

**MINUTES OF THE  
SENATE COMMITTEE ON TAXATION**

**Seventy-fourth Session  
March 27, 2007**

The Senate Committee on Taxation was called to order by Chair Mike McGinness at 1:30 p.m. on Tuesday, March 27, 2007, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator Mike McGinness, Chair  
Senator Randolph J. Townsend, Vice Chair  
Senator Bob Coffin  
Senator Michael A. Schneider  
Senator Terry Care

**COMMITTEE MEMBERS ABSENT:**

Senator Dean A. Rhoads (Excused)  
Senator Mark E. Amodei (Excused)

**GUEST LEGISLATORS PRESENT:**

Senator Maggie Carlton, Clark County Senatorial District No. 2  
Senator Warren B. Hardy II, Clark County Senatorial District No. 12  
Assemblywoman Debbie Smith, Assembly District No. 30

**STAFF MEMBERS PRESENT:**

Tina Calilung, Deputy Fiscal Analyst  
Russell J. Guindon, Senior Deputy Fiscal Analyst  
Julie Birnberg, Committee Secretary

**OTHERS PRESENT:**

C. Daniel Carroll, Global Discoveries, Limited  
Alvin P. Kramer, Treasurer, Carson City  
Patrick G. Foley, Chief Deputy Treasurer, Office of the State Treasurer  
Paul Dugan, Superintendent, Washoe County School District  
Joyce Haldeman, Executive Director, Community and Government Relations,  
Clark County School District  
Bruce Krater, Washoe County Oversight Panel on School Facilities  
Perry DiLoreto, Northern Nevada Development Coalition  
Tom Fitzgerald, Chief Executive Officer, Nevadaworks  
Steven J. Laden, Vice President, Education Collaborative of Washoe County,  
Incorporated  
Shirley Beasley, Parent Involvement Council, Washoe County School District  
Jody Ruggiero, Member, Board of Trustees, Washoe County School District  
Jenny N. Welsh, Nevada Association of Realtors  
Penny Mayer, Nevada Association of Realtors  
Dennis Wilson, Nevada Association of Realtors  
Jeremy Aguero, Applied Analysis  
Jake L. Parmer, Builders Association of Northern Nevada  
Greg Peek, First Vice President, Builders Association of Northern Nevada  
Bambi Spahr, Executive Director, Builders Association of Northern Nevada  
Lea Lipscomb, Retail Association of Nevada  
Michael R. Alastuey, Clark County; Nevada Association of School  
Superintendents  
Fred Maryanski, President, Nevada State College  
Philip D. Speight, City Manager, City of Henderson  
John O. Swendseid, Bond Counsel, Nevada System of Higher Education;  
City of Henderson  
Carole A. Vilardo, Nevada Taxpayers Association  
Daniel J. Klaich, Executive Vice Chancellor and Chief Operating Officer, System  
Administration Office, Nevada System of Higher Education

CHAIR MCGINNESS:

We will open the hearing on Senate Bill (S.B.) 375, beginning with Senator Warren B. Hardy II.

**SENATE BILL 375**: Revises provisions governing certain unclaimed property held by a county treasurer or the Administrator of Unclaimed Property. (BDR 32-74)

SENATOR WARREN B. HARDY II (Clark County Senatorial District No. 12):

This bill followed me last election cycle when former Senator Sandra J. Tiffany contacted me about an issue she was sponsoring, felt strongly about the issue and wanted to make sure the bill got new sponsorship. I volunteered to assume sponsorship, and that is why I am here today.

C. DANIEL CARROLL (Global Discoveries, Limited):

Global Discoveries, Limited is a company that processes excess proceeds claims in Nevada. Two years ago, Assembly Bill (A.B.) No. 371 of the 73rd Session was passed. It limited fees an excess proceeds locator could charge to 10 percent to conform with unclaimed property laws of Nevada. That bill effectively stopped locators from working in your state and had a harmful effect on your residents. Properties sold at tax sale have excess money left over. Former owners and lien holders have a right to collect that money, but they have to present a claim within two years.

Global Discoveries, Limited is a company which goes out and finds people who have not made claims and processes claims on their behalf, based upon a percentage of the recovery. They file claims on behalf of individuals and companies. They work for builders such as Lewis Homes, Syntex and K.B. Builders, Incorporated. They process claims for the Federal Deposit Insurance Corporation. Previous claim clients include the Resolution Trust Corporation, Wells Fargo Bank, Bank of America, Household Finance, numerous bankruptcy trustees, Fannie Mae, ITT and other credit facilities. Global's employees exceed 20 people, all of whom are full-time, full-salaried and benefited employees. Global's cost for salaries to process a claim is approximately 15 percent; the 10-percent limitation means they lose 5 percent on every claim processed. The bill has put them out of business in Nevada.

Tax collectors send a notice before the tax sale to the owners and lien holders telling them of the tax sale. They do not send them a notice of the excess proceeds after the tax sale. Someone who lives on a piece of property gets that notice; someone who is an heir, whose relative may have owned the property and died, does not receive that notice. They may be elderly, in a convalescent home, poor or uneducated. Global goes out to find those people. They employ

investigators, have a mainframe by which they search the country for heirs, find those people and process these claims for a percentage. Because Global and other companies like Global cannot do business for 10 percent under current statute, those people receive 90 percent of nothing, whereas in the past, Global charged between 30 percent to 35 percent to process a claim. Those people received 65 percent to 70 percent of the money which they would not have otherwise received. They did not understand their rights until Global and companies like Global put them in a position to learn their rights.

MR. CARROLL:

Assembly Bill No. 371 of the 73rd Session went to the 10 percent based upon the Uniform Disposition of Unclaimed Property Act in *Nevada Revised Statute* (NRS) 120A. The big difference is the Unclaimed Property Act has a statewide Website. It does not require Global to process these types of claims, purchase a title report on every property sold and trace the title of the owners and lien holders based upon that title report. With the Unclaimed Property Act, you go to the State's Website, find the funds, the address and track someone down. Ten percent of that claim might be a reasonable fee, but with your cost of doing business, buying title reports and hiring investigators, 15 percent does not cover expenses. It is an expensive process.

Senate Bill 375 removes the 10-percent limitation. It also puts in a safeguard we proposed in California that individuals or companies which process claims or act as locators on behalf of people are required to be a licensed realtor with professional liability insurance of \$1 million and a surety bond of \$1 million. On every claim submitted to the county treasurer or tax collector, they have to submit proof of insurance and bond. We have now legitimized these locators by imposing a licensing requirement, bonding and insurance. In 2005, Global processed 100 claims a year in Nevada. In 2006, Global processed no claims in Nevada because they cannot do it anymore. Senate Bill 375 addresses the 10-percent limitation by taking it out but providing safeguards in terms of insurance, bonding and licensure. With regard to the credit facilities Global represents, they negotiate fees on an annual basis.

SENATOR CARE:

Elaborate a little on the fact where the finder would be glad he has an insurance policy; what could happen?

MR. CARROLL:

The finder could lie to someone. The finder could abscond with the funds. Oftentimes, funds are paid to the finder in trust. In example, a person went to another person and told them they could not get the excess proceeds, but they would give them \$8,000 for their rights. For \$8,000, he made a claim of \$600,000 in excess proceeds. We sued that gentleman for negligent misrepresentation, a form of fraud, an insurable form of fraud in California. Fortunately, I was able to stop the county from paying the money. But if the county had paid that person, we would not be able to chase him. If they had a surety bond, we could go after the surety bond based upon misrepresentation. If they had insurance, we could go after the insurance based upon misrepresentation, negligence and elder abuse.

We selected \$1 million because it is large enough to ensure that someone who does legitimate business pays for that much insurance. Before the insurance company issues a surety bond of \$1 million, they ensure the party is a legitimate business not practicing out of the trunk of a car with a cell phone or doing things from another state and expressing things back. Global's goal is to make sure this business is on the up-and-up. The licensing requirement says licenses in any state or the District of Columbia. In California, we proposed that it be licensed in the state of California. You may want to consider making it licensed in Nevada. What that does is if a real estate professional defrauds someone, their license is on the line. They could be subject to criminal prosecution or civil penalties in a licensing environment.

SENATOR CARE:

Is there any danger if this bill passes and becomes law that we are effectively not creating a competitive atmosphere such that only companies like Global will be able to do any business in Nevada?

MR. CARROLL:

Other companies like Global do business the same way. The people I call shady operators, who practice around the edges, will find it more difficult to do business. Those people who take advantage of others are the people you want to control. They are the ones who do not have a connection or an address; if they take advantage of someone, you cannot find them. Yes, it is going to be more difficult to do business. On the other hand, legitimate businesses cannot afford to do business in Nevada. By allowing them to charge a freely negotiated

fee, you reinstall the legitimate companies and put everyone on a level playing field.

SENATOR CARE:

In S.B. 375, section 2, subsection 4, "Property may be reconveyed ... to one or more of the persons," we have added the creditor under a judgment to the list. That requires a recordation of a judgment.

MR. CARROLL:

Correct, a judgment or abstract of judgment.

SENATOR CARE:

Does the judgment creditor have to take any affirmative steps after that or is the treasurer on notice?

MR. CARROLL:

Under your prior law, a judgment creditor was not entitled to claim the excess proceeds. If I had a judgment against someone who owned property in Nevada with excess proceeds coming, I could get to them before he could. This creates that right in a creditor under a judgment.

