 1990 to 2000, from 10.2 billion miles to 17.6 billion miles. In addition, Las Vegas surpassed all major urban areas in percent increase in highway travel from 1995 to 2000, with daily miles of travel increasing by 46 percent. The state's highway system needs improvement if this rapid growth is to be accommodated.

Significant growth in personal and commercial travel in Nevada will increase the wear and tear on the state's roads and contribute to further increases in traffic congestion. Driving on roads in need of repair costs Nevada motorists \$248 million -- \$181 per driver. The rate of the traffic fatalities in Nevada also continues to be above the national

average; reducing the number of deaths on the state's roadways will be a significant challenge at the same time that travel is increasing rapidly.

The state transportation agency has identified nearly \$2 billion worth of road and bridge projects that would help alleviate traffic congestion and reduce traffic fatalities, but the projects are not currently funded. The erosion of the state motor fuels tax by inflation and a possible federal highway funding to the states in 2003 threatens highway transportation funding in Nevada will make it even more difficult to fund these needed projects.

*Sources of information for this study include the Nevada Department of Transportation (NDOT), the Nevada Commission on Economic Development, the Nevada State Demographer's Office, the Federal Highway Administration (FHWA), the Texas Transportation Institute (TTI) and the U.S. Census Bureau.*

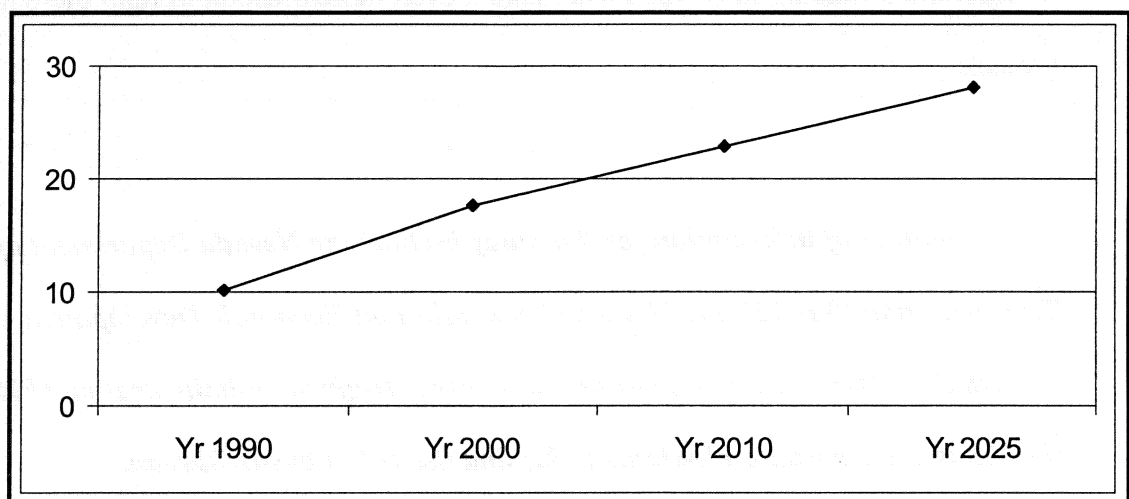
## **Travel Growth in Nevada**

Population growth, the state's continuing popularity with tourists, and its successful distribution and light manufacturing industries, have contributed to a rapid increase in personal and commercial travel in Nevada.

Nevada is home to the West's fastest-growing warehousing and distribution center industry, and has a market area of 51 million people within one day's drive, according to the Nevada Commission on Economic Development.

Highway travel in the state has increased by nearly one billion vehicle miles of travel (VMT) per year over the past decade, according to the Federal Highway Administration (FHWA). Nevada's VMT increased by 73 percent from 1990 to 2000, jumping from 10.2 billion miles to 17.6 billion miles, the fastest rate of growth in the nation.

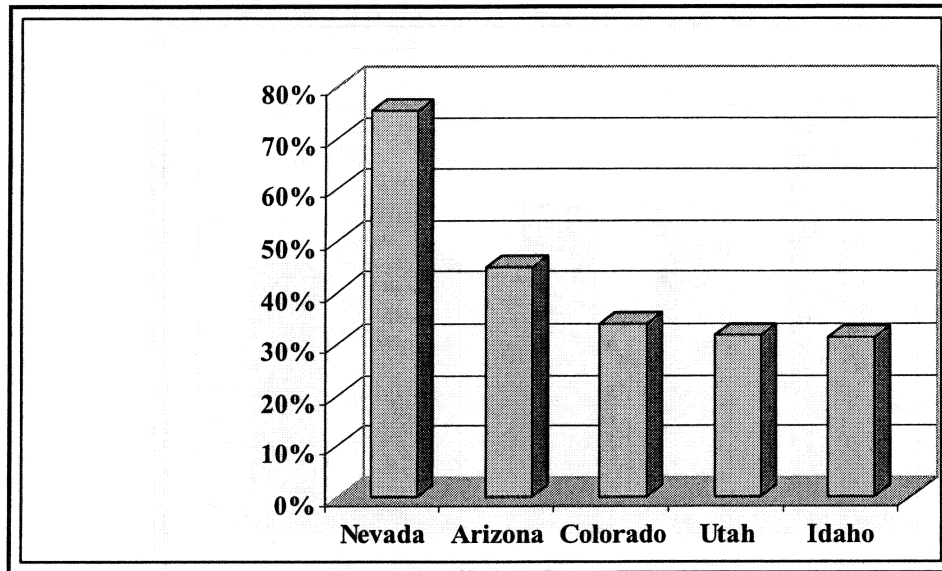
**Chart 1. Vehicles miles of travel (VMT) growth in Nevada, 1990-2025 (in billions)**



**Source: TRIP analysis of Federal Highway Administration (FHWA) data**

The state's population also continues to rise, jumping from 1.2 million in 1990 to 2.1 million in 2001, according to the U.S. Census Bureau. Nevada was the fastest-growing state in the country in the 1990s in terms of percent increase, with its population growing by 75 percent from 1990 to 2001. Arizona and Colorado, who posted the second- and third-fastest population gains over that time period, only jumped by 45 and 34 percent, respectively. In fact, by 2001, the population of Clark County, the county seat of Las Vegas, had eclipsed the entire state's 1990 population, increasing by 98 percent between 1990 and 2001, from 741,368 to 1.46 million.

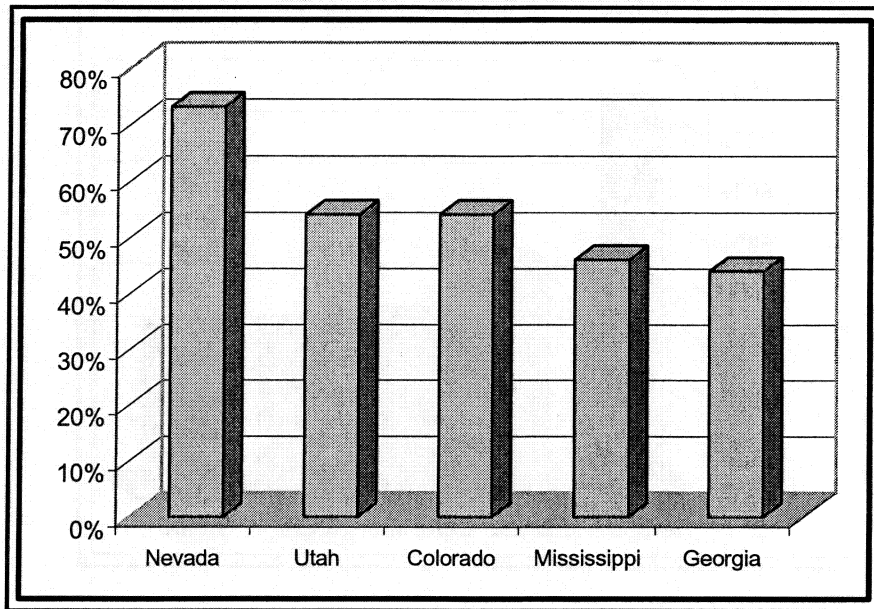
**Chart 2. The top five states in population growth, 1990 to 2001, by percent increase**



**Source: TRIP analysis of U.S. Census Bureau data**

The Nevada State Demographer's Office has projected that the state's population will increase by approximately 643,000 residents by 2010, a 31 percent hike. Based on historical and projected population increases, as well as lifestyle and business trends, TRIP estimates that vehicle travel in Nevada will increase by 70 percent over the next 25 years, to more than 28 billion miles annually by 2025. In just over 30 years, vehicle travel will have nearly tripled in Nevada.

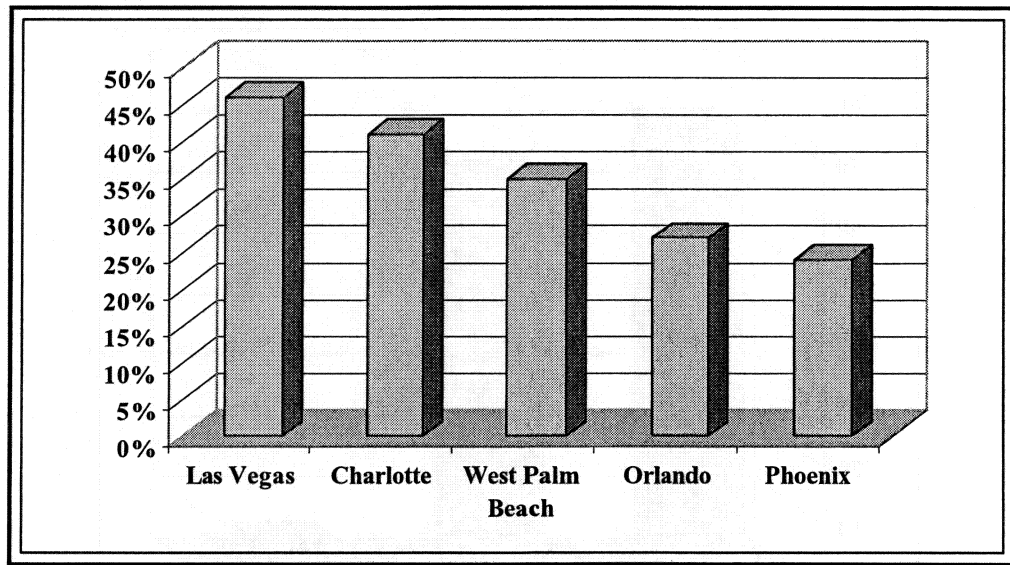
Nevada's VMT increase during the 1990s was more than one-third faster than the next fastest growing states. Utah and Colorado's VMT increased by just 54 percent, while Mississippi and Georgia experienced a 46 and 44 percent increase, respectively.



Source: TRIP analysis of FHWA data

Like Nevada as a whole, Las Vegas was number one among metropolitan areas in the rate of growth in highway travel over the past few years. Daily vehicle miles of travel (DVMT) in the Las Vegas metropolitan area increased by 46 percent between 1995 and 2000, the fastest rate of increase among U.S. metropolitan regions with populations of one million or greater. The other metropolitan areas with the fastest increase in daily vehicle miles of travel were Charlotte, West Palm Beach-Boca Raton, Fla., Orlando and Phoenix. Daily vehicle miles of travel in Las Vegas increased from 17 million miles in 1995 to 24 million in 2000.

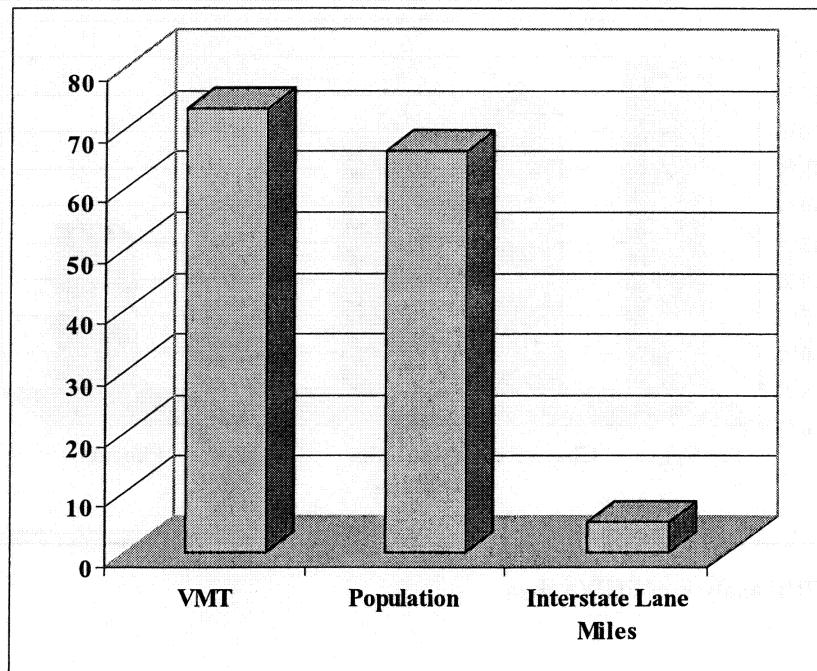
**Chart 4. Metro areas with fastest rate of increase in highway travel, 1995-2000**



**Source: TRIP analysis of FHWA data**

Capacity expansion that would help alleviate mounting traffic congestion in Nevada has lagged behind these rising levels of highway travel. Vehicle travel in Nevada has increased at a rate nearly 15 times greater than the increase in interstate lane miles over the past decade. Interstate lane mileage in Nevada increased just five percent from 1990 to 2000, from 2,219 miles to 2,326 miles, according to the FHWA.

