

THE TWENTY-THIRD DAY

CARSON CITY (Tuesday), February 24, 2009

Assembly called to order at 10:39 a.m.

Madam Speaker presiding.

Roll called.

All present.

Prayer by the Chaplain, Pastor Ron Torkelsen.

Dear God, Your scripture encourages people to “worry about nothing, pray about everything, and rejoice.” The promise is that You can bring good from what appears to be chaos. The amazing truth is that You have chosen these people standing here to do just that. The evening news has reported the challenges and the decisions this body of people have been dealing with and it is no simple task. Therefore, I pray once again for the wisdom You have promised to give. Use these people today to do that which is best for this state and the people who live here.

Thank You for the success You have promised.

AMEN.

Pledge of allegiance to the Flag.

Assemblyman Conklin moved that further reading of the Journal be dispensed with, and the Speaker and Chief Clerk be authorized to make the necessary corrections and additions.

Motion carried.

SECOND READING AND AMENDMENT

Assembly Bill No. 114.

Bill read second time and ordered to third reading.

GENERAL FILE AND THIRD READING

Assembly Bill No. 172.

Bill read third time.

Remarks by Assemblyman Claborn.

Roll call on Assembly Bill No. 172:

YEAS—42.

NAYS—None.

Assembly Bill No. 172 having received a constitutional majority, Madam Speaker declared it passed.

Bill ordered transmitted to the Senate.

Assemblyman Ocegüera moved that the Assembly recess until 11:15 a.m.

Motion carried.

Assembly in recess at 10:47 a.m.

ASSEMBLY IN SESSION

At 11:21 a.m.
Madam Speaker presiding.
Quorum present.

The hour of 11:15 having arrived, Madam Speaker announced the Assembly would resolve itself into a Committee of the Whole for the purpose of considering Initiative Petition No. 1.

IN COMMITTEE OF THE WHOLE

Chair Buckley presiding.
Quorum present.
Initiative Petition No. 1 considered.

ASSEMBLYWOMAN MCCLAIN:

Thank you, Madam Chair of the Committee of the Whole. Just a brief overview of IP 1, which imposes an additional tax on the gross receipts from the rental of transient lodging in certain counties. IP 1 requires the board of county commissioners of any county whose population is 300,000 or more to enact an ordinance imposing up to an additional 3 percent rate on the gross receipts of rental of transient lodging in that county, but not to exceed the total rate of 13 percent. If the total rate imposed in a county is less than 10 percent as of July 31, 2008, the entire 3 percent rate may be imposed. If the total rate imposed in a county as of July 31, 2008, exceeds 10 percent, the rate that must be imposed is the difference between 13 percent and the rate that is in effect as of that date. However, if the sum of the existing tax rate in any areas of July 31, 2008, is 13 percent or more, then no additional rate may be imposed. The proceeds of this tax, including applicable penalties and interest, must be paid by the county treasurer to the State Treasurer for credit to the State General Fund between July 1, 2009, and June 30, 2011. Beginning on July 1, 2011, the proceeds from this tax must be transferred by the county treasurer to the State Treasurer for credit to the State Supplemental School Support Fund, a new special revenue fund created within this act for the operation of school districts and charter schools in the state. The proceeds of the State Supplemental School Support Fund are to be distributed proportionately among all school districts and charter schools in the state to improve the achievement of students and retain qualified teachers as well as nonadministrative employees and is not intended to supplant or replace any other money appropriated, approved, or authorized to fund the operation of public schools for K through 12. The effective dates—if the Initiative Petition is enacted by the Legislature and approved by Governor pursuant to Article 19, Section 2, of the *Nevada Constitution*, the bill becomes effective upon passage and approval, and the ordinance imposing the tax in each county would become effective July 1, 2009. The proceeds from the tax would be credited to the State General Fund between July 1, 2009, and June 30, 2011, and to the State Supplemental School Support Fund beginning on July 1, 2011. If Initiative Petition 1 is not enacted by the Legislature and approved by the Governor pursuant to Article 19, Section 2 of the *Nevada Constitution*, but it is approved by voters at the November 2010 General Election, the bill becomes effective upon canvas of the vote by the Supreme Court, and the ordinance imposing the tax in each county would become effective July 1, 2011. The proceeds for the tax would be credited to the State Supplemental School Support Fund beginning July 1, 2011, and no revenue would be credited to the State General Fund.

This is the Initiative Petition that was passed by the voters in three counties in the state with overwhelming support of 60 percent of the voters. We're going to have Brenda Erdoes give us the legal details of the initiative petition and walk through the bill for us. Thank you, Madam Chair.