SENATOR CARE:

This is just another manner of execution available to a judgment.

MR. CARROLL:

Your law—as does California's—puts lien holders and judgment creditors at priority, so they get paid first. It is like, if you sell your property and I have a judgment recorded against your property and Wells Fargo has a deed of trust, when you sell your property, the escrow pays the judgment holder and Wells Fargo before they pay me. Under prior law in Nevada, the judgment creditor did not have those rights as to excess proceeds. This law creates that conformity to ensure a judgment creditor is protected.

SENATOR CARE:

Section 2, subsection 5, paragraph (b) has a deletion of "include a description of the property."

MR. CARROLL:

I have no problem with that being in there. That deletion was not our proposal.

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SENATOR CARE:

Section 4 references, chapter 120A of the NRS, our Uniform Disposition of Unclaimed Property Act. I am working with the State Treasurer's Office for an adopt-and-revise version.

MR. CARROLL:

Global is not actively processing those types of claims. When this concept was presented to Senator Tiffany and passed along to Senator Hardy, this provision was added to conform unclaimed funds with excess proceeds. Our goal is the excess proceeds portion of the statutes. I understand your position; we would not have any opposition to that.

SENATOR COFFIN:

Last session, A.B. No. 371 of the 73rd Session was handled by the Government Affairs Committees in both Houses. It passed unanimously in both Houses after each amended the bill. I do not know why we were operating under the same rules. The original concept bill was drafted at the request of the Association of County Treasurers of Nevada. It was a local government bill. What brings this bill to the Taxation Committee?

CHAIR MCGINNESS:

The bill amends NRS 361 on property tax, which is under the purview of this Committee. I do not know where that bill came last time.

SENATOR COFFIN:

It was in Government Affairs.

MR. CARROLL:

I have no idea why it came to this Committee, although having read the legislative history of A.B. No. 371 of the 73rd Session, it appears that bill was focused toward auditing county treasurers and hiring investment advisors. Only a couple comments regard the 10-percent limitation. The bill was directed more toward public finance and the hiring of auditors and private investment advisors. That may be why it was in Government Affairs rather than this Committee whereas S.B. 375 deals more with property taxation.

SENATOR COFFIN:

The 73rd Session bill that went to Government Affairs required two-thirds; since this one does not require two-thirds, it comes to Taxation.

ALVIN P. KRAMER (Treasurer, Carson City):

We do not care who can apply for this; we would like a responsible person. The law now says it should be a person who is licensed to find people, which is a private investigator. We have no problem with adding creditor under judgment on page 3, line 32. The part that concerns us most is having a claim of more than 10 percent. I have a claim for 100 percent signed by the person, so they came to an equitable agreement. What is going on here? Relating to the last testimony, Global said they had not done any claims in 2006, yet Mineral County shows paying out over \$11,000 to Global Discoveries that year. Senate Bill 375 says once the county deposits the excess proceeds into the bank, we need to track interest until such time it is disbursed. We disburse to either a claimant or state unclaimed property as opposed to reverting to county property. As an irregular source of income, it amounts to substantial dollars, especially for the rural counties. It can range from \$30,000 to \$100,000 in any given year. It is a sum of money some of these rural counties will dearly miss, paying interest on that adds insult again. If you get to the point of sending this to unclaimed property, do it the day of the sale, and let the state keep track of the interest because unclaimed property does not pay interest for theirs. Section 3, subsection 5 is good by stating a priority of the claim, although I differ with subsection 9 saying a person can sign this over to someone else; I would write the check to the person and the finding company, not just to the finding company to disburse the way they want.

One of the changes we propose this year in our treasurers' bill is not necessarily the value of the property but the value of the excess proceeds, because the property could be worth \$100,000 and excess proceeds may be worth only \$20,000. We want to narrow it down to the value of the excess proceeds.

PATRICK G. FOLEY (Chief Deputy Treasurer, Office of the State Treasurer):

Our review of S.B. 375 shows changes to NRS 120A would adversely affect our Office. An opinion letter issued by the Attorney General's Office in 1987 requires our finders who come in for processing a property claim to have a private investigator's license in Nevada. We also have concern in section 5 that changes how properties are turned over to us and descriptions of property that comes in to us. It is important for us to have the description of the property; it helps us in further identification back to the claimant when they make a claim for the property. Oftentimes we do not get an actual account number, but it better identifies whether it is a Uniform Gift to Minors Act type transaction or something that further describes the property.



Ten percent has been a unified fee in most states and in Nevada for quite a few years. In talks with Senator Care regarding this in his amendment in taking unclaimed property under NRS 120A, we agreed to the 10-percent rule.

CHAIR MCGINNESS:

We close the hearing on S.B. 375 and open the discussion on S.B. 141.

**SENATE BILL 141**: Increases the rate of the tax on transfers of real property in certain counties to fund capital projects for the county school district. (BDR 32-757)

PAUL DUGAN (Superintendent, Washoe County School District):

I present a handout for the Committee ([Exhibit C](#)). In 2002, the voters of Washoe County approved a ten-year bond rollover to address the need of new schools for continued student growth, improve our technology infrastructure and, equally important if not more so, address the needs of older school renewal and revitalization. Of the 93 Kindergarten-through-Grade-12 (K-12) schools in Washoe County, 56 are over 20 years old and, of those, 39 are over 40 years old ([Exhibit D](#)). With passage of the rollover bond, it was projected that sufficient funds would be generated to address our needs. That is not the case. Two unforeseen occurrences beyond our control that took place had a dramatic and negative impact. The first was the unprecedented increase in construction costs of over 50 percent. The second that took place during the 2005 Legislative Session, impacting anticipated revenues, was the property tax abatement cap of 3 percent and 8 percent.

A potential, third unforeseen negative impact on Washoe County revenue is the legal battle with regard to the Incline Village property tax assessments. As these cost increases and revenue reductions take place, the Washoe County School District continues to focus on significant cost-saving efforts, to include: multitrack year-round calendars at the elementary level, resulting in avoiding the cost of building three new elementary schools, and a district-wide rezoning project beginning with the elementary schools, moving nearly 1,300 students and saving the cost of two new elementary schools. Rezoning, coupled with the three elementary schools not built due to multitrack calendars, has saved the taxpayers of Washoe County nearly \$100 million. With the hiring of an energy manager, the school board makes a commitment to proactively take energy cost-saving steps that add short-term and long-term positive impacts. Concurrent with the cost-saving efforts and under board direction, my staff and

I began to look at finding additional revenue sources. The most traditional source is to go to the voters for a bond issue and property tax increase. However, in Washoe County, we are nearly at our cap of \$3.64; therefore, this is not a viable option. Another traditional source seeks voter approval through an advisory question to raise the sales tax; school districts do not have the authority to place an advisory question on the ballot, but must ask the county to do so. Last November, Washoe County and the Cities of Sparks and Reno placed an advisory question to increase sales tax for police and fire protection. While these short-term sources of revenue are not options, we continue to work with the County and cities to see if they can become so in the future.

Realizing the importance to involve and seek input from community leaders in 2006, I put together a Washoe County School District Blue Ribbon Committee consisting of representatives from the County and cities, Economic Development Authority of Western Nevada (EDAWN), Reno-Sparks Chamber of Commerce, Reno/Sparks Association of Realtors, Builders Association of Northern Nevada, Associated General Contractors, major developers, Nevadaworks and a variety of other civic leaders and organizations. Their purpose was twofold: first, to determine if the Washoe County School District had a legitimate capital construction and school renewal need, and second, to offer advice on how to seek additional revenue sources if this need existed. The Committee met over a period of six months. At the conclusion, they passed the Resolution on page 2 of [Exhibit C](#) stating the Washoe County School District demonstrates a critical need for additional revenue for capital construction and school renewal, and the Committee supports the District's pursuit of the same revenue sources available to other Nevada districts, including the Real Property Transfer Tax, Residential School Construction Tax, room tax, sales tax and any other sources identified in the 2007 Session of the Nevada State Legislature. Those that signed this Resolution include: Associated General Contractors; Reno-Sparks Chamber of Commerce; EDAWN; Education Collaborative of Washoe County, Incorporated; Nevada Hispanic Services, DiLoreto Construction and Development, Inc., the Parent Involvement Council and the Reno/Sparks Association of Realtors.

The Taxation Committee advised me to seek a broad-based solution to this revenue shortfall. Three additional subcommittee meetings were held. While this group was unable to come to a broad-based solution, the Washoe County School District is committed to continue these discussions in earnest. The article titled "School Funding is Unfair" on page 3 of [Exhibit C](#) says Washoe

County School District is the only school district of all 17 barred from any revenue for capital construction and school renewal. Due to our County population, we are caught in the proverbial no-man's land—not large enough to qualify for the Real Property Transfer Tax or transient lodging tax and not small enough to qualify for the Residential School Construction Tax or the county infrastructure tax. In 1997 when Clark County School District was allowed to receive revenue from the Real Property Transfer Tax, Washoe County School District sought to be part of that but was unsuccessful.