**Chart 5. Percent Increase in VMT, Population and Interstate Lane Miles, 1990-2000**



**Source:** TRIP analysis of FHWA data

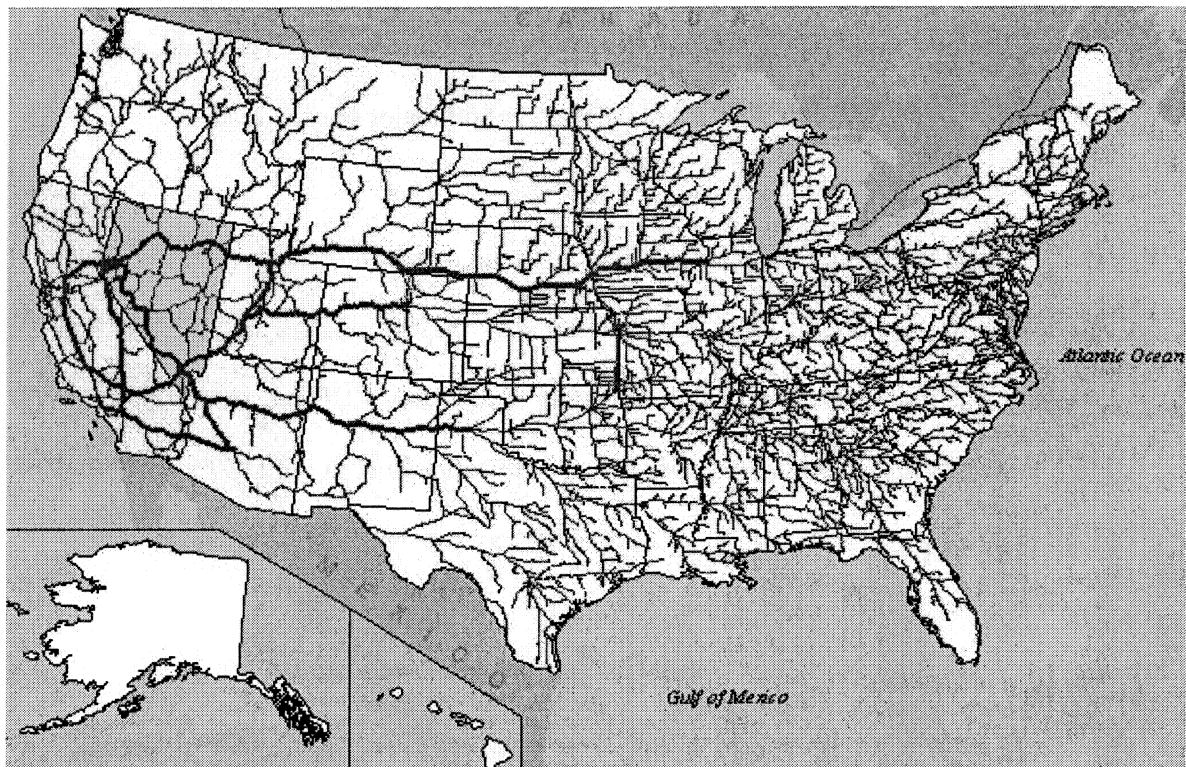
### **Freight Travel in Nevada**

Nevada is a major distribution center for the western United States, since it is centrally located and is served by an extensive highway system. Significant levels of truck freight movement in and out of Nevada underscore the state's important role in the West's commercial activity.

Commercial travel and movement of goods is becoming increasingly important to the quality of life of people living in the West. The FHWA projects that truck freight travel will increase by 100 percent in the West including Nevada, by 2020. Trucks are expected to carry 82 percent of the new freight travel nationally by 2020.

The following chart illustrates the truck freight traffic flows starting and finishing in Nevada, showing the volume levels, indicated by width, along specific highways. The chart includes truck freight traffic flows for international and domestic freight movement, both imports and exports.

**Chart 6. Truck Freight Flows into and out of Nevada**



Source: Office of Freight Management and Operations,  
Federal Highway Administration

### **Economic Importance of Roads**

A 1997 analysis of commodity transport by the U.S. Bureau of Transportation Statistics (BTS) pointed out the economic importance of the state's road system. The BTS report found that in Nevada, trucks transported 71 percent of the \$21 billion in

products shipped annually from sites in the state and another 23 percent were transported by courier services, which also rely on good highways.

There is a strong correlation between economic development and increased mobility in Nevada. As the economy expands, creating more jobs and increasing consumer confidence, the demand for consumer and business products grows. In turn, manufacturers ship greater quantities of goods to market to meet this demand, a process that adds to truck traffic on the nation's highways and major arterial roads.

Highway funding has a significant economic impact in Nevada. Nevada's share of federal highway funding in 2002 was approximately \$199 million. This investment in highway construction supported approximately 8,000 jobs. TRIP calculated this employment estimate from a U.S. Department of Transportation (USDOT) study, which found that for every \$100 million spent for highway construction nationwide, approximately 4,200 jobs are generated annually.

Possible federal highway funding cuts would have a significant economic impact on Nevada, since every dollar invested in the highway system yields \$5.70 in economic benefits. In Nevada, a \$20 to \$30 million cut in highway funding translates into \$114 to \$171 million in lost economic benefits. These economic benefits are improved traffic safety, reduced traffic delays and reduced extra vehicle operating costs.

## **National Personal Transportation Survey**

The continued increase in highway travel in Nevada is consistent with the findings of the Nationwide Personal Transportation Study (NPTS), which found that average daily trips-per-person increased 10 percent nationally between 1990 and 1995. The NPTS found that people are living further from their jobs, and that their work commutes often include several other stops, such as day care, schools, and shopping or social engagements. The study also found that older Americans are increasingly mobile and that current lifestyles can be expected to fuel growing future demand for additional highway mobility.

The increase in driving reflects the tremendous reliance of Nevada residents on highways, not only for local neighborhood trips, but also for longer trips. Data from the 1995 American Travel Survey (ATS), conducted by the U.S. Department of Transportation (DOT), indicates that Nevada residents depend significantly on the state's road system for their long-distance trips. The ATS found that of trips longer than 100 miles, one-way, beginning and ending in Nevada, 76 percent were in private highway vehicles, 21 percent were by commercial air and less than one percent were by bus or rail.

The average commute in Nevada in 2000 was 22.3 minutes, based on the Census 2000 Supplementary Survey. The Census data indicates that the vast majority of commuters, or 87 percent, use private vehicles to get to work, while only four percent use public transit.

## **Condition of Nevada's Roads**

The lifecycle of Nevada's roads is greatly affected by the state's ability to perform timely maintenance to ensure that structures last as long as possible. The pavement condition of the state's major roads are evaluated and classified as being in poor, mediocre, fair or good condition. Poor and mediocre roads are in need of repair or reconstruction. Roads that require reconstruction are badly cracked or broken. Roads in need of repair may show defects such as rutting and extensive patching and have riding qualities that are noticeably inferior to those of new pavements.

It is critical that roads are fixed before they require major repairs because reconstructing roads cost four to five times more than resurfacing them. Based on 2000 data supplied by state and local governments, FHWA reports that 28 percent of Nevada's major roads are in poor or mediocre condition – six percent in poor condition, and 22 percent in mediocre condition.

Pavement preservation is a top priority for the Nevada Department of Transportation (NDOT). Pavement preservation work consists of sealing, crack filling, patching, milling, overlaying or reconstructing the highway surface.

## **Bridge Conditions in Nevada**

Nevada's bridges form key links in the state's highway system, providing communities and individuals access to employment, schools, shopping and medical facilities, as well as facilitating commerce and access for emergency vehicles.

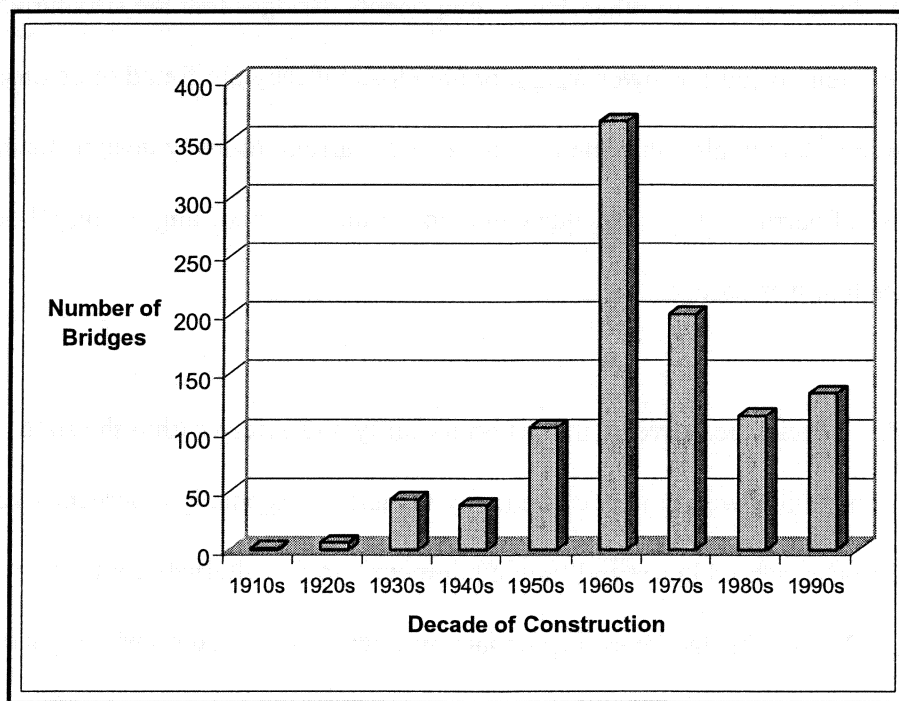
The state's bridges are inspected on a regular basis. Based on inspection data for 2001, 15 percent of bridges in the state that are twenty feet or longer, are in need of repair or replacement because they have significant deterioration or do not meet current safety standards for width, underclearances or alignment. Four percent of Nevada's primary bridges are structurally deficient, while 10 percent are functionally obsolete. (Figures have been rounded for total percentage.)

Bridges in need of repair or replacement are either structurally deficient or functionally obsolete. A bridge is structurally deficient if there is significant deterioration of the bridge deck, supports or other major components. Bridges that are structurally deficient are often posted for lower weight or are closed if they are found to be unsafe. Bridges that are functionally obsolete no longer meet current highway design standards, often because of narrow lanes, inadequate underclearances or poor alignment, all of which reduce highway safety.

Bridge deficiencies have an impact on mobility and safety within the state. Restrictions on vehicle weight may cause many vehicles – especially emergency vehicles, commercial trucks, school buses and farm equipment – to use alternate routes to avoid these bridges. Narrow bridge lanes, inadequate underclearances and poorly aligned bridge approaches reduce traffic safety. Redirected trips lengthen travel time, waste fuel and reduce the efficiency of the local economy.

While Nevada's bridges are in generally good condition, a significant number were built in the 1960s, which creates a potential problem by the end of this decade. The Nevada Department of Transportation (NDOT) states that most bridges last about 50 years before they require significant repair or replacement. There are more than 1,000 state-maintained bridges in Nevada. More than one-third, or 365, of Nevada's state-maintained bridges were constructed in the 1960s, so they will be approximately 50 years old by 2010. An additional 100 were built in the 1950s and another 200 were built in the 1970s.

**Chart 7. Period when State-Maintained Bridges were built**



Source: Nevada Department of Transportation (NDOT)

## **Backlog of Road and Bridge Maintenance in Nevada**

NDOT has estimated that in fiscal year 2001, there was a \$483 million backlog of needed road and bridge maintenance projects because of inadequate funding levels. This includes \$337 million for pavement repair and \$146 million for bridges. NDOT estimates that if needed funding is made available, the road and bridge maintenance backlog can be eliminated by 2013.

## **Vehicle Operating Costs**

Motorists incur additional vehicle operating costs as roads deteriorate; these costs rise as vehicle travel increases on roads in need of repair or reconstruction. Additional vehicle operating costs have been calculated in the Highway Development and Management Model (HDM), which is recognized by the U.S. Department of Transportation and more than 100 other countries as the definitive analysis of the impact of road conditions on vehicle operating costs. The HDM report is based on numerous studies that have measured the impact of various factors, including road conditions, on vehicle operating costs.

The HDM study found that road deterioration increases ownership, repair, fuel and tire costs. The report found that deteriorated roads accelerate the pace of depreciation of vehicles and the need for repairs because the stress on the vehicle increases in proportion to the level of roughness of the pavement surface. Similarly, tire wear and fuel consumption increase as roads deteriorate since there is less efficient transfer of power to the drive train and additional friction between the road and the tires.

TRIP's additional vehicle operating cost estimate is based on taking the average number of miles driven annually by a region's driver, calculating current vehicle operating costs based on the Automobile Association of America's 2001 vehicle operating costs and then using the HDM model to estimate the additional vehicle operating costs being paid by drivers as a result of substandard roads. Additional research on the impact of road conditions on fuel consumption by the Texas Transportation Institute (TTI) is also factored into the TRIP vehicle operating cost methodology.

TRIP estimates that driving on roads in need of repair costs Nevada's motorists \$248 million a year in extra vehicle operating costs -- \$181 per driver. A driver's individual additional vehicle operating costs may vary depending on their level of driving. By comparison, Nevada spends about \$140 million in state funds on pavement preservation projects each year, or \$103 per motorist, according to NDOT.