CHAIR BUCKLEY:
Thank you Assemblywoman McClain. Brenda?

BRENDA ERDOES, LEGISLATIVE COUNSEL:

Thank you, Madam Chair. I was going to go through briefly with you the effects and the timeline that is required for this initiative petition. Mark is going to go through the different provisions of IP 1, and Russ is going to give you some numbers. Initiative petitions, as you probably know, are controlled by Section 2 of Article 19 of the *Nevada Constitution*. In subsection 3 of that section, it provides that initiative petitions like this one that have qualified and have been presented to the Legislature shall take precedence over all other measures except appropriation bills and shall be enacted or rejected by the Legislature without change or amendment within 40 days. If the Legislature does choose to enact this IP 1 without change, without amendment, on or before March 13, 2009, the effect will be that, effective upon signature by the Governor, the bill will authorize or actually require the boards of county commissioners to adopt this additional room tax as specified in the bill. It would begin to be collected on July 1, 2009, then, for the duration of that—July 1, 2009 through June 30, 2011—the proceeds from those taxes would actually go into the State General Fund and would be available for use to help offset the budget shortfall. Beginning on July 1, 2011—the rooms that were let after that time—the tax is applied and those would then be going into the Supplemental School Support Fund, which is created in this IP. Basically at that point, you would have the structure all set up, and it would work pursuant to this bill.

If the Legislature does not enact IP 1 without amendment or before that date, according to this provision of the Constitution, what would happen is that the measure would go to the ballot in the 2010 General Election. If approved by the voters, the provisions are a little bit different. What happens is that the first tax is imposed for July 1, 2011, and it would go directly into the School Support Fund at that point. So there would be no use of this revenue in the State General Fund to help with the budget shortfall. In addition, because the ballot measure was passed and this was approved by the voters, the Legislature would be prohibited from amending the provision for three years after it becomes effective.

If the Legislature chooses the third course of action, if the Legislature chooses to reject this Initiative Petition and do something else—in other words, enact another bill or in fact you adopt an amendment to this IP 1—what would happen is it would most likely be held by the court to create a competing measure because the Constitution says that if the Legislature comes up with another statute on this same topic, it would be put on the ballot in the 2010 General Election alongside IP 1. If both of them pass, then the one that got the most votes would actually become effective. There is a provision for the Legislature, as proposed in the Constitution, to be able to enact a nonconflicting statute concerning room tax in a way that would not be a competing measure, but the definition there of nonconflicting is along the lines of that it wouldn't be anything that had the same provisions in common—things like that. So those kinds of issues in determining what's a conflicting measure or not would have to be made as we go along.

Basically, the three concepts here are if you pass it as is, and it goes through both houses, on or before March 13, then the tax would become effective July 1. If you don't do anything, this measure will be on the 2010 ballot. If it's approved by the voters, it won't be able to be amended for three years. If you put a competing measure on the ballot, then the one that got the most votes would be effective.

CHAIR BUCKLEY:

Questions of the Committee for Ms. Erdoes? I don't see any. Mark or Russell, did you want to comment about the fiscal impact or provide any information for the Committee from our Fiscal Analysis Division?

MARK STEVENS, FISCAL ANALYSIS DIVISION:

I was going to go through the provisions of the bill. Assemblywoman McClain has already done so. I'll try to go through this very quickly. It might be somewhat repetitious in part, but IP 1 requires the county commissioners of any county whose population is 300,000 or more to impose an additional room tax of up to 3 percent. That population provision would apply currently to Clark and Washoe Counties. If an existing room rate is 10 percent or less, an additional 3 percent room tax is imposed. If existing room tax rates exceed 10 percent, a tax rate must be imposed that would not exceed 13 percent. If the current tax rate is 13 percent or more, no additional tax would be applied. Room tax must be imposed throughout the county,