If you do not receive additional revenue sources, what happens? Under student growth projections of a conservative 0.5 percent, Washoe County School District will need two additional elementary schools and one additional middle school through 2012. Beyond that, we need an additional middle school and at least one high school through 2014. Older school renewal estimates, including technology, exceed \$400 million. Our board has to decide how limited resources are used toward older school renewal or new schools. I recommend any revenue be devoted to older school renewal. We cannot continue to allow the educational equity gap to widen. This means those areas that need new schools have to deal with double sessions. No matter what, our problems will compound and leave a lasting effect on students, staff and parents. As you can see from the two bar charts titled "Available Funding to Needs: 2007-2012" on page 4 of [Exhibit C](#), even if the Real Property Transfer Tax passes for Washoe District, we continue to be short. We are committed to work with other community leaders to develop a broad-based solution, but S.B. 141 represents the most broad-based approach to our revenue shortfall. I ask that this Committee move S.B. 141 forward to correct the funding inequity and address a critical funding need for the students of Washoe County.

Over time, this Legislature has gone to great lengths to craft a school funding system for operational dollars, considered as a model of fairness and equity. However, on the capital construction side of the equation, we have allowed a manifestly unfair system to develop which treats various school districts differently. On behalf of the school board, staff, students and community of Washoe County, I ask that this Legislature and Governor do what is right and create the same playing level in school capital construction and renewal as in school operations.

ASSEMBLYWOMAN DEBBIE SMITH (Assembly District No. 30):

As the chair of the interim Committee to Study School Financing Adequacy, we looked at other items such as school construction and transportation needs. I have provided a copy of a letter [Exhibit D](#) addressed to the money and education policy committees of both Houses. Our Committee spent several months studying and deliberating the issues regarding school finance in this state. Paul Dugan is correct; in this country, we continually receive the best grades in our school finance equity system. We always receive an "A" in that regard. At our March 2006 meeting, we spent the entire day focused on school construction, and we brought in representatives from all over the state to hear their diverse needs. Just as critical in small districts as the large districts in keeping up with problems of school construction is the need for a stable, funding source.

After spending that day receiving information about various funding available in different districts, there was a big discrepancy between the different districts. While no recommendations were developed regarding capital construction in school districts, the Committee approved forwarding this letter to encourage the 2007 Legislature to consider legislation providing a dependable, stable funding source for the financing of K-12 capital construction, renovation and maintenance needs of school districts. The Committee urges the Legislature to review the five sources of funding available to school districts for capital projects to determine if access to each of these sources is appropriate for all school districts.

As a member of the Washoe County School District Blue Ribbon Committee, the District did a compelling job at presenting the information of having a broad-based representation on the Committee. Stating the case for funding in this County cuts across all lines. We see it in the most affluent parts of town and places where schools are older and in serious need of repair; we see growth causing the need in our community.

SENATOR COFFIN:

In 1997 on Taxation, Washoe County did not want anything to do with the proposal. Let us suppose we already thought about additional sources of revenue. As Paul Dugan said, this bill is not enough for new construction. Mr. Dugan, going back into rehab and maintenance, did you address what happened with the transient lodging tax in your initial remarks?

MR. DUGAN:

I alluded to it when I said one recommendation from the Blue Ribbon Committee was to develop a more broad-based solution to this problem. I gathered the Nevada Resort Association, Reno-Sparks Convention and Visitors Authority (RSCVA), realtors, builders, cities and County to develop that broad-based solution. We were unsuccessful.

SENATOR COFFIN:

You are getting away from my question; in particular, why you did not go for the room tax?

MR. DUGAN:

We may go for the room tax at a later date, but we are unable to garner the support for success with regard to the room tax. If you recall, Senator William J. Raggio was willing to put forward this particular bill dealing with the Real Property Transfer Tax, and we were appreciative to have that. You are right, we need to address the other revenue sources but are unable to do that at this time.

SENATOR COFFIN:

Did casino owners tell you they did not want to have any part of it?

MR. DUGAN:

They said you cannot compare Washoe County to Clark County with regard to the room tax, and they do not have enough money to deal with the challenges already in place.

JOYCE HALDEMAN (Executive Director, Community and Government Relations,  
Clark County School District):

In 1997, A.B. No. 353 of the 69th Session passed. Senator Mark E. Amodei was one sponsor of that bill which was landmark legislation for Clark County resulting from bipartisan support in both Houses as well as the cooperation of various business leaders in the community. On the Assembly side, former Assemblywoman Chris Giunchigliani led the charge with former Senator Jon C. Porter, Sr. taking the lead on the Senate side. Assembly Bill No. 353 of the 69th Session increased the room tax fee and the Real Property Transfer Tax for the support of capital projects for school districts. In 1998 when we approached the voters of Clark County for reauthorization of the existing property tax rate used for school construction

and modernization, we promoted a 10-year package with the expectation of generating \$3.5 billion, 88 new schools and hundreds of millions for renovation of older schools. That money turned out to be more than that; the last number I saw was \$4.7 billion, and we are producing quite a few more schools than were promised. We were able to sell the property tax rollover as one leg of a three-legged school.

The three revenue sources are property tax, which requires voter approval, Real Property Transfer Tax and the hotel room tax. The last two revenues were authorized by the Legislature via A.B. No. 353 of the 69th Session. In this year's budget for Clark County's school construction, we have \$650 million of revenue generated by all resources available. Of that revenue, 10.6 percent comes from the Real Property Transfer Tax, and 11 percent comes from the hotel room tax. Although the vast majority of the money comes from voter-approved property tax, without those two additional revenue sources, we would be unable to meet our needs. We are a lot like Washoe County; we have far more needs than money in spite of those huge numbers.

When A.B. No. 353 of the 69th Session was under consideration by the Legislature, we were fortunate to have local communities support the concept. At the time, a lot of conversation regarded imposing impact fees, and the Real Property Transfer Tax was deemed a preferable alternative. Gaming remains the fastest-growing industry in Clark County. An increase in hotel room tax was the tool used for gaming to pay its fair share. Organizations representing gaming and real estate came to the table in support of these new revenue sources. Their rationale was in order to make Clark County a place where people wanted to live, it was important to make sure we could provide the schools to support students of families who wanted to move there. In November 1998, voters overwhelmingly authorized an extension of the existing property tax rate which expires in June 2008. We will return to voters in November 2008 to continue that building program. In Clark County, the resources provided by A.B. No. 353 of the 69th Session created an excellent model for our County's needs. It has a self-adjusting mechanism wherein when growth increases, so do the revenues. Likewise, when the market slows down resulting in fewer new residents and students who need seats, the revenues slow down. The bill also provided an oversight panel to monitor and determine whether revenues generated by the Real Property Transfer Tax and the hotel room tax are actually needed before the board of school trustees authorizes the sale of bonds. The board must have the approval of the oversight panel for these two revenue

sources. For Clark County, the model approved ten years ago continues to serve us well.

BRUCE KRATER (Washoe County Oversight Panel on School Facilities):

For the past three years, I have chaired the Washoe County School District's bond Oversight Committee. Nevada law requires this committee to have 11 members. Six are elected officials, two each from Washoe County Board of Commissioners, Reno City Council and the Sparks City Council. The remaining five members must include one structural or civil engineer, one person representing public works construction, one with experience financing or estimating the construction projects, one from our gaming industry and one from the general public.

You have given our committee two tasks. We must review and approve all requests by the School District for the issuance of general obligation bonds. We determine if requests are necessary and properly allocated. The second task is to recommend legislation on even-numbered years for financing new construction, design, maintenance and repair of school facilities. Washoe County School District desperately needs additional funding sources for its capital improvement construction program. The current estimate shows available funding for capital improvements is not sufficient to meet critical needs of the District for the next six years. Unless other sources are made available to Washoe County School District, current levels of service for public education in Washoe County will be severely impacted both in developing areas of the County and older established neighborhoods. Our Committee has not taken a specific position on S.B. 141 but feels Washoe County is hurt by not having the financial resources for school construction available to other school districts.

SENATOR SCHNEIDER:

In Clark County, we did a tax similar to this, but we included several industries with the tax. It was not just specific to real estate. It included all our industries. The gamers paid some, homeowners paid, everyone paid. This seems like the job is not complete if you target one tax to take care of the problem. It is not broad-based enough, and as Ms. Haldeman said, when real estate sales slow down, you do not need to build new schools. You are locked into 20-year bonds. If this tax slows down, and it will, this is one of the worst taxes to build schools and project the growth of your school district. It seems like a volatile tax. In Las Vegas, appraisers are out of work. I would feel a lot better if there was more of a broad base here.

MR. DUGAN:

You are right. We were tasked to find additional revenue sources, and we need to find additional sources. Clark County went beyond the Real Property Transfer Tax to add the room tax. They have two additional revenue sources. We have none. We have to start somewhere; of the taxes available to us, the Real Property Transfer Tax—while volatile—is the tax we are allowed to bond against. Because we are not allowed to bond against the more volatile residential construction tax, we went with the Real Property Transfer Tax. That tax affects all who have lived in a home for a number of years and who are buying their home for the first time. It is a broad-based solution.

SENATOR SCHNEIDER:

It seems narrow. What happened to the room tax?

MR. DUGAN:

We walked away for now. We have a significant challenge just with the Real Property Transfer Tax. We need broad community support in order to do a broad-based solution to this. As of now, the room tax representatives said they cannot afford to support our efforts utilizing the room tax.

SENATOR SCHNEIDER:

The time is never right to pay taxes, but sometimes we have to suck it up for our communities. We have warehousing; we have gaming with room tax, manufacturing etc. In the past, we have exempted Washoe County out of basically the state. We exempt anybody with counties over 400,000. Clark is now at 400,000. In 1997, we exempted you from stepping up and getting money for schools. This is going to be like White Pine County when you come in here bankrupt. You will then ask the state to build some schools.