**Chart 8. Extra Vehicle Operating Costs in Nevada**

<b>Extra Vehicle Operating Costs</b>	<b>\$248 million</b>	<b>\$181 per driver</b>
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**Source:** TRIP data and FHWA data

## **Traffic Congestion Relief**

More than half of Nevada's major urban roads carry a high volume of traffic, and are considered high volume roads because they are often carrying more traffic than they were designed to carry. Specifically, 54 percent, or 188 out of 350 miles, of the state's freeways and major streets carry a high volume of traffic. A high volume of traffic for

freeways and Interstates is considered 60,000 vehicles per day. For non-freeway, major roads – Nevada's other principal arterials -- a high volume of traffic is considered to be 20,000 vehicles a day, based on FHWA reports. Freeways can carry a higher amount of traffic before they are considered congested because they do not have signalized intersections and traffic is able to enter and exit freeways with less disruption to through traffic.

Additional state and federal money have helped fund highway projects that are designed to relieve traffic congestion and improve mobility for state residents and visitors alike.

Traffic congestion levels in Las Vegas have been on the rise for the past several years. Delays caused by traffic congestion in the Las Vegas metropolitan region increased by 52 percent between 1990 and 2000, concluded the Texas Transportation Institute's 2002 Mobility Study.

Commutes in the Las Vegas region are also getting longer. According to a TRIP analysis of U.S. Census Bureau data, commute time in the metro area increased by 19 percent from 1990 to 2000, from 20 minutes to 24 minutes. Las Vegas ranks seventh in the country among large urban areas in percent increase in commuting time from 1990 to 2000. Worsening traffic congestion means that the average Las Vegas driver is spending an additional 31 hours a year getting to work.

## **Traffic Safety**

The level of highway safety is influenced by three factors: driver behavior, vehicle characteristics and roadway design, such as lane width, number of lanes, traffic separation and highway alignment. The condition and design of a road or bridge can have a significant impact on safety. Factors such as the number of lanes, whether median barriers exist, the width of lanes and shoulders, the angle of curves, whether pavements are in good condition, and whether intersections have turn lanes have significant impact on overall safety. Road conditions are a factor in an estimated 30 percent of traffic fatalities nationwide.

Nevada's traffic fatality rate per 100 million vehicle miles of travel (VMT) is 1.83, 20 percent higher than the national average of 1.52. If Nevada's fatality rate were lowered to the national average, it would save 65 lives annually in the state.

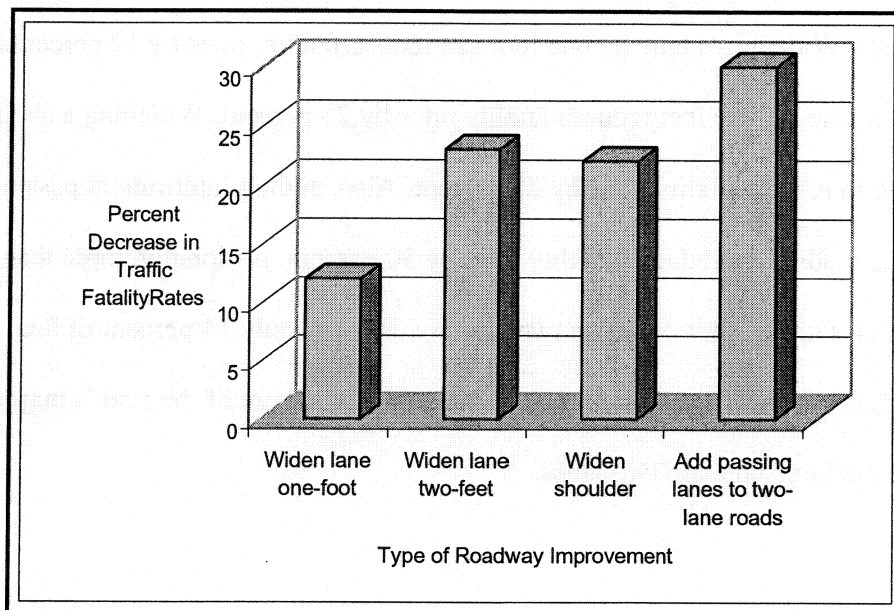
More than 2,000 people --- 2,042 -- were killed in motor vehicle accidents on Nevada's roads from 1995 through 2000. In 2000 alone, 323 people died in motor vehicle crashes in Nevada. Motor vehicle crashes cost Nevada residents \$872 million annually, or \$436 per person, for emergency services, medical costs, property damage and lost market productivity.

The FHWA has found that every \$100 million spent on highway safety improvements will result in an average of 145 fewer traffic fatalities over a 10-year period. Highway improvements such as widening lanes and shoulders, adding or

improving medians and upgrading roads from two lanes to four lanes can reduce traffic fatality rates. Widening a lane by one foot can reduce fatality rates by 12 percent. Widening a lane by two feet reduces fatality rates by 23 percent. Widening a shoulder has been found to reduce fatality rates by 22 percent. Also, adding intermittent passing lanes to two-lane roads have reduced fatality rates by 30 percent. Nationally, more than 77 percent of all fatal crashes occur on two-lane roads while only 14 percent of fatal crashes occur on roads with four or more lanes. In Nevada, 86 percent of the state's major roads, excluding the Interstate, are two lanes.

Travel on some of the two-lane roads that Nevada plans to widen to four lanes would become much safer once the expansions are completed. But these proposed projects currently remain unfunded. These roads include U.S. 95 south of Las Vegas to the California state line, State Route 160 west of Las Vegas to Pahrump and U.S. 50 and 50A near Fallon, Fernley and Dayton.

**Chart 9. Estimated Reduction in Traffic Fatality Rates due to Roadway Improvements**



Source: TRIP analysis of FHWA data

### **Needed Highway Projects in Nevada**

Nevada has nearly \$2 billion worth of needed highway projects that are currently not funded. These projects would help relieve traffic congestion, improve traffic safety and improve pavement quality statewide. The following chart includes some of these projects.

**Chart 10. Needed highway projects in Nevada**

<b>Projects</b>	<b>Cost</b>
<i>Nevada Highway SuperProject Program</i>	
I-15 widening from Las Vegas to the California State Line	\$110 million
U.S. 95 Freeway widening in Northwest Las Vegas	\$510 million
I-580/U.S. 385 Freeway Extension south of Reno to State Capital	\$310 million
U.S. 93 Hoover Dam Bypass (Joint Arizona/Nevada Project)	\$210 million
U.S. 93 near Boulder City and I-515 Extension south of Henderson	\$300 million
Carson City Bypass	\$320 million
<i>Regionally Important Projects</i>	
U.S. 95 widening from the California State Line to 18 miles north of Searchlight	\$53 million
State Route 160 Pahrump Valley Road widening west of Las Vegas Blvd.	\$96 million
State Route 162 Needles Highway widening from California State Line to 7 miles north	\$10 million
U.S. 50 widening east of Dayton to Silver Springs	\$25 million
U.S. 50/50A widening west of Fallon to Fernley	\$29 million

**Source: Nevada Department of Transportation**

## **Highway Funding**

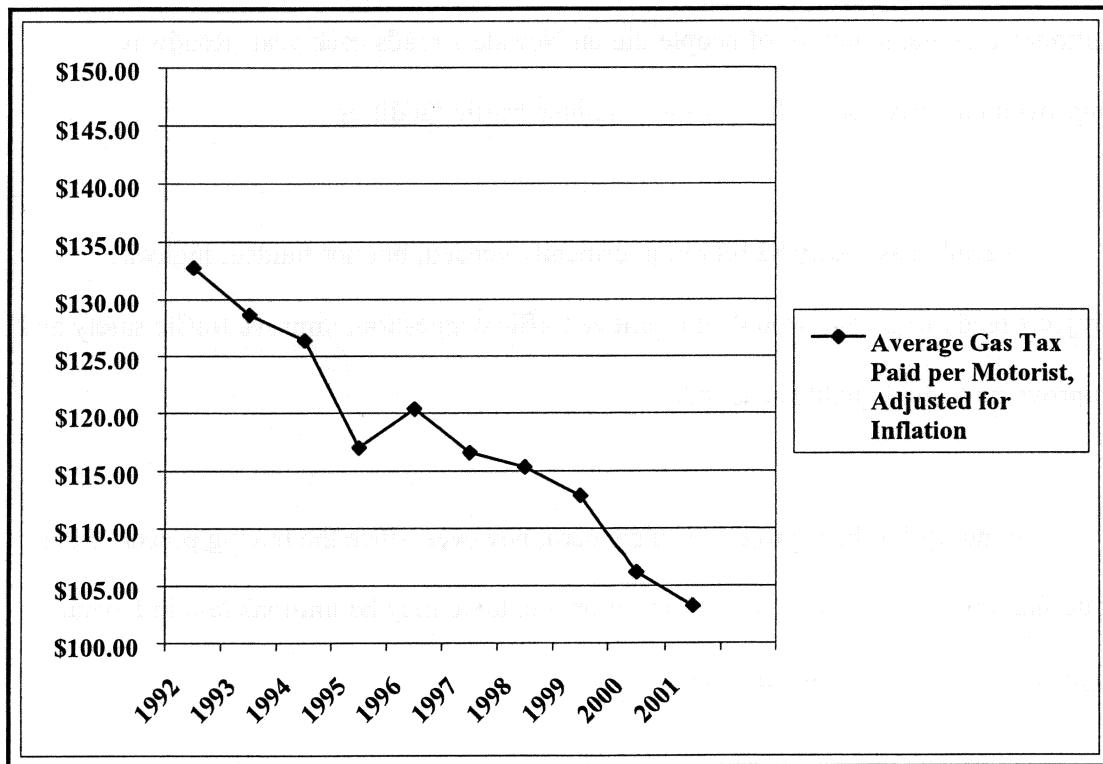
Road and bridge improvements in Nevada are funded through a number of revenues sources, including the state motor fuel taxes, state motor vehicle registration fees and the Federal Highway Trust Fund. Investment levels are threatened by possible federal highway funding cuts to the states in 2003 and an eroding state motor fuel tax. Federal highway funding for Nevada in 2003 was \$199 million.

Under current Congressional proposals to reduce federal highway funding to the states by 10 to 15 percent, Nevada would lose \$20 to \$30 million in federal highway funding in 2003.

Inflation has eroded the buying power of the state motor fuels tax. The last significant state motor fuels tax increase occurred in 1992, when it was increased to 17.65 cents (which is the state highway fund's share of the state gas tax). During the 1990s, the cost of the state motor fuels tax to the average Nevada motorist dropped by 22 percent. In 1992, Nevadans paid an average of \$132.74 (in inflation-adjusted dollars) per motorist annually into the State Highway Fund. Nearly 10 years later, in 2001, they paid only \$103.25 per year.

The state motor fuels tax is a flat per unit tax, and is not indexed for inflation. Indexing the state motor fuels tax, which would increase the tax each year in line with inflation, would help address the problem of erosion. Maine, Wisconsin and Florida are three states that index their state gasoline taxes to keep pace with inflation.

**Chart 9. Average State Gas Tax Paid by Nevada Motorists, 1992-2001 (2001 dollars)**



Source: TRIP analysis of FHWA data

## **Conclusion**

Nevada and Las Vegas experienced the fastest rate of growth in vehicle travel and population in the U.S. during the 1990s. Continued growth in personal and commercial travel in Nevada will exacerbate the wear and tear on the state's roads and contribute to further gridlock in the state's urban regions.

The challenge facing Nevada is to accommodate this growth and facilitate the mobility of its residents, business and visitors, while at the same time working to stem the rising tide of urban traffic congestion. Traffic safety is also a problem that needs to be

addressed statewide. The rate of the traffic fatalities in Nevada continues to be above the national average; hundreds of people die on Nevada's roads each year. Roadway improvements have been shown to help reduce traffic fatalities.

Nevada has nearly \$2 billion in critically needed, but not funded, highway projects ready to go that would help relieve traffic congestion, improve traffic safety and improve pavement quality statewide.

Funding for these projects is a concern, however, since the buying power of the state fuel tax has eroded because of inflation and there may be millions less in federal highway funds for Nevada in 2003.



# WASHOE COUNTY

*"Dedicated to Excellence in Public Service"*



OFFICE OF THE COUNTY MANAGER  
FINANCE DEPARTMENT

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DATE: August 12, 2002

TO: Legislative Committee for Local Government Taxes and Finance

FROM: Advisory Committee to the Legislative Committee for Local Government Taxes and Finance

SUBJECT: Findings and Proposals from the Study of the Consolidated Tax Distribution Formula.

In accordance with Section 8, Assembly Bill 10 of the 2001 Special Legislative Session, the Advisory Committee has completed its study of the effects of the consolidated tax distribution formula changes. This report summarizes the finding and proposals from that study.

The Advisory Committee, at its August 22, 2002 meeting, will consider an analysis of the effects of the changes to the formula to determine if the changes are consistent with the intended policy objective of making the distribution of consolidated tax revenues more responsive to growth. AB 10 made the following two significant changes:

- The base changed from the prior year total distribution plus CPI to the lesser of the prior year's base distribution or total distribution plus CPI. This change had the effect of creating a potentially larger pool of excess dollars to distribute.
- The excess distribution percentages were changed by phasing out the "one plus" component of the growth factor(s). This change had the effect of making the allocation of the excess dollars more sensitive to faster growing entities.

As a result during fiscal year 2001-2002, faster growing entities received a greater share of excess distribution dollars in those months when excess dollars were available.

In addition, the Advisory Committee is also considering three possible unintended consequences resulting from the changes approved in the last legislative session as well as proposed solutions to those issues. Attachment A outlines the three problems identified along with a possible remedy for each.