including its incorporated cities. The proceeds from the additional room tax imposed must be deposited into the State General Fund through June of 2011. For this biennium, the additional room tax dollars would go into the State General Fund, and those tax proceeds would not have any restriction on their use through June of 2011. Effective in July 2011, tax collections must be deposited into the State Supplemental School Support Fund to be used for operation of school districts and charter schools. These funds are intended to supplement, not replace, any other money appropriated or authorized to support the operation of public schools and K through 12. Money in the Supplemental School Support Fund would be distributed quarterly on a proportional basis among the school districts and charter schools based on student enrollment. Funds received by a school district or a charter school must be used to improve the achievement of students and for the payment of salaries to attract and retain qualified teachers and other employees, excluding administrative employees. Administrative employees are defined as any person who holds a license as an administrator issued by the Superintendent of Public Instruction and is employed in that capacity by a school district or charter school. A report on how these funds were utilized in the preceding school year must be made by each school district and charter school to the Superintendent of Public Instruction by November 10 of each year. There are different effective dates that go along with this legislation, depending on whether the Legislature and Governor approve it within the first 40 days. If they do not, Brenda has just reviewed that for you. I'd be happy to answer any questions, or Brenda could on the effective dates. That is, in short fashion, what is included in the provisions of Initiative Petition 1.

CHAIR BUCKLEY:

Thank you Mr. Stevens. Questions of the committee? I don't see any. Russell, did you have anything to add?

RUSSELL J. GUINDON, SENIOR DEPUTY FISCAL ANALYST, LEGISLATIVE COUNSEL BUREAU:

Yes, thank you, Madam Chair. The staff of the Fiscal Analysis Division has prepared a table that has been distributed to the members of the Assembly. It's entitled Table 1, and the first line is titled "Comparison of Budget Office, Fiscal Division, and Applied Analysis."

TABLE 1

**COMPARISON OF BUDGET OFFICE, FISCAL DIVISION, AND APPLIED ANALYSIS
ESTIMATES OF THE ROOM TAX REVENUE GENERATED IN FY 2009-10
AND FY 2010-11
FROM IMPLEMENTATION OF THE
UP TO AN ADDITIONAL 3% ROOM TAX, BUT NOT TO EXCEED 13%, ROOM TAX
PROPOSAL
IN CLARK COUNTY AND WASHOE COUNTY
(Millions of Dollars)**

Fiscal Year	Budget Office: 3% Room Tax Estimate	Fiscal Division: 3% Room Tax Estimate	Applied Analysis: 3% Room Tax Estimate
FY 2009-10	\$142.0	\$111.2	\$107.8
FY 2010-11	\$150.0	\$122.0	\$123.7

NOTES:

- 1.) Amounts displayed for the Budget Office are the estimates included in The Executive Budget.
- 2.) Amounts displayed for the Fiscal Division are estimates prepared on February 24, 2009, based on information available from the Las Vegas Convention and Visitors Authority through December 2008.
- 3.) Amounts displayed for Applied Analysis are estimates provided to the Fiscal Division on February 23, 2009.
- 4.) In Clark County, the full 3% room tax rate can be imposed in the entire county except for a portion of the City of Las Vegas. Only 2% additional room tax rate can be imposed in City of Las Vegas for facilities with 75 rooms or more as current total combined room tax rate is 11 %.

5.) In Washoe County, only 1 % additional room tax rate can be imposed in Washoe County (unincorporated area) and Reno (excluding Downtown Area) as current total combined room tax rate is 12%. No additional room tax rate can be imposed in Sparks and Reno Downtown as current total combined room tax rate is 13.5%.

Prepared by the *Fiscal Analysis Division*

February 24, 2009 - 7:40 AM

These are estimates that were prepared by the Budget Office, and their estimates were the estimates that were included in the Executive Budget as it was presented to you. The Fiscal Analysis Division—those are the estimates that we just ground through this morning. Then Jeremy Aguero with Applied Analysis was kind enough that he has been analyzing this issue as well as the Fiscal staff. He applied his most current estimates. So you see in Table 1, as Mr. Stevens has pointed out, that the room tax would become effective, if it's approved, July 1, 2009. Thus the rate would actually become effective then and start being imposed on rooms rented after that period. The estimates you have here are for Fiscal Year 2010 and Fiscal Year 2011. The Fiscal Analysis Division's current estimate for Fiscal Year 2010 is \$111.2 million, and for Fiscal Year 2011 it's \$122 million. You can see how those estimates compare to the Budget Office estimate that was included in the Executive Budget as well as the estimate that was prepared by Applied Analysis.