SENATOR CARE:

What is the plan if this bill fails?

MR. DUGAN:

I will recommend to the board—and they will have the final decision—that any funding remaining between 2007 and 2012 be used for older school renewal. Growing areas that need new schools will not get those schools. We then deal with overcrowding and look at double sessions; it will not be the same type of educational delivery we do now.



SENATOR CARE:

You talked about that despite language in the Resolution; it appears as though only the Real Property Transfer Tax is available through the Legislative Session. I do not want to mischaracterize your testimony, but that is my impression. You have not given up on these other things, but as a practical matter, the Real Property Transfer Tax is probably it.

MR. DUGAN:

That is correct, Senator.

SENATOR CARE:

If we do not process this bill do you have commitments from anybody?

MR. DUGAN:

The group at the table the longest that has not missed a meeting is the Reno/Sparks Association of Realtors. They have committed along with the cities and the County to work together to develop a broad-based solution. We will meet with those groups and start again.

SENATOR CARE:

Was it Washoe County, that voted no on an advisory question for an increase in sales tax for more police?

MR. DUGAN:

Yes, Senator.

SENATOR CARE:

What was the margin on that vote, do you remember?

MR. DUGAN:

It was close.

SENATOR CARE:

The same thing was happening in Clark and Nye Counties a couple years ago.

PERRY DILORETO (Northern Nevada Development Coalition):

The Northern Nevada Development Coalition is a coalition of builders and developers that works primarily in master planned communities in northern Nevada. We first came together to address serious water issues we face in

northern Nevada. Recognizing the importance of a quality educational system, we have committed ourselves to an active role in issues surrounding education infrastructure. I served on the Blue Ribbon Committee, and during those meetings, I learned about our school district with respect to infrastructure financing. The Washoe County School District is falling behind. Capital funding for the district is inadequate. Between the years 2007 and 2012, a huge shortfall is in the hundreds of millions. The remainder of funds available from rollover bonds are totally inadequate. The reason for the shortfall is well-documented; I have witnessed skyrocketing property values and construction costs. Washoe County received property taxes and government services to fund capital improvement projects while property taxes are capped. Demands we put on our school system have no cap. Think about all the other functions we constantly expect our school district to provide. Their area of responsibility goes well beyond what many of us experienced back in our education years. Basically, go to school, get an education. Society has come to expect so much more from our school districts. While every other district has an additional, dedicated funding source, Washoe County does not. Senate Bill 141 will not come close to solving the rest of the problem, but it is a start. The choice had to be made, given the time available, to have no consensus, come down here now and ask for anything. The money from S.B. 141 is restricted. This has nothing to do with operational costs such as all-day kindergarten; this is a facilities issue. I and many others may have issues with some of the operational issues before you in this session with respect to our school district and educational system. The facilities that can be funded by way of this tax are necessary and important.

We need to look at fundamentals of both the maintenance and increase in property value because property transfers support this tax. Why do property values maintain or increase? We have seen significant increases over the last three to five years in northern Nevada as in southern Nevada. Why are people willing to pay the prices? The motivation behind demand has to do with quality of life. Some portion of the increase in property value is based on the fact that quality of life services provided to the individual properties by society and government are done well. The quality of our school system along with police, fire protection, transportation, infrastructure, clean air and drinking water are all key elements that have to be supported. When a property is transferred—and in the vast majority of cases, it is at a gain—it is only fair that some portion goes back to society or government to support essential quality of life services that

help maintain that very value and contribute to the gain. Simply said, it is a nice place to live. Education needs to be at the top of that list.

The practice in Washoe County is split between buyers and sellers. It is small in comparison to what happens. The tax has spread to all sectors—residential, new and existing pay. Commercial, retail and raw land pay the transfer tax. New development pays several times. In the normal process when a piece of raw land is sold to a developer, add transfer tax; once the land developer sells to a home builder company, add transfer tax; finally when the home builder sells to the ultimate consumer of the house, add transfer tax. Education is a quality of life issue. The facilities are vital to quality education; without quality schools, Washoe County will be a less attractive place to raise a family, work and run a business. Education is also an economic issue; a reputation of poor schools discourages business and affects property values. The District is in dire need of more funds for construction. The Real Property Transfer Tax increment is a fair way to do it; although no one likes new taxes, the future of our region is too important to let the School District fall into disrepair.

SENATOR COFFIN:

The business community behind you has been difficult on the Washoe County delegation. In the past, they made it tough for Washoe representatives to come to us and ask for help in other areas. We faced this in 1991 when we started to reverse the tax shift created by the 1981 Legislative Session. Things got out of balance for a long time. We did not want to offend the Washoe delegation by dragging them into everything we were doing in Clark County because we were growing fast. The message from the Washoe County business community was, "Let Clark County grow and do whatever it has to do, it is going to get big and huge and expensive to live there but keep our taxes low." The delegation was forced to listen to what the Washoe County business community said. Now, Washoe is reaping the dividends from that delayed action. The people in the room have generally been supportive. Realtors are the ones you can depend upon because they are working the streets and know people need the homes and schools.

You need to go back to members of the business community and persuade those who have been dragging their heels for a long time. I do not know who has the most muscle up there; people are in the background, the gray faces do not surface. They make it difficult for elected officials in Washoe County to come forth. Washoe County casinos did not pay more. They were active in

1997. Maybe they want to tell us today why they do not want to pay more. This does not look good as it stands. It does not give you enough money. You have only gone partway. Even if it passes, you would still not have enough money for all the schools you need.

MR. DILORETO:

Give us the opportunity to go back to our community and say, we have taken the first step. The RSCVA has a point; Las Vegas is in a growth pattern, and there is no end in sight. We were severely affected by Indian gaming. We have had declines. Our gaming revenues are down. We are struggling to get them back. Those people are hesitant to come to the table. As our elected officials, you take the problem in hand. I appreciate that you would rather see a broad-based approach, but I do not know that you are going to get there. Even with this, there will be more pain and suffering. Pain and suffering means kids are not going to get what they need. They are going to be left in second-, third- and fourth-hand facilities unless our Superintendent and the school board decides to fix leaky roofs. They need the money to do it; we need this to move ahead. Paul Dugan estimates he can bond \$90 million off of this. Is this a volatile tax? Transfers take place every day in Washoe County. Prices are off. They might have been too high before. Tremendous amounts of wealth change hands. We have a nice place to live, and the schools are part of it.

SENATOR COFFIN:

I wish we could take this right to the Reno-Sparks Chamber of Commerce and all the other organizations comprised of business people who do not want to pay, and let us see if we can get some additional assistance. It might be helpful.

TOM FITZGERALD (Chief Executive Officer, Nevadaworks):

I served on the Blue Ribbon Committee with the other individuals. If we are going to continue diversifying northern Nevada's economy, we need a strong educational system. I started on the Blue Ribbon Committee as a total skeptic. I wanted Paul Dugan and his staff to explain why we needed to fix the things we did. I learned a lot. I learned one thing: we are good at building things, but we do not put money aside for repairing them. We seem to think what we build is going to last forever. Companies are coming to our area and comparing us to other areas in the country, and we are losing. We have a great situation in northern Nevada where we love to stick our heads in the sand. I like hearing the Senator say maybe we should have a broader based tax. I agree with that. I do not want more taxes any more than anyone else. Some people on this Blue

Ribbon Committee are thinking backwards. They were not thinking about education, they were not thinking about their children, they were not thinking about their grandchildren. They are thinking ahead about how much money they are going to save because they will not have to pay as much in any kind of tax. When they are retired in 5 years, 10 years or 15 years, life will be great. As a workforce development coordinator in northern Nevada, I can tell you that if we do not have the educated individuals we need to take over, the value of our properties and commitment to our retirements will disappear. This is about us; this is about our children and our grandchildren. I personally support S.B. 141, I hope you pass this bill so we can go back to the community and tell them we did this. Let us take the next step now.

STEVEN J. LADEN (Vice President, Education Collaborative of Washoe County, Incorporated):

The Education Collaborative of Washoe County, Inc. has spent several months reviewing not just this but many legislative issues before this body this session. Out of our deliberations, we focused on requesting this Legislative Session provide all schools equal access to revenue sources that can support capital construction and revitalization within our county schools. This speaks to the heart of S.B. 141. The chart titled "School Construction Revenues-Availability by County" on page 6, [Exhibit C](#), shows Washoe County with the fewest sources of funding of any district in the entire state. We have an acknowledged problem. The issue before us is building new schools and revitalizing old ones. The question is: How do we do it? The answer as a starting point is S.B. 141. We have no other alternatives this Legislative Session to put before you.

Quality of life is the issue; education is a key quality of life factor. When you look at the Chamber surveys and EDawn surveys, education is always at the top of this list. If we do not start supporting our education system now, we will be behind all the time. From a business prospective, you cannot run from behind. Professionally, I work off of straight commission. I manage \$100 million of hard-earned dollars for hundreds of families as an investment advisor. I would guess no one in this room has more appreciation for the value of a hard-earned, hard-saved dollar. I do not want to see taxes go up any more than anyone else. But as a businessman, when you see a problem, you address that problem or your business fails. As a real estate owner, when I get a call that a furnace is out, I reach for my checkbook and fix that furnace. Otherwise, I will be behind and not catch up with my tenant. We are real estate owners in the sense that each one of us owns the Washoe County School real estate. As owners, we

have to step up to the plate and take responsibility for that ownership. We do not have a choice. That is our public commitment. If we are going to be responsible members of our society and continue to grow and economically develop, we have to step up to the plate.