**ATTACHMENT A**  
**POSSIBLE TECHNICAL AMENDMENTS TO THE SECOND TIER**  
**CONSOLIDATED TAX DISTRIBUTION FORMULA**

ITEM	FORMULA SECTION	CONDITION	PROBLEM	PROPOSAL
1	Deficit Distribution	The deficit distribution allocation rate for each entity is calculated based on each entity's percent of total prior year's total distribution.	Entities that receive a greater percent of an excess distribution in the prior year (i.e., higher growth entities) will also receive a higher deficit distribution allocation rate in the subsequent year. This condition compromises the stability objective of the constant dollar base allocation.	Calculate deficit allocation rates according to the proportional share of the current year base (i.e., lesser of actual distribution or prior year base, indexed by the CPI).
2	Excess Distribution	There is no provision in state law to distribute excess revenues when all entities have a negative excess distribution growth factor (i.e., change in population and change in assessed value).	When the formula is calculated using negative growth factors, the excess distribution results are reversed. Therefore, under this condition, the faster declining entities receive a greater share of the excess.	When there are excess revenues and all entities have a negative excess distribution growth factor add a 1 to the negative growth factor.
3	Excess Distribution	Currently, there are counties with declining population but increasing assessed value. The population decline is outpacing the growth rate in assessed value, therefore governmental entities (i.e., County, Cities & Towns) have a negative excess distribution growth factor, but special districts have a positive growth factor.	Under this condition special districts receive 100% of the excess revenue.	When then combined government entities growth factors are negative, special district's growth factor is positive and excess revenues exist, then use county population as a second growth factor for special districts.

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**MEMORANDUM**

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**DATE:** November 1, 2002

**TO:** Lorne Malkiewich, Director  
Legislative Counsel Bureau

**FROM:** Rick Combs, Deputy Fiscal Analyst  
Fiscal Analysis Division

**SUBJECT:** **Report Required Pursuant to NRS 218.538835**

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Attached to this memorandum is a report from the Legislative Committee for Local Government Taxes and Finance required pursuant to NRS 218.538835. The report discusses the impact on revenue from state and local taxes received by local government as a result of counties, cities, and general improvement districts acquiring or expanding certain facilities of a public utility.

The Committee approved the information that has been included in the report at its meeting conducted on August 23, 2002. Although information regarding governmental services taxes had not been received at that time, the Committee authorized staff to obtain the information and include it in this report.

Please feel free to contact me if I can be of any further assistance with respect to this report.

**Attachment**

**cc:** Mark Stevens, Assembly Fiscal Analyst  
Gary Ghiggeri, Senate Fiscal Analyst  
Ted Zuend, Deputy Fiscal Analyst



# **Report Regarding the Impact on Revenue from State and Local Taxes Received by Local Government as a Result of Counties, Cities, and General Improvement Districts Acquiring or Expanding Certain Facilities of a Public Utility**

## **Legislative Committee for Local Government Taxes and Finance NRS 218.53881**

Through the enactment of Senate Bill No. 557, the 2001 Legislature required the Legislative Committee for Local Government Taxes and Finance to conduct a study of the impact on revenue from state and local taxes received by local government as a result of certain local governments acquiring or expanding facilities for the generation, transmission and distribution of electricity and for the provision of telecommunications services or community antenna television service to retail customers who are, before the acquisition or expansion, customers of a public utility. The 2001 Legislature also required the Committee to submit a report of its findings, including any recommended legislation, to the director of the Legislative Counsel Bureau for transmittal to the 72<sup>nd</sup> session of the Nevada Legislature. This report includes the findings of the Committee and a description of legislation that has been recommended by the Committee through a bill draft for consideration during the 2003 legislative session.

The Committee determined that revenues received by local governments are impacted each time a county, city, or general improvement district acquires or expands the facilities of a public utility. Depending on the size of the utility that is acquired or expanded, the impacts can vary from relatively minor reductions in revenue that would not affect a local government's ability to provide services to significant reductions in revenues that would have to be recouped through other means in order for the local government to continue to provide basic services.

### **IMPACTED REVENUES**

The Committee determined the following taxes and fees that are received by local governments would be impacted as a result of counties, cities, and general improvement districts acquiring or expanding the facilities of electrical, telecommunications, and community antenna television utilities:

**Property Taxes** – Because property owned by a domestic municipal corporation is exempt from taxation pursuant to NRS 361.060, revenues received by local governments from property taxes would be impacted if a county, city, or general improvement district were to acquire or expand the facilities of an electrical, telecommunications, or community antenna television public utility.

For electrical and telecommunications utilities the impacts would be spread among all of the counties in which the utility operates because the valuation of physical property used by intercounty telephone and electric companies is fixed as a collective unit and is apportioned upon a mile-unit valuation basis. For example, if a county has 10 percent of the total number of line miles of such a company, then the county may tax 10 percent of the total assessed value of the company.

**Franchise Fees** – Franchise fees are charges imposed by a city or county upon a public utility for a business license, franchise, or right of way over streets or public areas. Revenues received by local governments from franchise fees imposed pursuant to chapter 354 of NRS would not be impacted if a county, city, or general improvement district were to acquire or expand the facilities of an electrical or telecommunications public utility. For the purposes of the provisions that authorize the imposition of franchise fees, “public utility” includes a local government that provides electric energy or gas, is a telecommunication carrier, or sells or resells personal wireless services.

However, the provisions of chapter 354 do not require a local government to charge a franchise fee to another local government entity that operates a community antenna television company. Therefore, if a county, city, or general improvement district acquires or expands the facilities of a community antenna television company, current law would not require the local government operating the company to pay franchise fees to any other local governments that may be impacted.

**Local School Support and City-County Relief Taxes** – Revenues received by local governments from LSST and CCRT sales and use taxes would be impacted if a county, city, or general improvement district were to acquire or expand the facilities of an electrical, telecommunications, or community antenna television public utility. NRS 374.330 exempts sales to any county, city, district or other political subdivision of the state from the payment of those taxes.

The amount of revenue that would be lost to local governments as a result of a county, city, or general improvement district acquiring or expanding the facilities of a public utility is impossible to determine. The Department of Taxation keeps records of the taxes collected and remitted by vendors but does not record the amounts paid by any particular taxpayer. Use taxes are paid directly to the Department of Taxation and are therefore determinable.

**Governmental Services Taxes** – Revenues received by local governments from the governmental services and supplemental governmental services taxes would be impacted if a county, city, or general improvement district were to acquire or expand the facilities of an electrical, telecommunications, or community antenna television public utility. Vehicles owned by any county, municipal corporation, city, unincorporated town or school district in the State of Nevada are exempt from payment of the basic governmental services tax and any supplemental governmental services tax imposed by the board of county commissioners.

## **QUANTIFYING THE IMPACT**

To determine the fiscal impact that would result from a county, city, or general improvement district acquiring or expanding the facilities of an electrical, telecommunications, or community antenna television utility, the Committee elected to consider a hypothetical purchase of a large, multi-jurisdictional electrical power company and the fiscal impacts that such a purchase might have on local governments. The largest power company in the State, Nevada Power, was selected for the hypothetical purchase to determine the revenues that could be lost under current law. The table provided below lists the property taxes, sales and use taxes, governmental services taxes, and franchise fees that were paid to local governments in 2001 by Nevada Power:

<b><u>Property Taxes –</u></b>	<b>\$18,803,018</b>
	\$18,538,446 in Clark County
	\$ 74,726 in Nye County
	\$ 189,846 in Lincoln County

<b><u>LSST and CCRT</u></b>	<b>Sales – Indeterminate</b>
	<b>Use - \$5,043,493</b>

Each county in the State receives a portion of the use taxes collected from out-of-state businesses. Local governments also receive the amounts collected for sales under the CCRT. School districts receive the amounts collected for sales under the LSST. The State keeps 0.75 percent of the amounts collected under the CCRT and the LSST for the costs of collecting the taxes.

<b><u>Governmental Services Taxes</u></b>	<b>Basic - \$66,309</b>
	<b>Supplemental - \$16,629</b>

These amounts do not include the amounts collected for the registration of motor carriers. That information was not available at the time of this report. The Department of Motor Vehicles keeps six percent of the amount collected for basic and supplemental government services taxes.

<b><u>Franchise Fees</u></b>	<b>\$46,554,097</b>
	\$ 7,671,805 in Henderson
	\$18,903,303 in Las Vegas
	\$ 3,957,532 in North Las Vegas
	\$16,021,457 in Clark County

Because Nevada Power provides electric energy, a county, city, or general improvement district that acquired Nevada Power would be required to continue payments of franchise fees.

## **RECOMMENDED LEGISLATION**

Based on the information provided above, the Committee voted to approve for the consideration of the 2003 Legislature a Bill Draft Request that would attempt to mitigate the impacts to local governments that could result from counties, cities, and general improvement districts acquiring or expanding certain facilities of a public utility. The BDR will include the following:

- A provision that would require a local government that purchases a public utility, other than a water or sewer utility, to pay an amount to other local governments “in lieu of taxes” that is equal to the taxes that would have been paid to those local governments by the public utility.
- A provision that would require the Department of Taxation to establish annually the assessed valuation attributable to a utility that has been purchased by a local government and that would require the use of that established valuation in distribution formulas that include assessed valuation.
- A provision that would require local governments that acquire or expand the facilities of a water or sewer utility or that expand the facilities of any other utility to execute an interlocal agreement with other local governments that may be impacted by the acquisition or expansion for the mitigation of those impacts. If the various local governments are unable to agree on the appropriate mitigation, the Committee on Local Government Finance will mediate a solution.

CHAPTER.....

AN ACT relating to education; making certain changes to the method of calculating the amount of the basic governmental services tax to be distributed to a county school district; 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 482.181 is hereby amended to read as follows:

482.181 1. Except as otherwise provided in subsection 4, the department shall certify monthly to the state board of examiners the amount of the basic and supplemental governmental services taxes collected for each county by the department and its agents during the preceding month, and that money must be distributed monthly as provided in this section.

2. Any supplemental governmental services tax collected for a county must be distributed only to the county, to be used as provided in NRS 371.045 and 371.047.

3. The distribution of the basic governmental services tax within a county must be made to local governments, special districts and enterprise districts pursuant to the provisions of NRS 360.680 and 360.690. The distribution of the basic governmental services tax must be made to the county school district within the county before the distribution of the basic governmental services tax pursuant to the provisions of NRS 360.680 and 360.690 and in the same ratio as all property taxes were levied in the county in the previous fiscal year, but the State of Nevada is not entitled to share in that distribution. For the purpose of calculating the amount of the basic governmental services tax to be distributed to the county school district, the taxes levied by each local government, special district and enterprise district are the product of its certified valuation, determined pursuant to subsection 2 of NRS 361.405, and its tax rate, established pursuant to NRS 361.455 for the fiscal year beginning on July 1, 1980, except that the tax rate for school districts, including the rate attributable to a district's debt service, is the rate established pursuant to NRS 361.455 for the fiscal year beginning on July 1, 1978, but if, *in any fiscal year, the sum of the rate attributable to a district's debt service in ~~any~~ that fiscal year and any rate levied for capital projects pursuant to NRS 387.3285 in that fiscal year* is greater than its rate for the fiscal year beginning on July 1, 1978, the higher rate must be used to determine the amount attributable to debt service.

4. An amount equal to any basic governmental services tax distributed to a redevelopment agency in the fiscal year 1987-1988 must continue to be distributed to that agency as long as it exists but must not be increased.

5. The department shall make distributions of the basic governmental services tax directly to county school districts.

6. As used in this section:

- (a) "Enterprise district" has the meaning ascribed to it in NRS 360.620.
- (b) "Local government" has the meaning ascribed to it in NRS 360.640.
- (c) "Special district" has the meaning ascribed to it in NRS 360.650.

**Sec. 2.** 1. The amendatory provisions of section 1 of this act do not apply to modify, directly or indirectly, any taxes levied or revenues pledged in such a manner as to impair adversely any outstanding obligations of a local government, special district or enterprise district, including, without limitation, bonds, medium-term financing, letters of credit and any other financial obligation, until all such obligations have been discharged in full or provision for their payment and redemption has been fully made.

2. As used in this section:

- (a) "Enterprise district" has the meaning ascribed to it in NRS 360.620.
- (b) "Local government" has the meaning ascribed to it in NRS 360.640.
- (c) "Special district" has the meaning ascribed to it in NRS 360.650.

SENATE BILL NO. 266—COMMITTEE ON GOVERNMENT AFFAIRS

(ON BEHALF OF THE INTERIM STUDY CONCERNING DISTRIBUTION  
AMONG LOCAL GOVERNMENTS OF REVENUE FROM  
STATE AND LOCAL TAXES (NRS 218.53881))

MARCH 1, 2001

Referred to Committee on Taxation

SUMMARY—Creates chapter relating to tax increment areas. (BDR 22-891)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: No.

EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to taxation; providing provisions for the creation of tax increment areas by municipalities to defray costs of certain undertakings; and providing other matters properly relating thereto.

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

1     **Section 1.** Title 22 of NRS is hereby amended by adding thereto a  
2     new chapter to consist of the provisions set forth as sections 2 to 33,  
3     inclusive, of this act.