I think one of the critical things for staff to point out that was sort of discussed with regards to the provisions of the bill—in its actual application in the real world, you can impose up to the additional 3 percent room rate, but you cannot exceed 13 percent as a maximum rate. With regards to the mathematics of computing the additional rate, so you can see, it's spelled out here in footnotes 4 and 5 that in Clark County, you can—given the current rates that were in place July 31 2008—that you can impose the full 3 percent everywhere in Clark County, except for portions of the City of Las Vegas, and this is because in portions of the City of Las Vegas, that is those facilities with 75 or more rooms, the current combined rate is 11 percent. Thus, you can only impose up to 2 percent to get to the 13 percent maximum. In Washoe County, you can only impose an additional 1 percent room tax in the unincorporated area of Washoe County. In the Reno area, that is excluding the downtown area as the current rate there is 12 percent. Thus you can only impose the additional 1 percent to get to the 13 percent maximum. No additional room tax can be imposed in the Sparks area or the Reno downtown area, as the current combined rate in those two areas is 13.5 percent. With regards to the estimates that are there, Clark County has estimated in Fiscal Year 2010 to generate approximately \$109.9 million of that \$111.2 million. Washoe County would generate only approximately \$1.3 million. Just to give you an idea of the breakout—and again, obviously Washoe County is the largest county—but because of the capping mechanism, the calculation, the Washoe County number is even smaller because of the rate that cannot be imposed in that county. There is one final issue that I would like to discuss with members of the Assembly, and that is the timing of the receipt of the funds.

The way the tax currently works is that there is approximately a two-month lag between when the business activity that occurs to generate the room tax collections and when it is recorded and received by the state. That is, May's business activity actually becomes July's collections. Thus, with the July 1 effective date, we won't be able to pick up and May and June's business activity. But with the way the provisions of the bill specify, the state, if it's approved, for those two years that we could get general fund money, the state will get 2 years or 24 months worth of money that would go into the general fund. Staff is still researching and looking into this issue, but it would appear that we would get 10 months worth of revenue in Fiscal Year 2010, a full 12 months worth of revenue in Fiscal Year 2011, and then those remaining two months would spill over into Fiscal Year 2012. With that, Madam Chair, that concludes my presentation and I can answer any questions that you may have.

CHAIR BUCKLEY:

Thank you for your remarks. Questions of the Committee? Assemblyman Christensen?

ASSEMBLYMAN CHRISTENSEN:

Thank you, Madam Chair. Quick question to you, sir, in regard to Table 1. I want to make sure that I heard you right. Did you say that we are looking at about \$110 million from Clark County alone and \$1 million from Washoe?

RUSSELL GUINDON:

Those are approximately close, rounding it—the \$109.9 and \$1.3 for Fiscal Year 2010.

ASSEMBLYMAN CHRISTENSEN:

I did not think that I heard that right, so I guess I did. Thank you, Madam Chair.

CHAIR BUCKLEY:

Assemblywoman Gansert?

ASSEMBLYWOMAN GANSERT:

Thank you, Madam Chair. In looking at these revised numbers, just so that everybody understands, to make it clear, the budget had \$292 million roughly in it, and although these estimates have changed, if we don't, we have to plug that size hole no matter what. So we will still—if this was not to pass, we would still have \$292 million, not one of the lower numbers, to have to find.

RUSSELL GUINDON:

That is correct. The Executive Budget is based on receiving \$142 million in the first year of the biennium Fiscal Year 2010 and \$150 million in 2011 from this revenue source. If it was not passed, either budget reductions would have to be made to that extent or additional revenue would have to be generated. Or if there is a shortfall in the revenue projection that was made in the Executive Budget, that amount of money would have to be generated from another revenue source or appropriations within the budget reduced.

CHAIR BUCKLEY:

Assemblywoman Gansert?

ASSEMBLYWOMAN GANSERT:

Thank you, Madam Chair. Yesterday we learned—it has been out there for a little while—that one of the bonds that we have with Lehman, we are not probably going to receive the proceeds of \$50 million, and a portion of that is General Fund money, about \$19 million, I think. Are there any other budget items that are outstanding or shortfalls that we may have to cover right now that we know of?

RUSSELL GUINDON:

None that immediately come to mind. As we go through the budget, there are going to be items that we run across that need to be fixed where an incorrect assumption was made or some other problem exists, but nothing that rises—that I know of right now—that rises to the level of the one that you mentioned.

CHAIR BUCKLEY:

Any other questions? Thank you very much. We appreciate your testimony.

There is a sign-in sheet for anyone who would like to testify, which is located outside those doors on a table. I have one person signed in so far to testify, Lynn Warne. Lynn, do you want to come down? Is there anyone else who would like to testify? Just state your name for the record and provide your testimony.

LYNN WARNE:

Thank you, Madam Speaker, for the opportunity to address this body on this very critical issue. For the record, my name is Lynn Warne, and I am the President of the Nevada State Education Association. I am here today representing the Committee for the Advancement of Education in Nevada and our 28,000 members statewide.