The first of the year, I was appointed to the Nevada Council to Establish Academic Standards for Public Schools. My first meeting was in January. At the behest of Senator Raggio, that meeting was a joint meeting with the Commission on Professional Standards and the Commission on Educational Technology. The topic was our use of technology in education. This meeting was brought together because Nevada ranked dead last, fiftieth out of 50 states, in our use of technology in a survey conducted by *Education Weekly*. One thing struck me in terms of what we are talking about today with our facilities: A member of one of the commissions stood up and said, we could have all the computers we need for kids, but if we plug them all in, some buildings will be put out of commission for the rest of the day, if not longer. We do not have the capacity in terms of electrical capacity to plug in those computers. When we are in that state—with over half our buildings in Washoe County schools over 30 years old—blowing out circuits because we cannot plug in computers, we have an issue in front of us that needs to be addressed now. We have to take a first step before we can run the whole marathon.

SENATOR CARE:

I agree NRS 375 treats Washoe County differently than Clark County. I would like to know when this bill draft request (BDR) was first submitted. Did the Blue Ribbon Committee have a meeting at some point where it said words to the effect, "Guys, we have run out of time, we've got to think about the upcoming session, we've got to submit this bill draft request?" I take it this legislation does not come as a surprise to the realtors, is that correct?

MR. DUGAN:

This bill draft came as a surprise to me after the Blue Ribbon Committee had met for three or four months. In a November 2006 conversation I had with Senator Raggio and others, he first informed us he would be willing to put forth this bill draft. Once we knew this was an opportunity, the Blue Ribbon Committee then realized this was an option.

SENATOR CARE:

Was your last meeting about that time?

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MR. DUGAN:

Our last meeting was in February when the committee agreed to go forth with the Resolution on page 2 of [Exhibit C](#) to seek the same additional revenue sources available to other districts. At that time, they also asked me to get a more broad-based solution to this.

SENATOR SCHNEIDER:

What other industries are on this Blue Ribbon Committee?

MR. DUGAN:

The Nevada Association of Realtors, Builders Association of Northern Nevada, contractors, Reno-Sparks Chamber of Commerce, representatives of developers, Norman Dianda from Q&D Construction Company, Perry DiLoreto, Tom Fitzgerald of Nevadaworks, the Western Apprenticeship Coordinators Association, Wells Fargo Bank and representatives from the cities and Washoe County.

SENATOR SCHNEIDER:

I appreciate the discussion; it is time for education, and it is time to step up. We are forty-seventh or forty-eighth in the nation in funding education. It really does not show when you have a young person who cannot add and subtract. You can see a building with a leaky roof, but it does not show those who cannot read and write. Northern and southern Nevada need to step up because they just cannot keep going down this path of funding education.

CHAIR MCGINNESS:

Mr. Dugan, I did not hear you name any folks in the gaming community; did you have them on your Blue Ribbon Committee?

MR. DUGAN:

Both the Nevada Resort Association and RSCVA were members of our subcommittee.

SHIRLEY BEASLEY (Parent Involvement Council, Washoe County School District):

The Parent Involvement Council fully supports [S.B. 141](#) to help meet capital and revitalization project needs and address the disparity between sources of revenues in Washoe and Clark Counties for our schools. We would like our students in Washoe County to enjoy the benefits of these revenue sources. This bill is a necessary step in solving the shortfall facing the Washoe County School

District toward a long-range comprehensive solution. This is a first step. My family moved here two years ago. I was dismayed to find deficiencies in education compared to what my children enjoyed in the Dallas area. Rather than sit by and complain, I chose to become a highly involved parent chairing various fund-raisers and serving on boards and in the classroom. The need goes far beyond what parent fund-raising can address for our schools. As a parent, homeowner, small business owner, taxpayer and registered Republican, I fully support S.B. 141.

JODY RUGGIERO (Member, Board of Trustees, Washoe County School District):  
You have entrusted us with providing a system education for the children of Washoe County. We work very hard to meet and exceed your expectations for benefits that extend far beyond the children. We are preparing the twenty-first century workforce for Washoe County and Nevada. Educating our children directly impacts economic development because prospective employers first want to know whether they will have a well-educated workforce. Realtors repeatedly tell us that the quality of our schools is the first thing home buyers want to know when they look for a home to purchase. Dilapidated schools do not sell houses and neither do double sessions.

Even if homeowners have no children, the condition of their neighborhood schools has an important effect on the value of homes in that neighborhood. Parents, grandparents, newlyweds and retirees along with the higher education and business communities all have a stake in the schools in the Washoe County District. A quality education begins with a place to sit. A high-quality place to learn should be available to all children in our District. Whether the school is brand new or 50-70 years old, we Trustees are gravely concerned. We have tried to squeeze value from every single tax dollar, yet growth continues in Washoe County. Our aging schools need to be upgraded. We are here today because we are boxed in, no one wants to pay taxes and everyone wants a great state-of-the-art school. We cannot have it both ways. We are almost at the \$3.64 cap and cannot return to our voters with a bond question. Factors beyond our control have eroded the value of the 2002 rollover bond. We have no taxing authority ourselves. We do not have the revenue sources to build and renovate schools available to Nevada's other school districts that all but one of you Senators represent. Washoe County's economy is not the same as Clark County's. Room tax is not of the same magnitude, and our gaming industry is not as strong. We ask for your help. Senator Schneider and anyone else, we are



certainly open to suggestions. Our best solution thus far is S.B. 141 and we urge your support. This is not a new tax, but one we are unable to access.

SENATOR COFFIN:

Is there a way to go over the \$3.64 cap?

TINA CALILUNG (Deputy Fiscal Analyst):

Yes, Senator, provisions allow a vote of the people to take it out of the \$3.64 cap.

SENATOR COFFIN:

Is it also possible for the Washoe County Board of Commissioners to do that too?

Ms. CALILUNG:

I would have to get some clarifications to justify the Board of Commissioners.

SENATOR COFFIN:

There are certain circumstances where that cannot happen. County commissioners do not have the immediate governance authority here, but there may be a need to have everyone in the community pull together and sometimes you have to cross-govern.

Ms. CALILUNG:

I can clarify that for you.

JENNY N. WELSH (Nevada Association of Realtors):

We are not here to debate the facts and figures of the school district but to address the Resolution passed by the Blue Ribbon Committee formed at the direction of Superintendent Paul Dugan.

PENNY MAYER (Nevada Association of Realtors):

Please refer to my statement opposing S.B. 141 on behalf of the Nevada Association of Realtors and the Reno/Sparks Association of Realtors ([Exhibit E](#)).

DENNIS WILSON (Nevada Association of Realtors):

My statement also represents both groups in opposition to the bill ([Exhibit F](#)).

JEREMY AGUERO (Applied Analysis):

Our firm was engaged by the Nevada Association of Realtors in early 2006 to perform a state-of-the-industry analysis. In that analysis, we took a look at the economic and fiscal impacts associated with the industry and its overall performance. Our realtor industry employs roughly 40,000 Nevadans representing about 2.3 percent of our total workforce and generates billions of dollars in wages and salary payments directly impacting closer to 90,000 total employees. From a fiscal impact standpoint, realtors pay the same taxes as every other business and are either directly or indirectly impacted by the Real Property Transfer Tax. Those direct tax payments by the realtors and their employees and customers total \$136 million a year. If you add the Real Property Transfer Tax on top of that, you are looking at \$360 million per year.

If you look at the performance of the industry today on a go-forward basis, our report in mid-2006 alluded to an unraveling of the perfect confluence of events that gave us this phenomenal and unprecedented real estate market from late 2003 well into 2005. The majority of those elements began to unravel, leaving us to the market today, in which housing stocks continue to escalate while housing prices fall. We are dealing with a double-edged sword, one in housing affordability as we continue to grow and provide homeownership opportunities and the other one in pricing stability. It is not too often that those things march together. I concur with Senator Coffin's comments that whether it is Real Property Transfer Tax in some cases, it is a relatively small consideration of the overall transaction. Just like no single element led to the market we had between 2003 and 2005, I would point to lower-than-average housing prices, huge amounts of equity inflow into the state, large amounts of real property investment, an underperforming stock market, and low cost of construction and of land. You would be hard-pressed to find any of those factors existing today. There is no silver bullet or single reason why the housing market boomed the way it did. That is a brief overview of our analysis of the Nevada market affecting the realtors.

SENATOR COFFIN:

You might have heard me mention property tax as a stable source of income. Is there any one tax more stable than that?

MR. AGUERO:

No, sir.

SENATOR COFFIN:

Mr. Chairman, can we discuss property tax? An election comes up in June. It is possible on an emergency basis not to wait until next year; it is possible to do something through the county commissioner. The question is how would you do it and get money to the schools?

CHAIR MCGINNESS:

We can have staff check on that. Ms. Calilung, did you do some instant research on Senator Coffin's questions?

MS. CALILUNG:

*Nevada Revised Statute 361.453* allows a board of county commissioners to propose to establish a property tax levy outside the \$3.64 cap only if approved by a direct vote of the people. This can be done at a general or special election. For a special election, the board of county commissioners have to declare an emergency and then make a proposal to the voters.