4     **Sec. 2.** *Except as otherwise provided in this chapter or where the*  
5     *context otherwise requires, terms used or referred to in this chapter are*  
6     *as defined in the County Bond Law, insofar as they apply to counties,*  
7     *and the City Bond Law, insofar as they apply to cities, and except as*  
8     *otherwise provided in those laws, as defined in the Local Government*  
9     *Securities Law, but the definitions provided in this chapter, except where*  
10    *the context otherwise requires, govern the construction of this chapter.*

11    **Sec. 3.** *“Clerk” means the county clerk or city clerk, as appropriate.*

12    **Sec. 4.** *“Cost of the undertaking” or any phrase of similar import,*  
13    *means the “cost of any project” as the latter phrase is defined in the*  
14    *Local Government Securities Law.*

15    **Sec. 5.** *“County” means any county in this state and Carson City.*

16    **Sec. 6.** *“Engineer” means the municipal engineer or firm of*  
17    *engineers employed by the municipality in connection with any*  
18    *undertaking, any project or the exercise of any power authorized in this*  
19    *chapter.*



1     Sec. 7. "Facilities" means buildings, structures, utilities or other  
2     properties pertaining to any undertaking or any project authorized in this  
3     chapter, including, without limitation, income-producing facilities and  
4     facilities acquired with the proceeds of bonds or other securities.

5     Sec. 8. "Governing body" means the board of county  
6     commissioners, the board of supervisors, the city council or the board of  
7     commissioners, as appropriate.

8     Sec. 9. "Municipality" means any county or city in this state.

9     Sec. 10. "Newspaper" means a newspaper printed in the English  
10    language at least once each calendar week and published and of general  
11    circulation in the municipality.

12    Sec. 11. "Posting" means posting in three public places at or near  
13    the site of the undertaking or any project designated at least 20 days  
14    before the designated hearing or other time or event.

15    Sec. 12. "Publication" or "publish" means publication in at least  
16    one newspaper, except as otherwise expressly provided or necessarily  
17    implied in this chapter, at least once a week for 3 consecutive weeks by  
18    three weekly insertions, the first publication being at least 15 days before  
19    the designated time or event.

20    Sec. 13. "Tax increment account" means a special account created  
21    pursuant to subsection 3 of section 24 of this act.

22    Sec. 14. "Tax increment area" means the area:

- 23    1. Whose boundaries are coterminous with those of a specially  
24    benefited zone established as provided in section 17 of this act;  
25    2. Specially benefited by an undertaking under this chapter;  
26    3. Designated by ordinance as provided in subsection 3 of section 24  
27    of this act; and

28    4. In which is located the taxable property the assessed valuation of  
29    which is the basis for the allocation of tax proceeds to the tax increment  
30    account pursuant to section 26 of this act.

31    Sec. 15. "Undertaking" means any enterprise to acquire, improve,  
32    equip, operate or maintain, or a combination thereof, any:

33    1. Project authorized in the County Bond Law, in the case of  
34    counties; or

35    2. Project for economic development that is needed to accommodate  
36    expansion or retention of businesses or to develop industrial and  
37    business parks that could not otherwise be accomplished through any  
38    other method of financing, in the case of cities,  
39    and to defray the cost of such enterprise wholly or in part by the issuance  
40    of the bonds or other securities of the municipality payable wholly or in  
41    part from tax proceeds allocated to the tax increment account pertaining  
42    to the enterprise pursuant to section 26 of this act.

43    Sec. 16. This chapter applies to:

- 44    1. Any county in this state for any undertaking within the county;  
45    2. Any city in this state for undertakings which are economic  
46    development projects that are needed to;

- 47    (a) Accommodate expansion or retention of businesses in the city; or  
48    (b) Develop industrial and business parks,



1 that could not otherwise be accomplished through any other method of  
2 financing.

3 Sec. 17. 1. Except as otherwise provided in subsections 3, 4 and 5,  
4 on its own, or upon the request of a regional transportation commission  
5 established pursuant to NRS 273.030, a governing body of a county, on  
6 the behalf and in the name of the county, may designate a tax increment  
7 area comprising any specially benefited zone within the county  
8 designated for the purpose of creating a special account for the payment  
9 of bonds or other securities issued to defray the cost of the acquisition,  
10 improvement, equipment, operation or maintenance, or any combination  
11 thereof, of a project or projects authorized in the County Bond Law,  
12 including, without limitation, the condemnation of property for any such  
13 undertaking, as supplemented by the Local Government Securities Law,  
14 except as otherwise provided in this chapter.

15 2. Except as otherwise provided in subsections 3, 4 and 5, the  
16 governing body of a city, on the behalf and in the name of the city, may  
17 designate a tax increment area comprising any specially benefited zone  
18 within the municipality designated for the purpose of creating a special  
19 account for the payment of bonds or other securities issued to defray the  
20 cost of the acquisition, improvement, equipment, operation or  
21 maintenance, or any combination thereof, of a project or projects  
22 described in subsection 2 of section 16 of this act.

23 3. The right of way property of a railroad company that is under the  
24 jurisdiction of the Surface Transportation Board must not be included in  
25 a tax increment area unless the inclusion of the property is mutually  
26 agreed upon by the governing body and the railroad company.

27 4. A tax increment area may include property that is, at the time the  
28 boundaries are created, included within a redevelopment area previously  
29 established pursuant to the laws of this state. Upon expiration of a  
30 redevelopment area that has property included within a tax increment  
31 area established pursuant to this chapter, the tax increment formerly  
32 inuring to the redevelopment area, calculated from the date of creation  
33 of the tax increment area, inures to the benefit of the tax increment area.

34 5. The taxable property of a tax increment area must not be included  
35 in any subsequently created tax increment area until at least 50 years  
36 after the effective date of creation of the first tax increment area in which  
37 the property was included.

38 Sec. 18. 1. Whenever the governing body is of the opinion that the  
39 interests of the municipality require an undertaking, the governing body,  
40 by resolution, shall direct the engineer to prepare:

41 (a) Preliminary plans and a preliminary estimate of the cost of the  
42 undertaking, including, without limitation, all estimated financing costs  
43 to be capitalized with the proceeds of the securities issued by the  
44 municipality and all other estimated incidental costs relating to the  
45 undertaking;

46 (b) A statement of the proposed tax increment area pertaining thereto,  
47 the last finalized amount of the assessed valuation of the taxable property  
48 in such area, and the amount of taxes, including in such amount the sum  
49 of any unpaid taxes, whether or not delinquent, resulting from the last



1 *taxation of the property, based upon the records of the county assessor*  
2 *and the county treasurer; and*

3 *(c) A statement of the estimated amount of the tax proceeds to be*  
4 *credited annually to the tax increment account during the term of the*  
5 *proposed securities payable therefrom.*

6 *2. The resolution must describe the undertaking in general terms*  
7 *and must state:*

8 *(a) What portion of the expense of the undertaking will be paid with*  
9 *the proceeds of securities issued by the municipality in anticipation of tax*  
10 *proceeds to be credited to the tax increment account and payable wholly*  
11 *or in part therefrom;*

12 *(b) How the remaining portion of the expense of the undertaking, if*  
13 *any, is to be financed; and*

14 *(c) The basic security and any additional security for the payment of*  
15 *securities of the municipality pertaining to the undertaking.*

16 *3. The resolution must designate the tax increment area or its*  
17 *location, so that the various tracts of taxable real property and any*  
18 *taxable personal property can be identified and determined to be within*  
19 *or without the proposed tax increment area, but need not describe in*  
20 *minute detail each tract of real property proposed to be included within*  
21 *the tax increment area.*

22 *4. The engineer shall file with the clerk the preliminary plans,*  
23 *estimate of costs and statements.*

24 *5. Upon the filing of the preliminary plans, estimate of costs and*  
25 *statements with the clerk, the governing body shall examine the*  
26 *preliminary plans, estimate of costs and statements, and if the governing*  
27 *body approves of the preliminary plans, estimate of costs and statements,*  
28 *it shall by resolution provisionally order the undertaking.*

29 *Sec. 19. 1. In the resolution making the provisional order, the*  
30 *governing body shall set a time and place for a meeting to consider the*  
31 *ordering of the undertaking and hear all complaints, protests, objections*  
32 *and other relevant comments concerning the undertaking that are made*  
33 *in accordance with subsection 2. The time for the meeting must be at*  
34 *least 20 days after the date the governing body adopts the resolution that*  
35 *provisionally orders the undertaking.*

36 *2. The Federal Government, the state, any public body, or any*  
37 *natural person who resides in the municipality or owns taxable personal*  
38 *or real property in the municipality, or any representative of any such*  
39 *natural person or entity, may submit a complaint, protest, objection or*  
40 *other comment about the undertaking before the governing body. If such*  
41 *an entity or person desires to submit a complaint, protest, objection or*  
42 *other comment about the undertaking for consideration by the governing*  
43 *body, the entity or person must:*

44 *(a) File a written complaint, protest, objection or other comment*  
45 *about the undertaking with the clerk at least 3 days before the date of the*  
46 *meeting described in subsection 1;*

47 *(b) Present an oral complaint, protest, objection or other comment*  
48 *about the undertaking to the governing body at the meeting described in*  
49 *subsection 1; or*



- 1 (c) Present the complaint, protest, objection or other comment in the  
2 manner required pursuant to paragraphs (a) and (b).  
3 3. Notice of the meeting described in subsection 1 must be given:  
4 (a) To all persons on the list established pursuant to section 20 of this  
5 act, by mailing;  
6 (b) By posting; and  
7 (c) By publication.  
8 4. The notice must:  
9 (a) Describe the undertaking and the project or projects relating  
10 thereto without mentioning minor details or incidentals;  
11 (b) State the preliminary estimate of the cost of the undertaking,  
12 including all incidental costs, as stated in the report of the engineer filed  
13 with the clerk pursuant to section 18 of this act;  
14 (c) Describe the proposed tax increment area pertaining to the  
15 undertaking, the last finalized amount of the assessed valuation of the  
16 taxable property in the area, and the amount of taxes, including in such  
17 amount the sum of any unpaid taxes, whether or not delinquent,  
18 resulting from the last taxation of the property, based upon the records of  
19 the county assessor and the county treasurer;  
20 (d) State what portion of the expense of the undertaking will be paid  
21 with the proceeds of securities issued by the municipality in anticipation  
22 of tax proceeds to be credited to the tax increment account and payable  
23 wholly or in part therefrom, and state the basic security and any  
24 additional security for the payment of securities of the municipality  
25 pertaining to the undertaking;  
26 (e) State how the remaining portion of the expense, if any, is to be  
27 financed;  
28 (f) State the estimated amount of the tax proceeds to be credited  
29 annually to the tax increment account pertaining to the undertaking  
30 during the term of the proposed securities payable from such proceeds,  
31 and the estimated amount of any net revenues derived annually from the  
32 operation of the project or projects pertaining to the undertaking and  
33 pledged for the payment of those securities;  
34 (g) State the estimated aggregate principal amount to be borrowed by  
35 the issuance of the securities, excluding proceeds thereof to fund or  
36 refund outstanding securities, and the estimated total bond requirements  
37 of the securities;  
38 (h) Find, determine and declare that the estimated tax proceeds to be  
39 credited to the tax increment account and any such net pledged revenues  
40 will be fully sufficient to pay the bond requirements of the securities as  
41 they become due; and  
42 (i) State the date, time and place of the meeting described in  
43 subsection 1.  
44 5. All proceedings may be modified or rescinded wholly or in part by  
45 resolution adopted by the governing body at any time before the  
46 governing body passes the ordinance ordering the undertaking and  
47 creating the tax increment area and the tax increment account  
48 pertaining thereto pursuant to section 24 of this act.



1       6. Except as otherwise provided in this section, a public body shall  
2 not make a substantial change in the undertaking, the preliminary  
3 estimates, the proposed tax increment area or other statements relating  
4 thereto after the first publication or posting of notice or after the first  
5 mailing of notice to the property owners, whichever occurs first, without  
6 additional notice and a hearing pursuant to this section. A public body  
7 may delete a portion of the undertaking and property from the proposed  
8 tax increment area without notice and a hearing pursuant to this section.  
9 A subsequent final determination of the amount of assessed valuation of  
10 taxable property in the tax increment area or a subsequent levy of taxes  
11 does not adversely affect proceedings taken pursuant to this chapter.

12       7. The engineer may make minor changes in and develop the  
13 undertaking as to the time, plans and materials entering into the  
14 undertaking at any time before its completion.

15       Sec. 20. 1. The governing body shall cause a list of the names and  
16 addresses of all persons who reside within a proposed tax increment area  
17 and who own taxable property within a proposed tax increment area to  
18 be created. The names and addresses for the list may be obtained from  
19 the records of the county assessor or from such other sources as the clerk  
20 or the engineer deems available. A list of such names and addresses  
21 pertaining to any tax increment area may be revised from time to time,  
22 but must be revised at least once every 12 months if the list is needed for  
23 a period longer than 12 months.

24       2. If notice is required to be mailed pursuant to this chapter, the  
25 notice must be sent by prepaid, first-class mail, to the last known address  
26 of the person to whom the notice is being sent.

27       3. The mailing of any notice required in this chapter must be verified  
28 by the affidavit or certificate of the engineer, clerk, deputy or other  
29 person mailing the notice. Each verification of mailing must be filed with  
30 the clerk and be retained in the records of the municipality at least until  
31 all bonds and any other securities pertaining to a tax increment account  
32 have been paid in full, or any claim is barred by a statute of limitations.

33       4. A verification of mailing is prima facie evidence of the mailing of  
34 the notice in accordance with the requirements of this section.

35       Sec. 21. 1. The posting of any notice required in this chapter must  
36 be verified by the affidavit or certificate of the engineer, clerk, deputy or  
37 other person posting the notice. Each verification of posting must be filed  
38 with the clerk and must be retained in the records of the municipality at  
39 least until the bonds and other securities pertaining to a tax increment  
40 account have been paid in full and until any claim is barred by a statute  
41 of limitations.

42       2. A verification of posting is prima facie evidence of the posting of  
43 the notice in accordance with the requirements of this section.