First, I would like to thank everyone involved in this process in general, and specifically our gaming partners for their understanding, foresight, and accountability in helping develop and

bring this IP before you today. But most importantly, I would like to recognize you, Madam Speaker, for your leadership, guidance, and impressive determination in guiding this proposal over the sometimes rocky road that has led us here today. This partnership would not be possible without a personal and passionate interest in the beginning to address this crisis on the part of Steve and Elaine Wynn. The educators of Nevada are grateful for their ardent advancement of the cause for quality education. This initiative will eventually provide a desperately needed dedicated source of revenue for our K-12 public education system.

I am sure I do not need to tell you about the problems we face today: overcrowded classrooms, educators who cannot make their mortgage payments or rent, the number of classes that are being taught by substitutes because we are unable to recruit qualified permanent educators. The voters of Nevada have spoken and have done so with a firm and decisive voice. The IP that you are considering is before you because over 130,000 Nevadans have demanded that you do so by signing the petition. They have sent you a message that enough is enough—that it is time to determine the process in which to begin making K-12 education a priority.

In addition to our two biggest counties, voters having overwhelmingly agreed on casting their affirmative votes on advisory questions. There were over 66 percent in Clark County and 57 percent in Washoe County, that the groundswell of public opinion is so compelling that even the Governor has chosen to include the proceeds of this measure in his budget. It is a message so insistent, widespread, and resonant that only the most reckless political politician would dare to ignore it. Your affirmative action on this petition will demonstrate your commitment to begin to address the funding crisis facing our K-12 education system. Educators, parents, and constituents alike will hear your message that there is hope for education and that you as a body care about the future of our children.

As I said earlier, this is not the end of our struggle, but with your help, it can be the beginning of the end. We today can take the first step to becoming a state that demonstratively is determined about improving education and has the courage and fortitude to do something about it. The road before us is not easy, nor is it well traveled, but together we can make that journey that will ensure a better future for our children. We can reverse this destructive downward spiral of underfunding and neglect. That journey back to respectable and well-functioning public schools is a long one, but today this body can take the first step in that historic passage. Thank you.

CHAIR BUCKLEY:

Thank you for your testimony. Questions of the Committee? There are none. Thank you. Randy Robison? Thank you for being with us in this non-intimidating setting.

RANDY ROBISON:

Thank you, Madam Speaker, members of the committee. For the record, I am Randy Robison. I am appearing here today on behalf of the Nevada Association of School Superintendents. We approach this issue not as a tax issue but as a resource issue. For us, it has never been about a particular tax of any kind but about the resources that are necessary to provide the education to the students that we are required to provide by statute and also by the Constitution. In that regard, I would like to refer quickly to this document iNVEST 2009 that is published by the Nevada Association of School Superintendants and has been each year since 2003. But in this version, specifically we talk about the base budget. School districts and their ability to improve student achievement live and die by the base, the basic per pupil support amount guaranteed by the Nevada Plan and authorized by the Legislature. The base budget includes all of the non-headline grabbing expenditures essential to keeping schools running, things like stamps, milk, bus fuel, electricity, toilet paper, classroom instruction supplies, staples, maintenance, custodial supplies, and the list goes on and on. Literally thousands of things, big and small, that are required to keep schools open, buildings clean, and classrooms ready to support learning day after day.

Again, for us this is not a tax issue; it is a resource issue. When the economy slumps, we still have to provide school. When a business closes, we still have to provide school. When someone loses their job, as unfortunate as that is, we still have to provide school for their kids. For us, this is a resource issue. Others have mentioned that this is already part of the recommended budget.

One way or the other, we have to come up with that money to provide the education that we are required and obligated to provide. Thank you, Madam Chair.

CHAIR BUCKLEY:

Thank you for your testimony. Questions of the committee? I don't see any. Thank you for your testimony.

Is there anyone else who would like to provide testimony on Initiative Petition No. 1? Seeing none, I will close the public hearing on Initiative Petition No. 1.

Chair Buckley announced if there were no objections, the Committee of the Whole would recess subject to the call of the Chair.

Assembly in recess at 11:49 a.m.

IN COMMITTEE OF THE WHOLE

At 11:51 a.m.

Chair Buckley presiding.

Quorum present.

On motion of Assemblyman Ocegüera, the Committee did rise and report back to the Assembly.

ASSEMBLY IN SESSION

At 11:51 a.m.

Madam Speaker presiding.

Quorum present.

REPORTS OF COMMITTEES

Madam Speaker:

Your Committee of the Whole has considered Initiative Petition No. 1.