SENATOR COFFIN:

Although this is a cycle for city elections, general elections are held and qualified as a general election in the case when cities have general elections. How would you go about proposing a tax on an entire county to provide for schools if you just had votes in the city elections? Do you have to call a countywide ballot?

CHAIR MCGINNESS:

I am not an attorney, but an emergency would have to be declared by the county commissioners and then have a special election.

JAKE L. PARMER (Builders Association of Northern Nevada):

With me today is Greg Peek, a builder/developer of multifamily housing, who also serves as First Vice President of the Builders Association of Northern Nevada and Chairman of its Legislative Committee. Also with me is Bambi Spahr, Executive Director of the Builders Association of Northern Nevada, who is a member of the Blue Ribbon Committee on school construction.

GREG PEEK (First Vice President, Builders Association of Northern Nevada):

On behalf of the 900-member companies and the 20,000 employees represented by the Builders Association, we submit our written opposition to S.B. 141 ([Exhibit G](#)). Education is important to the Builders. We have a long

track record of supporting education with our own charter high school, in partnership with the Academy for Career Education Charter High School, helping the School District fund and pass the 1998 bond "Yes/Yes for Kids" voting for this with our members in the 2002 bond rollover and serving as a member of the Education Collaborative and the Blue Ribbon Committee. Bambi Spahr went to those meetings and will probably address this as well. We are committed to education. We are pro-kids, pro-education and pro-housing. I applaud Superintendent Dugan's passion; I share Assemblywoman Smith's observation. It is hard for me to sit up here and oppose school funding. The Real Property Transfer Tax does not fix the problem. It is only a \$100 million solution to a \$600 million problem. It is a piecemeal approach. Senator Schneider said, "Let's just get the whole thing done." We share that view. Even if we pass this \$100 million, the issues Washoe County School District outlined today will not go away. We further oppose S.B. 141 on fairness. This is a single-industry solution or burden, the Builders Association supports the broad base, supports the same relative number as Clark County might actually have with the transient lodging tax and Real Property Transfer Tax. This bill imposes a transfer tax much greater than Clark County's. Two-thirds of the money goes to rehabilitation and maintenance. We heard about electrical problems and leaky roofs. We agree, but those provisions should have been part of the original program. Education benefits the community, so we need a community-wide solution. In 2006, 38 percent of single-family home buyers had children, and 21 percent of attached home buyers had children. Judy Ruggiero said dilapidated schools do not sell homes, and we agree. Which is why the Builders ask this body to direct the Washoe County School District to reconvene the Blue Ribbon Committee or whatever appropriate body do its homework, craft a community broad-based solution and bring it back here. I cannot support this bill today. There is still time in the session. The solution must come from dependable and stable revenue sources, not the Real Property Transfer Tax. The Builders will absolutely participate. In the 2005 Session A.C.R. No. 11 of the 73rd Session looked at affordable housing issues. A transfer tax does not help. Senate Bill 141 is not the solution for school funding to solve the School District's shortfall; it will make homes that much more expensive and take away one more strata of home buyers. The Real Property Transfer Tax cannot be financed out of pocket, so it is an up-front hit.

CHAIR MCGINNESS:

If we amend this bill and put in a room tax and residential construction tax, would you support it?

BAMBI SPAHR (Executive Director, Builders Association of Northern Nevada):  
We agree there is a problem in Washoe County with our School District funding. We went to the table with the expectation of walking out of that Blue Ribbon Committee with a broad-based set of solutions. In answering your question Senator McGinness, we certainly are prepared to support the Clark County parity. Parity is not only the Real Property Transfer Tax. That is one component as is the room tax. It also means parity in property tax distribution. Only 38.5 cents of property tax dollars in Washoe County go to the school system, but 55 cents of property taxes in Clark County go to the school system. This gets us to the problem before us today. We have a school system that has been patchwork for 60 years. From a community standpoint, they have never received the amount of support needed to properly maintain, revitalize and renew the schools. It is not a new school construction problem. The question was asked, if we did not have the school revitalization and renewal problem, would the bond money everybody in the community supported and helped pass support the new school construction we need? The answer was yes. New schools and growth are not a problem today, the problem is they are not keeping up with existing facilities. For those of us in the real estate industry, that means when we go to purchase a commercial project or develop something, the financiers say, you have to maintain that project. Unfortunately, the school district has neither had the money nor the plan to do that. Yes, we could support the broad-based package.

SENATOR TOWNSEND:

We appreciate their questions and concerns. I want to put a few things on the record to get to the heart of this matter.

1979, 1980 and 1981 are the start of the problem. 1991 didn't go too well either for Washoe County. We paid a severe price in 1991 in this body and we still pay for it. 2003 came along and it pointed out—and Mr. Aguero was an extremely important component trying to help us understand the total implications for our tax problem—the fact is our tax structure is such that the state retains a great deal of the obligation in growing local governments which are really only one. It's a great deal of revenue. Nobody wants to ever talk about it; those are the facts. '05 came along and Clark County's Assessor screamed and yelled that the sky was falling because of the appreciation in real estate. You didn't hear it from our person, you didn't hear it from the rural counties, you heard it

from Clark County. And by the time we opened up in '05, there wasn't a Clark County member of this delegation that didn't have a property tax cap or freeze bill of some kind, and most of them were running for Governor. We responded by capping it at what we felt was reasonable across the board at 8 percent; hardship case was primary residents at 3. Some of the largest transactions in the history of this country occurred in Clark County for which we received nor Clark County received one penny of transfer tax, but when we tried to address that in that session, nobody wanted to listen. Those are one-time transactions. They would not be bondable, but they could be used for single-purpose entities. Then we had a mistake in Washoe County. He no longer holds office and he got into a fight with our most affluent area in terms of property taxes. Some of us are old enough to understand you don't get into a fight with somebody who makes enough money and has enough time on their hands to fight you forever. He didn't understand the second part of it. Washoe County lost for which we're going to lose a great deal of revenue, and those individuals will get a property tax rebate. That's how we are where we are today. Not one issue, not one group, it's a group of things that occurred. Now let's go to where we are today in terms of our problem because, I'm going to be asking my colleagues to support something. Whether they do it or not that's certainly up to them.

Twenty-four months ago the same group that's proposing this sat in the Majority Leader's office with the other three members of the delegation and asked for our help—twenty-four months ago—and they made their case. In fact, they can't be faulted for using the same thing. We saw these 24 months ago, the same handouts. And we asked them one simple question. Can you go make the case with the public so they understand you have a problem? I know that was asked, because I was the one who asked it. The fact is I don't believe that was done. Then in '06 we had some kind of Blue Ribbon task force. Now if my good friend Mr. DiLoreto were out there making this pitch to all the Sertoma Clubs and the Lions Clubs, he could make the case, but we have done nothing for 24 months. So now all of the sudden we have to tell the public we have a crisis. Oh, by the way, it's been a crisis for 25 years. The fact is none of that changes. The facts are

that the case has been made. Now what are we going to do about it? Well first of all, the School District needs to understand you can't keep running here, you've got to build cases with the public. They employ us to do their bidding for them. And if you are not married to a teacher or member of your group or member that was part of this, you're not going to know there is a problem. And since I didn't hear anything about it until the day before we came down here, or a month or so beforehand, I thought there could have been a little better job done. My cell phone, by the way, is in the phone book, I think you could have found me. I would hope, Mr. Chairman, I don't have an answer to this problem, I am willing to step up to the plate for this problem, I think it is a community problem. This is the only answer we have based on my colleagues cause this is about them. Not about just the four of us to get it out of here or whatever. I'm prepared to help. But if there are other options, we want to explore those in about a 48-hour period. Which means, my committee starts at 7 a.m. I can fit you in before that. I know you're all busy. I'll work with you, I'll work with the chairman, I'll work with the committee members. But it is a problem, and we've got to address it in some way, shape or form.

But don't, please, don't point fingers at anybody. It's a confluence of groups and timing and issues, and we have to be leader-like enough, as Senator Schneider has said, with regard to why he is trying to get us to the national level in terms of funding for education. We can't keep duckin this issue. In a case of Washoe County, we don't have the revenue Clark does. Our revenue stream is different. So we have to find a solution. I think we can, and I believe we will for this Session. But those are facts that need to be on the record, Mr. Chairman, because if somebody is just going to come in and try to put a Band-Aid on something, you've got to know what the sickness really is. And the fact is every time you try to give somebody some help here, to save your political hide, you're going to pay for it, short term or long term. This is a Fram oil filter commercial. You can pay me now or pay me later, but you're going to pay me. And as an old car guy, I guess I'm the most appropriate one to give you that advice. But we will help. I plan on helping, I'll do the best I can, I appreciate the Committee's indulgence of the problem we face and my testimony.

SENATOR COFFIN:

Actions by the 1979 Legislature propelled both me and Senator Townsend to realize in the 1982 election that a big mistake had been made that took us ten years to unwind. He is correct in saying it worked against Washoe County in the sense that the redress to Clark County came at the expense partly at Washoe and some other counties. I have never known Senator Townsend to duck an important issue or to let Washoe County down; he has always been there for you. The fact he puts his name on a tax increase is brave, but it is not the only time he has done it. In the 2003 discussions, Senator Townsend was right in the center, so you have been ably represented. I will pitch in to help get something done for Washoe County, just as he has helped Clark County overcome its obstacles. We definitely have to find a new solution broader than the one in this bill. My office is open.