44       Sec. 22. 1. Any notice required to be published pursuant to this  
45 chapter must be published in a newspaper of general circulation within  
46 the area of the tax increment area about which the notice relates at least  
47 once a week for 3 consecutive weeks. The first publication must be at  
48 least 15 days before the designated time or event, and the last publication  
49 must be at least 14 days after the first publication.



- 1     2. Publication is complete on the day of the last publication.  
2     3. Any publication required in this chapter must be verified by the  
3     affidavit of the person who publishes the notice. Each verification of  
4     publication must be filed with the clerk and must be retained in the  
5     records of the municipality at least until all the bonds and any other  
6     securities pertaining to a tax increment account have been paid in full, or  
7     any claim is barred by a statute of limitations.  
8     4. A verification of publication is *prima facie* evidence of the  
9     publication of the notice in accordance with the requirements of this  
10    section.  
11    Sec. 23. 1. At the time and place of the hearing, the governing  
12    body shall cause to be read and consider all written complaints, protests,  
13    objections and other relevant comments made in accordance with section  
14    19 of this act and to hear all oral complaints, protests, objections and  
15    other relevant comments made pursuant to that section.  
16    2. After considering all written and oral complaints, protests,  
17    objections and other relevant comments that were properly submitted and  
18    after considering any other relevant material put forth, if the governing  
19    body determines that the undertaking, or a part thereof, is not in the  
20    public interest:  
21    (a) The governing body, by resolution, shall make an order which  
22    states that the undertaking or a part of the undertaking, as appropriate,  
23    is not in the public interest and which states the reasons that the  
24    undertaking, or part of the undertaking, is not in the public interest;  
25    (b) The public body may, by resolution and in accordance with the  
26    notice and hearing requirements of this chapter, modify the proposed tax  
27    increment area or undertaking to conform to the order; and  
28    (c) The undertaking or part of the undertaking, as appropriate, must  
29    be stopped until the governing body adopts a new resolution for the  
30    undertaking which conforms to the order.  
31    3. Any complaint, protest or objection to the regularity, validity and  
32    correctness of the proceedings taken and the documents made before the  
33    date of the hearing is waived unless presented in the manner specified in  
34    this chapter.  
35    Sec. 24. 1. If, after considering all written and oral complaints,  
36    protests, objections and other relevant comments that were properly  
37    submitted and after considering any other relevant material put forth, the  
38    governing body determines that the undertaking is in the public interest,  
39    the governing body shall determine whether to proceed with the  
40    undertaking. If the governing body has ordered any modification to an  
41    undertaking and desires to proceed, it shall direct the engineer to modify  
42    the plans, estimate of costs and statements, as appropriate.  
43    2. The engineer, if so directed, shall appropriately modify them and  
44    file the modified plans, estimate of costs and statements, as appropriate,  
45    with the clerk.  
46    3. When the plans, estimates and statements are filed with the clerk  
47    and are satisfactory to the governing body, if the governing body wants to  
48    proceed with the undertaking, the governing body shall, by ordinance:



1 (a) Overrule all complaints, protests and objections not otherwise  
2 acted upon;

3 (b) Order the undertaking;

4 (c) Describe the tax increment area pertaining to the undertaking;  
5 and

6 (d) Create the tax increment account for the undertaking.

7 4. The governing body may adopt the ordinance in the same manner  
8 as an emergency ordinance or in the same manner as a regular  
9 ordinance.

10 Sec. 25. 1. The governing body may amend an ordinance adopted  
11 pursuant to section 24 of this act by adopting a supplemental ordinance,  
12 introduced and adopted in the same manner as a regular ordinance, to:

13 (a) Modify the undertaking by specifying new projects or removing or  
14 modifying projects specified in the original ordinance;

15 (b) Add areas to or remove areas from a tax increment area; and

16 (c) Make such other changes, additions or deletions as the governing  
17 body determines will further its objectives within the tax increment area.

18 2. If a proposed amendment would add any area to or remove any  
19 area from a tax increment area, the governing body shall provide by mail  
20 notice of the date, time and place of the meeting at which the proposed  
21 amendment will be considered to the last known owner or owners of each  
22 tract of land proposed to be added or removed.

23 3. The amount of taxes to be allocated to a tax increment account  
24 pursuant to section 26 of this act must be computed separately for the  
25 original tax increment area and each addition of land thereto.

26 Sec. 26. 1. After the effective date of the ordinance adopted  
27 pursuant to section 24 of this act, any taxes levied upon taxable property  
28 in the tax increment area each year by or for the benefit of the state, the  
29 municipality and any public body must be divided as follows:

30 (a) That portion of the taxes that would be produced by the rate upon  
31 which the tax is levied each year by or for each of those taxing agencies  
32 upon the total sum of the assessed value of the taxable property in the tax  
33 increment area as shown upon the assessment roll used in connection  
34 with the taxation of the property by the taxing agency, last equalized  
35 before the effective date of the ordinance, must be allocated to and when  
36 collected must be paid into the funds of the respective taxing agencies as  
37 taxes by or for the taxing agencies as taxes on all other property as paid.

38 (b) Except as otherwise provided in subsections 2 and 4, the portion of  
39 the levied taxes each year in excess of that amount must be allocated to,  
40 and when collected must be paid into, the tax increment account  
41 pertaining to the undertaking to pay the bond requirements of loans,  
42 money advanced to, or indebtedness, whether funded, refunded, assumed  
43 or otherwise, incurred by the municipality to finance or refinance, in  
44 whole or in part, the undertaking. Unless the total assessed valuation of  
45 the taxable property in the tax increment area exceeds the total assessed  
46 value of the taxable property in the area as shown by the last equalized  
47 assessment roll referred to in subsection 1, all of the taxes levied and  
48 collected upon the taxable property in the area must be paid into the  
49 funds of the respective taxing agencies. When the loans, advances and



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1 indebtedness, if any, and interest thereon, have been paid, all money  
2 thereafter received from taxes upon the taxable property in the area must  
3 be paid into the funds of the respective taxing agencies as taxes on all  
4 other property are paid.

5 (c) The amount of taxes levied each year pursuant to subsection (b)  
6 that are paid into the tax increment account, may be limited by the  
7 governing body to an amount not to exceed the combined total amount  
8 required for annual debt service of the project or projects acquired,  
9 improved, equipped or maintained, or any combination thereof, as part of  
10 the undertaking.

11 (d) Any revenues generated within the tax increment district in excess  
12 of the amount referenced in paragraph (c), if any, will be paid into the  
13 funds of the respective taxing agencies in the same proportion as their  
14 base amount was distributed.

15 2. In any fiscal year, the total revenue paid to a tax increment area in  
16 combination with the total revenue paid to any other tax increment areas  
17 and any redevelopment agencies of a municipality must not exceed:

18 (a) In a municipality whose population is 100,000 or more, an amount  
19 equal to the combined tax rates of the taxing agencies for that fiscal year  
20 multiplied by 10 percent of the total assessed valuation of the  
21 municipality.

22 (b) In a municipality whose population is less than 100,000, an  
23 amount equal to the combined tax rates of the taxing agencies for that  
24 fiscal year multiplied by 15 percent of the total assessed valuation of the  
25 municipality.

26 If the revenue paid to a tax increment area must be limited pursuant to  
27 paragraph (a) or (b) and the municipality has more than one  
28 redevelopment agency or tax increment area, or one of each, the  
29 municipality shall determine the allocation to each agency and area. Any  
30 revenue that would be allocated to a tax increment area but for the  
31 provisions of this section must be paid into the funds of the respective  
32 taxing agencies.

33 3. Any tax that is approved on or after October 1, 2001, by a majority  
34 of the registered voters of the tax increment area voting upon the  
35 question, may not be allocated to or paid into the tax increment account  
36 and must be allocated to the specific purpose for which it was levied.

37 4. As used in this section, the term "last equalized assessment roll"  
38 means the assessment roll in existence on the 15th day of March  
39 immediately preceding the effective date of the ordinance.

40 Sec. 27. The Federal Government, the state, any public body or any  
41 natural person filing a written complaint, protest or objection in the  
42 manner and within the time provided in section 19 of this act, may,  
43 within 30 days after the governing body has finally passed on the  
44 complaint, protest or objection by resolution pursuant to section 23 of  
45 this act or by ordinance pursuant to section 24 of this act, commence an  
46 action or suit in any court of competent jurisdiction to correct or set aside  
47 the determination, but thereafter all actions or suits attacking the validity  
48 of the proceedings are perpetually barred.



1     Sec. 28. 1. To defray in whole or in part the cost of any  
2     undertaking, a municipality may issue the following securities:

- 3     (a) Notes;  
4     (b) Warrants;  
5     (c) Interim debentures;  
6     (d) Bonds; and  
7     (e) Temporary bonds.

8     2. Any net revenues derived from the operation of a project acquired,  
9     improved or equipped, or any combination thereof, as part of the  
10    undertaking must be pledged for the payment of any securities issued  
11    pursuant to this section. The securities must be made payable from any  
12    such net pledged revenues as the bond requirements become due from  
13    time to time by the bond ordinance, trust indenture or other proceedings  
14    that authorize the issuance of the securities or otherwise pertain to their  
15    issuance.

16    3. Securities issued pursuant to this section:

17    (a) Must be made payable from tax proceeds accounted for in the tax  
18    increment account; and

19    (b) May, at the option of the municipality, be made payable from the  
20    taxes levied by the municipality against all taxable property within the  
21    municipality, without limitation of rate or amount except for the  
22    limitation provided in section 2 of article 10 of the constitution of the  
23    State of Nevada.

24    The municipality may also issue general obligation securities other than  
25    the ones authorized by this chapter that are made payable from taxes  
26    without also making the securities payable from any net pledged  
27    revenues or tax proceeds accounted for in a tax increment account, or  
28    from both of those sources of revenue.

29    4. Any securities payable only in the manner provided in either  
30    paragraph (a) of subsection 3 or both subsection 2 and paragraph (a) of  
31    subsection 3:

32    (a) Are special obligations of the municipality and are not in their  
33    issuance subject to any debt limitation imposed by law;

34    (b) While they are outstanding, do not exhaust the debt incurring  
35    power of the municipality; and

36    (c) May be issued under the provisions of the Local Government  
37    Securities Law, except as otherwise provided in this chapter, without any  
38    compliance with the provisions of NRS 350.001 to 350.006, inclusive, or  
39    350.020 to 350.070, inclusive, and without any approval or other  
40    preliminaries, except as otherwise provided in the Local Government  
41    Securities Law.

42    5. Any securities payable from taxes in the manner provided in  
43    paragraph (b) of subsection 3, regardless of whether they are also  
44    payable in the manner provided in paragraph (a) of subsection 3 or in  
45    both subsection 2 and paragraph (a) of subsection 3:

46    (a) Are general obligations of the city and are in their issuance subject  
47    to such debt limitation;

48    (b) While they are outstanding, do exhaust the power of the  
49    municipality to incur debt; and



(c) May be issued under the provisions of the Local Government Securities Law only after the issuance of municipal bonds is approved under the provisions of:

(1) NRS 350.001 to 350.006, inclusive; or

(2) NRS 350.020 to 350.070, inclusive,

except for the issuance of notes or warrants under the Local Government Securities Law that are payable out of the revenues for the current year and are not to be funded with the proceeds of interim debentures or bonds in the absence of such bond approval under the two acts designated in subparagraphs (1) and (2).

6. In the proceedings for the advancement of money, or the making of loans, or the incurrence of any indebtedness, whether funded, refunded, assumed or otherwise, by the municipality to finance or refinance, in whole or in part, the undertaking, the portion of taxes mentioned in subsection 2 of section 26 of this act must be irrevocably pledged for the payment of the bond requirements of the loans, advances or indebtedness. The provisions in the Local Government Securities Law pertaining to net pledged revenues are applicable to such a pledge to secure the payment of tax increment bonds.

Sec. 29. Any securities issued by a municipality for a tax increment area pursuant to this chapter must mature and be fully paid, including any interest thereon, before the expiration of the tax increment area.

Sec. 30. The municipality may:

1. Accept contributions or loans from the Federal Government, the state or any public body, or any combination thereof, for the purpose of financing the planning, acquisition, improvement, equipment, maintenance and operation of any enterprise pertaining to an undertaking in which the municipality is authorized to engage and may enter into contracts and cooperate with, and accept cooperation from, the Federal Government, the state or any public body, or any combination thereof, in the planning, acquisition, improvement, equipment, maintenance and operation, and in financing the planning, acquisition, improvement, equipment, maintenance and operation of any such enterprise in accordance with any legislation that Congress, the state legislature or the governing body of any public body, or any combination thereof, may have adopted before or may adopt on or after July 1, 1983, under which aid, assistance and cooperation may be furnished by the Federal Government, this state or public body, or any combination thereof, in the planning, acquisition, improvement, equipment, maintenance and operation or in financing the planning, acquisition, improvement, equipment, maintenance and operation of any such enterprise, including, without limitation, costs of engineering, architectural and economic investigations and studies, surveys, designs, plans, working drawings, specifications, procedures and other action preliminary to the acquisition, improvement or equipment of any project, and may do all things necessary to avail itself of such aid, assistance and cooperation pursuant to any federal or state legislation.

2. Enter into, without any election, joint operating or service contracts and agreements, acquisition, improvement, equipment or



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1 disposal contracts, or other arrangements for any term not extending  
2 beyond the expiration of the tax increment area, with the Federal  
3 Government, the state or any public body, or any combination thereof,  
4 concerning the undertaking, and any project or property pertaining  
5 thereto, whether acquired by the city, the Federal Government, the state  
6 or any public body, or any combination thereof, and may accept grants  
7 and contributions from the Federal Government, the state, any public  
8 body or any person, or any combination thereof, in connection therewith.

9 3. When determined by the governing body to be in the public  
10 interest, enter into and perform contracts and agreements, without any  
11 election, for any term not extending beyond the expiration of the tax  
12 increment area, with the Federal Government, the state, any public body  
13 or any person, or any combination thereof, for the provision and  
14 operation by the municipality of any facilities whether or not pertaining  
15 to the undertaking of the municipality or any project relating thereto and  
16 the payment periodically thereby to the municipality of amounts at least  
17 sufficient, if any, in the determination of the governing body, to  
18 compensate the municipality for the cost of providing, operating and  
19 maintaining the facilities serving the Federal Government, the state, the  
20 public body or person, or otherwise.

21 4. Enter into and perform, without any election, contracts and  
22 agreements with the Federal Government, the state, any public body or  
23 any person, or a combination thereof, for or concerning the planning,  
24 construction, lease or other acquisition, improvement, equipment,  
25 operation, maintenance, disposal and the financing of any property  
26 pertaining to the facilities of the municipality or to any undertaking or  
27 any project of the municipality, or otherwise, including, without  
28 limitation, any contract or agreement for any term not extending beyond  
29 the expiration of the tax increment area.

30 5. Cooperate with and act in conjunction with the Federal  
31 Government, or any of its engineers, officers, boards, commissions or  
32 departments, or with the state, or any of its engineers, officers, boards,  
33 commissions or departments, or with any public body or any person in  
34 the acquisition, improvement or equipment of any facilities or any project  
35 authorized for the municipality or for any other works, acts or purposes  
36 provided for herein, and may adopt and carry out any definite plan or  
37 system of work for any such purpose.

38 6. Cooperate with the Federal Government, the state or any public  
39 body, or any combination thereof, by an agreement therewith by which  
40 the municipality may:

41 (a) Acquire and provide, without cost to the cooperating entity, the  
42 land, easements and rights of way necessary for the acquisition,  
43 improvement or equipment, or any combination thereof, of any  
44 properties pertaining to the undertaking or any other facilities;

45 (b) Hold and save harmless the cooperating entity free from any claim  
46 for damages arising from the acquisition, improvement, equipment,  
47 maintenance or operation, or any combination thereof, of any facilities;

48 (c) Maintain and operate any facilities in accordance with regulations  
49 prescribed by the cooperating entity; and



1 (d) Adopt and enforce regulations, if any, concerning the facilities  
2 and satisfactory to the cooperating entity.

3 7. For a term not extending beyond the expiration of the tax  
4 increment area, or otherwise, without an election, provide by contract  
5 for:

6 (a) The joint use of personnel, equipment and facilities of the  
7 municipality, the Federal Government, the state or any public body, or  
8 any combination thereof, including, without limitation, public buildings  
9 constructed by or under the supervision of the governing body of the  
10 municipality or the other party or parties to the contract concerned, upon  
11 such terms and agreements and within such areas within the  
12 municipality as may be determined, for the promotion and protection of  
13 health, comfort, safety, life, welfare and property of the inhabitants of the  
14 municipality, the Federal Government, the state, any such public body  
15 and any persons of interest, as the case may be; and

16 (b) The joint employment of clerks, stenographers and other  
17 employees pertaining to the facilities, any project or the undertaking,  
18 now existing or hereafter established in the municipality, upon such  
19 terms and conditions as may be determined for the equitable  
20 apportionment of the expenses therefrom resulting.

21 8. In connection with any facilities of the municipality or any part of  
22 the facilities, acquired or proposed in connection with an undertaking, or  
23 with any project, consult with any regulatory or other agency of the  
24 Federal Government, the state or any public body and submit plans,  
25 specifications, or other instruments or documents, or any combination  
26 thereof, to each such governmental agency for its review,  
27 recommendations and other comments.

28 Sec. 31. For purposes of this chapter:

29 1. Facilities may consist of all properties, real, personal, mixed or  
30 otherwise, acquired by the municipality, by any undertaking for any one  
31 or more projects, through purchase, condemnation, construction or  
32 otherwise, and used in connection with any such project and related  
33 services or in any way pertaining thereto, whether situated within or  
34 without or both within and without the territorial limits of the  
35 municipality.

36 2. A municipality shall not acquire as a part of its facilities any  
37 property that at the time of its acquisition competes in any area with then  
38 existing property of a public body providing the same or a similar  
39 function or service therein. A municipality may acquire as part of its  
40 facilities property that complements existing property of a public body by  
41 providing in such an area supplemental functions or services if such  
42 existing property provides inadequate functions or services.

43 3. The municipality may acquire properties of any public body in the  
44 municipality as one undertaking or a project of the municipality or an  
45 interest therein.

46 Sec. 32. A tax increment area expires 30 years after the date on  
47 which the ordinance which creates the area becomes effective, unless the  
48 governing body adopts an ordinance extending the life of the tax  
49 increment area and the ordinance is approved by affirmative vote of a



1 majority of the registered voters in the tax increment area that vote on a  
2 referendum on the ordinance at the general election immediately  
3 preceding the adoption of such an ordinance.

4 **Sec. 33.** 1. This chapter, without reference to other statutes of this  
5 state, except as otherwise expressly provided in this chapter, constitutes  
6 full authority for the exercise of powers granted in this chapter.

7 2. No other law with regard to the exercise of any power granted in  
8 this chapter that provides for an election, requires an approval, or in any  
9 way impedes or restricts the carrying out of the acts authorized to be  
10 done applies to any acts taken under this chapter, except as provided in  
11 this chapter.

12 3. The powers conferred by this chapter are in addition and  
13 supplemental to, and not in substitution for, and the limitations imposed  
14 by this chapter do not affect the powers conferred by, any other law.

15 **Sec. 34.** NRS 274.240 is hereby amended to read as follows:

16 274.240 To encourage the revitalization of specially benefited zones,  
17 the governing body of a designating municipality may:

18 1. Issue bonds or other securities authorized by other law for the  
19 purposes of economic development and use the proceeds for loans to any  
20 new or expanding qualified businesses in the specially benefited zone.

21 2. Reduce or eliminate any license or franchise tax, fee or service  
22 charge which would otherwise be imposed against qualified businesses  
23 within the specially benefited zone.

24 3. Develop and carry out, alone or where feasible with the  
25 participation of one or more designated neighborhood organizations as  
26 provided in NRS 274.250, programs to improve needed governmental  
27 services within the specially benefited zone.

28 4. Develop and carry out a plan to:

29 (a) Ensure the availability of resources to assist residents of the  
30 specially benefited zone in their own efforts to improve the condition of  
31 property and the availability and quality of public services within the zone.

32 (b) Provide or seek assistance for persons or businesses displaced as a  
33 result of undertakings or other activities conducted pursuant to this chapter.

34 5. *Provide financing by tax increment pursuant to sections 2 to 33,*  
35 *inclusive, of this act.*

36 6. Cooperate with any other governmental agency to provide any other  
37 incentive likely to encourage private investment within the specially  
38 benefited zone.

39 **Sec. 35.** NRS 354.59811 is hereby amended to read as follows:

40 354.59811 1. Except as otherwise provided in NRS 354.59813,  
41 354.59815, 354.5982, 354.5987, 354.59871, 354.705, 354.723, 450.425,  
42 450.760, 540A.265 and 543.600, for each fiscal year beginning on or after  
43 July 1, 1989, the maximum amount of money that a local government,  
44 except a school district, a district to provide a telephone number for  
45 emergencies ~~+~~ or a redevelopment agency, may receive from taxes ad  
46 valorem, other than those attributable to the net proceeds of minerals or  
47 those levied for the payment of bonded indebtedness and interest thereon  
48 incurred as general long-term debt of the issuer, or for the payment of  
49 obligations issued to pay the cost of a water project pursuant to NRS



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1 349.950, or for the payment of obligations under a capital lease executed  
2 before April 30, 1981, must be calculated as follows:

3 (a) The rate must be set so that when applied to the current fiscal year's  
4 assessed valuation of all property which was on the preceding fiscal year's  
5 assessment roll, together with the assessed valuation of property on the  
6 central assessment roll which was allocated to the local government, but  
7 excluding any assessed valuation attributable to the net proceeds of  
8 minerals, assessed valuation attributable to a redevelopment area *or tax*  
9 *increment area* and assessed valuation of a fire protection district  
10 attributable to real property which is transferred from private ownership to  
11 public ownership for the purpose of conservation, it will produce 106  
12 percent of the maximum revenue allowable from taxes ad valorem for the  
13 preceding fiscal year, except that the rate so determined must not be less  
14 than the rate allowed for the previous fiscal year, except for any decrease  
15 attributable to the imposition of a tax pursuant to NRS 354.59813 in the  
16 previous year.

17 (b) This rate must then be applied to the total assessed valuation,  
18 excluding the assessed valuation attributable to the net proceeds of  
19 minerals and the assessed valuation of a fire protection district attributable  
20 to real property which is transferred from private ownership to public  
21 ownership for the purpose of conservation, but including new real  
22 property, possessory interests and mobile homes, for the current fiscal year  
23 to determine the allowed revenue from taxes ad valorem for the local  
24 government.

25 2. As used in this section, "general long-term debt" does not include  
26 debt created for medium-term obligations pursuant to NRS 350.085 to  
27 350.095, inclusive.

30





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June 20, 2002

Mr. Guy Hobbs  
Hobbs, Ong & Associates  
3900 Paradise Road, Suite 152  
Las Vegas, NV 89109

Dear Guy:

This will confirm our telephone conversation of the morning of June 17, 2002. As I mentioned to you, NRS § 377.080, the statute which allows the consolidated tax to be pledged to general obligation and revenue bonds, appears to us to have an error in it. Specifically, when the 1997 legislature amended this statute to allow the consolidated taxes to be pledged to bonds rather than only the supplemental city/county relief tax, it introduced three new defined terms into the statute: "local government," "special district," and "enterprise district." (Prior to the 1997 amendments, the statute generally applied to "local governments" which were defined to include cities, counties, districts and enterprise districts.) The 1997 amendment distinguished these entities by defining local government to include only cities and counties, and special districts to be all special districts other than enterprise districts, and enterprise districts to be certain types of certain districts, primarily financed by activities which generate user fees, which are determined to be enterprise districts by the Department of Taxation.

In any event, the statute prior to its amendment, allowed any "local government" (including a special district) to pledge its share of the City/County relief taxes to bonds issued by that local government. (See subsection (1).) Subsection (2) also allowed the local government involved to treat the revenues so pledged to a bond issue as "pledged revenues" for the purposes of NRS § 350.020 which allowed the issuance of certain bonds without an election if a notice is published in the paper and the time for a petition has passed and the governing body gives its citizens a period of time in which to circulate a petition requesting an election.

When the legislature amended this statute in 1997, in the first place that "local government" appears, the clause that allows "local governments" to pledge their consolidated taxes to bond issues, a change was made to state both local governments and special districts could pledge their share of consolidated taxes to bonds. The problem is in the next clause of this subsection, which speaks of the bonds to which the consolidated tax is pledged. Here, the legislature did not amend the phrase "local government" to be both "local government" and "special district." It just left "local government" in. As a result, now, local governments (which

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Mr. Guy Hobbs

June 20, 2002

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are now defined to be only cities and counties) and special districts may pledge their consolidated tax to bonds, but only to bonds issued by "the local government" which apparently means only bonds issued by cities and counties. In the next subsection (which allows the "local government" to treat consolidated taxes pledged to bonds as "pledged revenues" of projects for purposes of NRS 350.020), the legislature also forgot to change the term local government so this provision would apply to special districts. As written it applies only to cities and counties.

After a review of the statute and the legislative history, we believe that this was an oversight at the time of the amendment of NRS § 377A.080 and have confirmed this with persons involved in the amendments made to the statute, including you and Kim Guinaso of the Legislative Counsel Bureau.

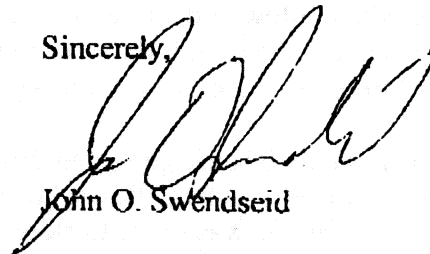
Incidentally, we do not believe it was an oversight to exclude enterprises districts from the provisions of the statute. The act expressly excludes enterprise districts. Also, the legislative history confirms an intent to exclude enterprise districts from being able to issue bonds secured by consolidated tax, but it discloses no such intent for other special districts.

The remedy to this would be to amend NRS § 377.080(1) and (2) to change "local government" to be "local government or special district" in each place it appears. I have appended a copy of NRS § 377.080 which I have illustrated these changes. The new suggested language is in bold italics.

Thank you very much for your assistance in this matter. If it has created a problem for some of the special districts that we work with which are not enterprise districts - - e.g., fire protection districts that are supported by ad valorem taxes and consolidated tax receipts.

Thanks again for the help!

Sincerely,



John O. Swendseid

JOS/cdm

Enclosure

cc: Jennifer Stern  
John Sherman

**Recommended Amendment to NRS 377.080**

**NRS 377.080 Pledge of percentage of revenue from supplemental city-county relief tax to payment of bonds of local government.**

1. A local government or special district which receives revenue pursuant to NRS 360.680, 360.690 and 360.700 may pledge not more than 15 percent of that revenue to the payment of any general obligation bond or revenue bond issued by the local government or special district pursuant to chapter 350 of NRS.

2. Any revenue pledged pursuant to subsection 1 for the payment of a general obligation bond issued by a local government or special district pursuant to chapter 350 of NRS shall be deemed to be pledged revenue of the project for the purposes of NRS 350.020.