CHAIR MCGINNESS:

We close the hearing on S.B. 141 and open the hearing on S.B. 308.

**SENATE BILL 308**: Proposes to authorize the Legislature to prescribe temporary exemptions from sales and use taxes. (BDR 32-138)

SENATOR MAGGIE CARLTON (Clark County Senatorial District No. 2):

This bill was S.B. No. 167 of the 73rd Session and is now S.B. 308 that goes to the vote of the people so they have an opportunity to choose if they would like the Legislature to establish a sales tax holiday. I have a whole packet of legislative history, but I will not subject you to this unless you wish me to share it with you. I stand ready to answer any questions.

CHAIR MCGINNESS:

If we pass this, it goes to a vote of the people.

SENATOR CARLTON:

It goes to a vote of the people and then comes back to us or your Committee, to decide. I was a bit apprehensive in introducing this, because I realize the bumps in the road the state has with taxes. I promised constituents that I would reintroduce the bill. The significant thing about a sales tax holiday is that it applies to anyone in the state—not one particular industry or group of people—who want to go shopping the particular weekend designated by the Legislature. No one is left holding the bag, the state makes all municipalities whole. Since sales tax is one of the largest revenue generators, the discussion



participants agreed the holiday would be a nice way to give back to the community. We are not in the same predicament this session as two years ago.

LEA LIPSCOMB (Retail Association of Nevada):

We are here today in support of S.B. 308 for a proposal being submitted to Nevada voters to amend the sales and use tax to allow a sales tax holiday. If voters choose to enact this amendment, we also support the Nevada Legislature prescribing which tangible personal property would be available during such time period. At the time the Nevada Legislature makes that determination, the Retail Association of Nevada respectfully requests the ability to further participate. The primary goal of a sales tax holiday is to stimulate Nevada's economy by spurring consumer spending while helping our residents save money.

MICHAEL R. ALASTUEY (Clark County):

We are not voicing opposition to S.B. 308. It is not our approach to propose something for the ballot. If the Legislature considers establishing a sales tax holiday at a given time, we respectfully request to be part of that discussion just as the Retail Association. Fiscal impacts of these two state and local governments may easily be estimated, but someone like Mr. Aguero or others might assist you and others in examining the time of year to propose goods and services for the exemption and identify other factors to consider in a reasonable selection of a sales tax holiday. Sales tax revenues have slackened not only for the state but for local governments. In Clark County alone, our local government, Basic City-County Relief Tax and Supplemental City-County Relief Tax also is additional to up to 0.5 cent for police, 0.25 cents for water and wastewater, 0.25 cents for roads and 0.25 cents for flood improvement. Both state and local governments have significant exposure to fluctuations in sales tax or the effect of exemptions.

CHAIR MCGINNESS:

We close the hearing on S.B. 308 and open the hearing on S.B. 374.

**SENATE BILL 374**: Makes certain changes concerning tax increment areas.  
(BDR 22-816)

FRED MARYANSKI (President, Nevada State College):

We have an amended version of S.B. 374 as introduced by Senator Hardy. Nevada State College has moved forward based on partnerships; our strongest partner here is Philip Speight representing the City of Henderson. This proposal

is evidence again of our partnership and the City's support for the College. We work closely with the Clark County School District and plan to host a K-8 school on our campus and provide the School District with land for that facility. Also, if you are not familiar with our campus, there are 500 acres of desert. We are not taking any land or property off the tax rolls. The land came to the Bureau of Land Management (BLM), City of Henderson and now the Board of Regents on behalf of the state with restrictions for the establishment, growth, maintenance and development of the College. There is no opportunity for any other type development. The exclusion included in the legislation provides us the opportunity to levy a property tax on retail, residential or commercial facilities developed on the campus. We are committed to working with our various partners and colleagues on this to craft legislation that benefits all parties.

SENATOR WARREN B. HARDY II:

In my experience in the Legislature, the state college concept is absolutely critical to higher education in Nevada. I have been privileged to chair a number of committees dealing with higher education in this state and am absolutely convinced we have to have a viable state college system to provide baccalaureate degrees and address certain aspects of higher education so our research universities and our community colleges can focus on their missions. It is critical that the state provide some guidance and direction for determining the mission of those three entities within higher education. I brought this bill forward because I believe the state college concept is critical if we are to have a higher education system for the residents of Nevada.

SENATOR COFFIN:

This gets to the heart of what I was hoping to see from the community, chipping in actual dollars to the cause. This is a long time coming. Between the original bill—which I looked favorably upon—and the mock-up, all other counties and cities have been taken out except for the City of Henderson. Were you asked to amend the bill?

SENATOR HARDY:

Yes. That was an ongoing discussion. Our original intention was to include the entire System of Higher Education in this bill. It became evident with enough questions about this as a methodology for funding that we decided to narrow the scope and answer those questions through experience before broadening it. This new concept has worked well in other areas. We think it will work well

here. In order to alleviate some concerns, we decided to narrow the focus and have a pilot program to prove that this system works well.

SENATOR COFFIN:

In the budget committee, all the community colleges want to change their names and appear to be four-year schools, so it is going to be hard to tell the players without a program. It looks like everybody wants to be a four-year institution, leaving nothing in between. The State's obligation is getting extremely heavy to maintain the university system.

SENATOR HARDY:

That is one of the specific things the Legislature needs to be vigilant about preventing. Our universities need to focus on their functions as research universities. Our community colleges need to focus on their specific functions. I understand Nevada has a unique need in some areas for community colleges to offer four-year degrees. That needs to be few and far between. The reason those community colleges crept into that is because we do not have a viable state college system throughout the state. We need a state college system to effectively deliver baccalaureate degrees. No state that does higher education well does remediation at state university level. You cannot focus on your mission if you are doing remediation and delivering all your baccalaureate degrees at the university level. It is also the most expensive way.

PHILIP D. SPEIGHT (City Manager, City of Henderson):

This allows for the culmination of an eight-year partnership with the City of Henderson and Nevada State College. Members of City Council have been supportive of Nevada State College. In the Clark County Conservation of Public Land and Natural Resources Act of 2002, the City successfully received 500 acres from the BLM, specifically dedicated to founding Nevada State College. The City has a city building for classroom purposes under lease to the College for five years at \$1 per year. The market value of that lease is about \$260,000 per year. The City is also spending \$800,000 of its own money to prepare a parking area for students and faculty immediately adjacent to the classroom facility. The City has put in \$1.3 million in utilities to the BLM site border for the State College. The City and Nevada State College system have been working on an amicable agreement to convey the entire 500 acres to the higher education system from the City by the end of June. We support amendments provided to you on the case of having the area totally within the campus of Nevada State College and moving forward in that manner.

SENATOR CARE:

Language is somewhat vague in the S.B. 374 mock-up of section 1, subsection 5 ([Exhibit H](#)).

If, after considering all properly submitted and relevant written and oral complaints, protests, objections and other relevant comments and after considering any other relevant material, the governing body determines that the undertaking is in the public interest and defines that public interest, the governing body shall determine whether to proceed with the undertaking.

Does that seem vague to you? My experience after 28 years in Nevada is that governing bodies tend to listen to complaints, protests and objections and then ignore them.

JOHN O. SWENDSEID (Bond Counsel, Nevada System of Higher Education; City of Henderson):

This language direct from NRS 278C is the standard for a city or county to create a tax increment. We did not want the standard different than what was in statute requiring the governing body to give the public an opportunity to present their protest. I have seen governing bodies vote assessment districts or tax increments districts down. This language requires that the governing body listen to anyone.

SENATOR CARE:

Continuing in the mock-up at section 2, subsection 5, this may be existing language in another statute but explain what this means: "The governing body must consult with the Board of Regents to obtain its consent to the proposed modification." To me, that means the governing body says we want it and you get it. It will not be an issue. It does not seem demanding enough. Page 4, line 5 of S.B. 374 reads, "Section may create a separate legal entity with such powers as are delegated to it by the governing body and the Board of Regents in the cooperative agreement." Then further down, line 21 states, "The municipality may delegate to the Board of Regents." I do not quite comprehend.

MR. SWENDSEID:

Yes, the elected officials of the City of Henderson decided to create this type district. They could do so only by having an agreement with the Board of

Regents and going through a procedure. They then create the district and decide what entity is in charge of district functions, build buildings, issue bonds and collect revenues. There are three choices: the City, as permitted under existing law; the Regents, if the City decides to delegate that power; or an entity created pursuant to a cooperative agreement. Perhaps the District has representatives of both the Regents and the City. Entities in southern Nevada like the Southern Nevada Water Authority are created pursuant to a cooperative agreement and representatives of the various government are a party to that agreement on their board of directors. This language permits Henderson and the Nevada System of Higher Education to create a separate entity if they determined that as the best way. It does not require a separate entity be created, but it allows that. Once they create the separate entity, they decide which of their powers they can delegate to the separate entity.

SENATOR COFFIN:

Do you have the same property tax rate throughout the City or are there other increment districts?

MR. SPEIGHT:

Four different tax increment districts are within the City. They are redevelopment districts and the only other taxing districts available. The operating tax rate is the same throughout the City, a 15-cent rate.

SENATOR COFFIN:

Senator Hardy tried, but did not answer my question as to why the changes occurred and what the pressures were to tighten down the geographical area of this particular tax incremental district. What kept additional property tax rolls from helping to finance the college?