3. For bonds issued pursuant to this section before July 1, 1998, by a local government, special district or enterprise district:

(a) A pledge of 15 percent of the revenue distributed pursuant to NRS 360.680, 360.690 and 360.700 is substituted for the pledge of 15 percent of the revenue distributed pursuant to NRS 377.057, as that section existed on January 1, 1997; and

(b) A local government, special district or enterprise district shall increase the percentage specified in paragraph (a) to the extent necessary to provide a pledge to those bonds that is equivalent to the pledge of 15 percent of the amount that would have been received by that local government, special district or enterprise district pursuant to NRS 377.057, as that section existed on January 1, 1997.

4. As used in this section, unless the context otherwise requires:

(a) "Enterprise district" has the meaning ascribed to it in NRS 360.620.

(b) "Local government" has the meaning ascribed to it in NRS 360.640.

(c) "Special district" has the meaning ascribed to it in NRS 360.650.



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**MEMORANDUM**

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**DATE:** July 9, 2002

**TO:** Chairman and Legislative/Advisory Members  
Legislative Committee for Local Government Taxes and Finance

**FROM:** Rick Combs, Deputy Fiscal Analyst  
Fiscal Analysis Division

**SUBJECT:** **Meetings with Elected Officials from Rural Local Governments (*Revised to Correct Inaccuracies Noted at May 17<sup>th</sup> Meeting*)**

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On May 8, 9, and 10, 2002, members of the legislative and advisory committees participated in meetings with elected officials of local governments in Humboldt, Lander, Pershing County, Mineral, and Lincoln Counties. Chairman Parks, Senator Neal, Marvin Leavitt, Janet Murphy, and Mike Alastuey attended all or a portion of the meetings. Staff of the Fiscal Analysis Division, The Nevada Association of Counties (NACO), the Nevada League of Cities, and the Department of Taxation accompanied the committee members to the meetings. The meetings were conducted in order to receive comments from rural local governments about their current and projected financial condition and any ideas they had for improving the financial conditions of the local governments in those counties. Provided below is information regarding the population and finances of each of the counties represented at the meetings.

**Humboldt County**

Humboldt County currently has a population of approximately 16,164. The average annual population growth for the county since 1991 has been 1.8 percent. According to the State Demographer, the population is projected to grow an additional 2.9 percent to 16,635 by 2006. The top employer in the county is Newmont Mining Corporation, which operates the Twin Creeks Mine and the Lone Tree Mine in the county. The Humboldt County School District and the Winners Hotel and Casino are the third and fourth largest employers respectively. The net proceeds of minerals in the county have decreased from a high of approximately \$127.5 million in FY 1995 to approximately \$27.8 million in FY 2001. Revenues from the net proceeds of minerals tax decreased to as low as \$2.9 million in FY 2000. Assessed valuations in the county

have decreased from a high of approximately \$640 million in FY 2000 to a projected low of approximately \$531.5 million in FY 2003. The maximum overlapping tax rate for the county is significantly below the statutory cap of \$3.64 per \$100 of assessed valuation. The current overlapping rate for the county is \$2.879 per \$100 of assessed valuation.

### **Lander County**

Lander County's population is currently 5,761, which is a 9 percent decrease from the population in 1990. The reduction in population is directly attributable to the recent prolonged decline in the mining industry. The top two employers in Lander County are mining companies. Placer Dome U.S., Inc. operates the Cortez Gold Mine and the Echo Bay Minerals Company operates the McCoy/Cove Mine. Lander County government, the Lander County School District, and the Battle Mountain General Hospital are the other major employers in the county. The net proceeds of minerals in the county have decreased from a high of \$255.7 million in FY 2000 to approximately \$138.5 million in FY 2002. Assessed valuations in the county are projected to decrease to approximately \$330 million in FY 2003 from approximately \$400 million in each of the two previous fiscal years. The maximum overlapping tax rate for the county is at the statutory cap of \$3.64 per \$100 of assessed valuation.

### **Pershing County**

The population of Pershing County is currently approximately 6,873 and is projected to decrease to 6,166 by FY 2010. Since 1991, the population has increased by an average of 3.8 percent per year, but has decreased during the last couple of years. The largest employer in the county is the Lovelock Correctional Center, which is a State-owned facility for medium-security inmates. The next four largest employers in the county are Coeur Rochester, Inc. (a mining company), Florida Canyon Mining, Inc., the Pershing County School District, and Eagle Pitcher Minerals, Inc., respectively. Net proceeds of minerals in the county have decreased from approximately \$41 million in FY 1999 to approximately \$12 million in FY 2001, while assessed valuations have decreased from approximately \$190 million to approximately \$165 million since FY 1999. The maximum overlapping tax rate for the county is barely under the statutory cap of \$3.64 per \$100 of assessed valuation. The current overlapping rate for the county is \$3.6392 per \$100 of assessed valuation.

### **Mineral County**

Mineral County's current population is approximately 4,743 and has decreased an average of approximately 2.6 percent annually since 1991. The State Demographer estimates that the population will continue to decrease to less than 3,700 residents by 2010. The Day Zimmerman Hawthorne Corporation (DZHC) is by far the largest employer in the county. The company is the primary contractor for the Hawthorne Army Depot. The next four largest employers are Kennecott Mining Company, Mineral County government, the El Capitan casino and resort, and the Mineral County School District, respectively. The net proceeds of minerals in the county have decreased from \$22.7 million in FY 1996 to less than \$1.5 million in FY 2002. Similarly,

assessed valuations have decreased from approximately \$178 million in FY 1996 to approximately \$85 million in FY 2002. Because the largest employer in the county conducts its business on lands owned by the Federal Government, the county relies on the possessory use tax for much of its revenues. A dispute regarding the assessed value and the amount of property used by DZHC has resulted in a lawsuit against the company to obtain more tax revenues. The maximum overlapping tax rate for the county is at the statutory cap of \$3.64 per \$100 of assessed valuation.

### **Lincoln County**

The population of Lincoln County is currently 3,861. The county has experienced little growth in the last ten years and the State Demographer projects that growth will remain slow during the next 10 years. The largest employer in the county is EG&G Special Projects, a Federal government contractor. The Lincoln County School District is the second largest employer, while Lincoln County government, the State of Nevada, and Grover C. Dils Medical Center are the third through fifth largest employers, respectively. Assessed valuations in the county are increasing steadily and are projected to total approximately \$106.7 million in FY 2003. The maximum overlapping tax rate for the county is at the statutory cap of \$3.64 per \$100 of assessed valuation.

### **Expected Expenditure Increases**

The local government officials attending the meetings indicated there are three main issues that will drive expenditures for local governments in the near future. The first is an expected continuation of escalated costs for providing services for the indigent populations in need of long-term care. Each county indicated that as the populations of their counties age, the expenditures necessary to satisfy the Medicaid match for the costs of long-term care for the indigent would place a strain on the resources of the counties. The counties were also concerned with the increased costs associated with their justice and court systems. Each county expressed concern that court system costs would continue to rise. Finally, all of the local governments were concerned that costs for workers' compensation coverage would increase substantially as a result of certain presumptions that have been included in statute regarding diseases contracted by firemen and police officers. Local government officials indicated that they have already experienced increased workers' compensation costs.

### **Revenue and Fund Balance Concerns**

In all of the counties, except Lincoln County, assessed valuations have decreased or are expected to decrease in future years. The decreased assessed valuations result in decreasing revenues for the local governments from property taxes. Many of the counties are experiencing drastic reductions in the amounts that are received from the net proceeds of minerals tax. Additionally, as populations decrease in counties, the revenues received from sources other than property taxes also tend to decrease. The local governments are concerned about declining fund balances. Most of the governments are tapping reserves to offset some portion of the decreased revenues.

In Mineral County the fund balance has been depleted and expenditures have been reduced significantly to balance the budget. Although the fund balance in Pershing County is approximately 15 percent of operating budget, the county will be forced to dip into reserves to balance next year's budget.

### **Recommended Actions to Assist Rural Local Governments**

The elected officials who were present at each meeting were asked to address whether they believed increasing the percentage used to determine assessed value, decreasing or eliminating depreciation, or raising the \$3.64 property tax cap would be welcomed by rural local governments as solutions to their revenue concerns. The elected officials indicated that they did not believe that raising the taxes of their residents was the appropriate solution to their revenue concerns. County Assessors who attended the meetings were concerned about the costs to their offices associated with adjusting depreciation. In many of the counties, assessors indicated that the market values of homes were already below the replacement costs, plus depreciation. The assessors indicated that reducing depreciation would require a determination of market value on most if not all homes. The elected officials indicated that the local governments might not increase property taxes even if the statutory cap is increased. The officials expressed concerns regarding whether the residents of their local governments could afford an increased tax burden given the current nature of the economy in the rural areas.

In every county the elected officials indicated that they wished to receive more assistance from the State in their efforts to promote economic development within their jurisdictions. Each county had a different focus in regard to the economic development activities that would be taken if more money were made available by the State, but most of the counties are attempting to diversify economies that are currently heavily dependent on natural resources and mining. The elected officials also indicated that State assistance in promoting tourism in the rural portions of the State would be welcomed and could assist in generating additional revenues for the local governments.

Other than increased funding for economic development and tourism promotion activities elected officials provided other proposals for assisting the rural local governments. In Humboldt County and Mineral County, officials seemed to be concerned about the State taking revenue resources away from the local governments, and indicated that unfunded mandates should be eliminated. In Pershing County one elected official indicated that the State might want to consider providing incentives for businesses to locate in rural areas. In Mineral County, a member of the Board of County Commissioners indicated that the State could authorize local governments who are in difficult financial situations to use the revenue generated by the 15-cent portion of the property tax that is levied for State capital improvements at least on a temporary basis. In Lincoln County the County Manager discussed a proposal to allow Lincoln County to keep a larger portion or all of the taxes generated from a proposed power plant that may be constructed in the county. The County Manager plans to make a presentation regarding his proposal at the next meeting of the Advisory Committee.

### **Conclusion**

Local governments are struggling to provide services to their residents in the face of decreasing revenues. The elected officials believe that the solution to their problems lie primarily in efforts to diversify their economies through economic development activities and the promotion of tourism. Although the rural officials made some suggestions regarding efforts that can be made to assist them in their efforts, the officials did not express support for increasing taxes in their counties.



DAVID R. PARKS

ASSEMBLYMAN

District No. 41

ASSISTANT MAJORITY FLOOR LEADER

COMMITTEES:

*Member*

Commerce and Labor

Constitutional Amendments

Taxation

Ways and Means



# State of Nevada Assembly

**Seventy-First Session**

April 4, 2002

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Mr. Guy Hobbs, Chairman  
Governor's Task Force on Tax Policy  
3900 Paradise Road, Suite 152  
Las Vegas, Nevada 89109

Dear Mr. Hobbs:

At its meeting of March 21, 2002, the Legislative Committee for Local Government Taxes and Finance received information on state-levied taxes and other revenues available to fund the state budget. Since the Task Force's discussion has included comparative responsiveness of different revenues to population and CPI, it was felt this information should be shared with the Task Force.

The data presented included revenues directly deposited to the State General Fund and state-imposed taxes, which offset appropriations fulfilling state responsibility to support public education and pay state debt. The enclosed table shows that in fiscal year ending June 30, 2001, nearly two-thirds of the revenue needed to fund these state responsibilities was available from either property taxes or sales taxes, both of which generally respond positively to growth in population and CPI over the long term.

In the spirit of cooperation the Legislative Committee for Local Government Taxes and Finance has directed that this information be forwarded to the Governor's Task Force.

Sincerely,

A handwritten signature in black ink, appearing to read "David Parks".

Assemblyman David Parks, Chairman  
Legislative Committee for Local Government  
Taxes and Finance

Attachment

**STATE LEVIED TAXES AND OTHER REVENUES  
AVAILABLE TO FUND THE STATE BUDGET (1)**

	<b>STATE AMOUNT</b>	<b>PERCENT OF TOTAL</b>
<b>PROPERTY TAXES</b>		
STATE DEBT	\$74.6	2.6%
STATE LEVY FOR SCHOOLS	373.0	12.9%
MINING	14.7	0.5%
<b>SALES TAXES</b>		
STATE SALES	645.8	22.4%
STATE IMPOSED FOR SCHOOLS	700.1	24.3%
<b>LIQUOR, CIGARETTE, &amp; OTHER TOBACCO</b>	65.0	2.3%
<b>SUBTOTAL</b>	<b>\$1,873.2</b>	<b>65.0%</b>
<b>GAMING</b>	668.4	23.2%
<b>INSURANCE PREMIUM</b>	146.9	5.1%
<b>OTHER TAXES</b>	5.0	0.2%
<b>BUSINESS LICENSE</b>	77.8	2.7%
<b>OTHER LICENSES</b>	50.1	1.7%
<b>FEES, FINES FORFEITURES</b>	13.1	0.5%
<b>INVESTMENTS</b>	27.6	1.0%
<b>OTHER REVENUE</b>	19.7	0.7%
<b>GRAND TOTAL</b>	<b><u>\$2,881.8</u></b>	<b><u>100.0%</u></b>

(1) ILLUSTRATION BASED ON FY 2001 ACTUAL REVENUES  
DIRECT STATE GENERAL FUND DEPOSITS AND  
REVENUES OFFSETTING STATE APPROPRIATIONS

## **Appendix K**

### **SUGGESTED LEGISLATION**

The bill draft requests requested by the Legislative Committee for Local Government Taxes and Finance will be available after the commencement of the 2003 Legislative Session.