MR. SPEIGHT:

The City receives tax dollars from property taxes throughout the existing geographic boundary. The City is not receiving tax dollars from this 500 acres because it is not on the tax rolls. It was felt that the City appropriately give up this revenue stream as the property is developed to utilize that tax increment for capital improvements for the State College and Higher Education System on that site. It was only done on that particular 500 acres because expanding it to a mile prior to the amendment pulls in the University of Nevada, Las Vegas (UNLV), the Hard Rock Hotel, Incorporated and other current commercial

establishments, and interferes with taxes derived from property taxes going to existing entities.

SENATOR COFFIN:

Would there be an appetite in Henderson to tap into the other source of revenue to keep higher education moving forward? That would be an additional 1 cent, 2 cents or 3 cents on the property tax.

MR. SPEIGHT:

On two separate occasions, Henderson citizens have done tax overrides to support certain operations of the City, one being fire and police and the other being recreation and services. If they looked at an appropriate tax rate, I would have to answer why only the City of Henderson is asked to provide that when other communities having similar facilities within their jurisdictions are not.

SENATOR COFFIN:

What if the institution was called the Nevada State College at Henderson? Would that appeal to the local residents?

MR. SPEIGHT:

I am not sure if it would, Senator. The same question would arise whether the City of Las Vegas has any particular affinity with UNLV because it is named University of Nevada, Las Vegas, although it is situated in Clark County.

SENATOR CARE:

How will commercial housing projects within this tax increment area serve students, faculty and residents? That could be anything, it could be a shopping center or housing project not just confined to students and faculty. Last year, I read the university system is involved in some kind of housing project not intended to house students.

MR. SPEIGHT:

The housing program for the Community College of Southern Nevada is a proposal by a developer to build apartments on the Community College site. There would be a subsidy provided by the Community College to buy down the rental rate for students and faculty. The issue with Nevada State College within the boundaries of the 500 acres involves a proposal wherein if a private developer comes on-site in partnership with Nevada State College and builds housing for teachers or students, that housing goes back on the tax rolls. The

property tax generated from those homes is solely for the utilization of State College—not Henderson—capital improvements within the 500-acre boundary of the college. If any commercial establishments are built, McDonald's for example, whatever taxes that establishment generates go directly to Nevada State College for capital improvement purposes.

MICHAEL R. ALASTUEY (Nevada Association of School Superintendents):

We appreciate that the City and College together are offering an amendment and willing to look at the scope, the breadth of the applicability of the law, and constrain it to a pilot project. We agree with Senator Care. Issues in the bill as written are illustrative of many of the same issues you face in other increment bills or redevelopment financing. The definition of permissible projects is a significant issue. There are restrictions; basically, it is a publicly owned and operated infrastructure for roads, sewers and flood drainage. The definition of permissible projects in any final version for your consideration is critical to the success of any such project if the bill goes forward. We are not sure protection for the school operating rate is fully executed. The concern, not only to myself in representing school districts but to the Nevada Legislature, is because of the significant portion of property tax levy any community earmarks for public schools. That same 75 cents defrays or reduces the amount the state has to appropriate. It is indirect revenue to the General Fund. Although the state does not participate much in property tax revenue, it is a significant participant in a back door to the school fund to the tune of around \$800 million a year, so an impact in terms of increment impacts the state. As I analyze the Henderson tax rates and overlapping jurisdictions that apply there and subtract out the voter-approved debt in capital, the state probably has the biggest impact of any taxing entities and authorities. The issue of the separate legal entity has something to do with creation of opportunities for leasehold benefits. There was authority for the Nevada System of Higher Education to transfer certain revenues to the City in order to help the City pay its bonds or for the City to transfer certain revenues to the Nevada System of Higher Education to pay its bonds. These significant complexities are worth your review. In any kind of increment scheme or redevelopment, supporters always say new development either helps the tax base entity that creates the district or somehow provides a justifiable stimulus of economic activity or development in a certain area. The comeback question is always, would development have occurred in or around that region in the absence of a tax break? We oppose the bill in its original form but would like to review the amendment.

SENATOR COFFIN:

Clark County is going to be asked to spend some money on a specific university project as driven by the university regarding midtown on South Maryland Parkway with the campus on one side and development on the other. University of Nevada, Las Vegas is blocked out of the amended bill. Maybe you could find a use for a tax increment district that benefits only a certain number of commercial interests but the County pays the entire tax base.

MR. SPEIGHT:

That is a legitimate observation, I also made that observation in the amendment, and that will be part of our discussion with the Higher Education System and the City of Henderson going forward.

SENATOR COFFIN:

Good, that is one reason why I may not like the bill restricted to Henderson.

CAROLE A. VILARDO (Nevada Taxpayers Association):

The original bill created a great deal of concern. The one mile out was a major problem. There is a big difference about the Henderson campus versus any other campus in the system. The Henderson campus is not generating any revenue because it is BLM land. Going one mile out, Truckee Meadows Community College would be eligible but a problem because of the overlap on the Carson City Redevelopment area. How much of an increment can you take out without impacting a local government and other services they provide? I agree with Mike Alastuey. While NRS 278C provides for keeping school districts whole relative to their bond and tax rates, this may not because of the provisions it takes out. That is a major concern. Tax increment financing is a viable tool, but since we seem to be exponentially expanding the number of uses, we need to be careful that whatever we do is tight and does not impact operating or debt rates for other entities including schools. I would never support the expansion as originally written. As a pilot, this allows you to evaluate it and is much more defensible.

SENATOR COFFIN:

A one-mile radius is vague; it would never satisfy people. None of our property lines go on circles. They are not round, they are in sections, and you have to do property lines. What about my midtown question where you specifically define an area by property description? It would just stay there tasked with paying what the County is going to be asked to pay for the University.



MS. VILARDO:

The County has not created a redevelopment district. If this partnership is an agreed-upon principle, you could use a redevelopment district which already exists. County could create a redevelopment district to include part of that as tax increment financing. The same concerns still apply. When you go out that far, you need to define exactly what you are doing. There would be a concern relative to the length of time. Redevelopment district language does not have any negotiations with the School District to make sure schools are held harmless on their debt rate. The operating rate is of concern to the Legislature given we anticipate a shortfall over projections. That enters into consideration toward the future when redevelopment laws change. That proposal originally went towards a redevelopment area because the property use was not maximized. There were the property line issues, etc. The infrastructure tiff is based on NRS 278C which is being expanded. There are at least two more tiff bills, and that becomes a concern.

SENATOR COFFIN:

I know of no friction between the Clark County and the University on what they are doing there. It is just a question of whether it makes sense to narrow Maryland Parkway to benefit commercial interests across the street.

DANIEL J. KLAICH (Executive Vice Chancellor and Chief Operating Officer, System Administration Office, Nevada System of Higher Education):

With respect to the amendments, we are talking about 500 acres of bare land that creates zero tax base for anyone. I appreciate Mr. Alastuey's testimony, but we are not going anybody's ox on this because the tax base is zero. I want to address Senator Coffin's comments about the financing of Nevada State College. We are trying to develop a model that is good for southern Nevada, good for the College and good for the taxpayers by creating an integrated college town atmosphere with education, commercial and real estate housing. As we create that with an overall master plan, we would like to benefit by some of that planning and integration in this tax district. John Swendseid can talk to the details of the statute but the original statute overreached a bit, and we do not want taxes for the Hard Rock Hotel going to UNLV. In the statute as amended, we are dealing with a narrow piece of property that could apply to other institutions. The UNLV has a grant from the BLM in North Las Vegas. Other opportunities would be master-planned educational sites appropriate to assist the College growth and ease the burden on the state in the long run.

SENATOR COFFIN:

The assumption that it could be worked out right without overreaching was the case of the original bill draft. That you would not mind seeing that language changed back was tightly drawn and could benefit us by accident. In a sense, some of our best legislation happens by accident.

MR. KLAICH:

Our intent is not to reach into someone else's tax pocket. There are opportunities to utilize this when the development is incident to the educational institution and does not otherwise withdraw from the tax base; Nevada State College has the perfect example. It is not the only example. We have to get creative about where we look for a tax base. Continuing to just say here is our budget and we will see you in two years gets old real quick.

CHAIR MCGINNESS:

We close the hearing on S.B. 374. Committee, a couple of issues involve S.B. 172 which gives tax breaks on mobility equipment and S.B. 152 brought forth by the doctors and known as the ocular ophthalmic bill. Somebody approached the ocular folks asking that aircraft, aircraft motors and all exemptions be taken off be amended in that bill. The hearing aid folks asked Senator Joyce Woodhouse to amend their issue into her bill. Legal Division said if they were amended in these bills, they each become a question on the ballot. I look to the Committee to see if there is any desire to reopen those hearings and have those folks come in to make their pitch to amend the bills.

**SENATE BILL 172**: Proposes to exempt sales of certain mobility-enhancing equipment from sales and use taxes and analogous taxes. (BDR 32-865)

**SENATE BILL 152**: Proposes to exempt sales of certain ophthalmic or ocular devices or appliances from sales and use taxes and analogous taxes. (BDR 32-939)

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SENATOR TOWNSEND:

Are you saying if we put one into a bill that already has a separate question, both of them will be separate questions on the ballot?

CHAIR MCGINNESS:

That is what Legal told me, yes. We are adjourned at 4:46 p.m.

RESPECTFULLY SUBMITTED:

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Julie Birnberg,  
Committee Secretary

APPROVED BY:

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Senator Mike McGinness, Chair

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