BARBARA E. BUCKLEY, *Chair*

SPECIAL ORDERS OF THE DAY

The Committee of the Whole having concluded, Initiative Petition No. 1 was considered.

Initiative Petition No. 1.

Initiative Petition read third time.

Remarks by Assemblymen Pierce, Cobb, Hambrick, Hardy, Mortenson, Stewart, Leslie, Gansert, Claborn, Arberry, Grady, and Settlemeyer.

Assemblyman Ocegüera requested that the following remarks be entered in the Journal.

ASSEMBLYWOMAN PIERCE:

Thank you, Madam Speaker. I rise in support of IP 1. I do not do this very often, so I am a little nervous, so bear with me. Not just for this election cycle, but going back for a couple of them, when I knock on people's doors, my constituents say over and over again, "education, education, education." They want it to be better; not just this year, but going back. I have young families in my district. They want education to be better. I have grandparents raising their grandchildren. They want education to be better. They know that we are 47th in the nation in education funding. They know that education is vitally important for the future of their families

and that a good education system is absolutely crucial for a healthy community and a healthy state.

One of the things they probably do not think much about is that it is impossible to attract good businesses that have good paying jobs to a state that does not have a good education system. Those were the things that my constituents said to me before the economy went south on us. Here we are today. We have already made devastating cuts to education, to health and human services, and to infrastructure funding. We still have a \$1.8 billion hole in the budget we have to put together in the next one hundred or so days. I do not think anyone here is happy about doing this. We all wish the economy hadn't gone south. We all wish we had never of AIG—but here we are. I told my constituents that I would come up here and make the decisions necessary, especially on this—my constituents voted for this. My constituents said this is the way we want the state to go. So with that, I support this wholeheartedly, and I urge my colleagues to also do that. Thank you.

ASSEMBLYMAN COBB:

Thank you, Madam Speaker. I rise in opposition to IP 1. Our tourism-based economy here in Nevada is hemorrhaging jobs. They just closed a casino in Mesquite. They have laid off thousands of workers at MGM and thousands of workers at Harrah's. Adding a tax to the rooms, which tourists pay, is going to discourage people from coming to Nevada and helping our tourism-based economy. It is like hanging a big sign that says, "Nevada does not want your business." I urge you to reconsider voting for this. I think it is going to hurt rather than help. I hope you will join me in voting against it. Thank you.

ASSEMBLYMAN HAMBRICK:

Thank you, Madam Speaker. I rise in opposition. We live in a society, and we have for many years, in which we care for the small issues. Occasionally my sense of humor belays the fact of the seriousness of some issues—but we are worried about the snail darter and the spotted owl. We have to worry about small business. We know that outside the boundaries of this state, perception is reality. Even though some may argue more eloquently than I on both sides of this issue, what will be reported in the largest papers? That we increased the room tax by pennies? Or we just increased the room tax? *The Wall Street Journal*, *The New York Times*, *The Washington Post*—they will all report these things. In the decision making process of those who may want to come to the state, what will affect them? Things like an unfortunate remark by the President, which he took back. But it was out there. You can't unring a bell.

We want people to come to the state. Will this be one more deciding factor that may cause them to not come to the state? It is a hard decision. All of us, no matter how we vote, should not be criticized by any outside factor. But please look at it. Just remember that perception is reality and we have to go forward, because we may suffer larger consequences in the long run than we really realize. Thank you, Madam Speaker.

ASSEMBLYMAN HARDY:

Thank you, Madam Speaker. I actually agree with everyone. Recognizing that, I do not think there is a good solution for this issue, and so this is how I reasonably tried to approach this issue. My constituents voted for it, and I represent them. The Governor, known for his thrifty approach to taxes—this is where I smile—put it personally into this budget. The Ways and Means Committee has been approaching the budget from a virtual zero-based budgeting approach with what I admit will be deep and wide cuts which will be implemented. We are in a fiscal hole. If we do not add some fill to that hole, we are going to be in an abysmal pit. We have recognized a certain amount of ambivalence and uncertainty and certainly not a consensus amongst the affected industries, some of whom have made a farsighted deal to avoid onerous taxes in the future on that particular industry.

Although the intent of this is to fund education, we have the opportunity to be flexible in the first two years of its implementation and collection to help the General Fund, and parenthetically, almost half the General Fund goes to education traditionally. This will, hopefully, protect the industry from a more onerous tax as well as keep us at the table in a cooperative way, trying to solve this complicated problem with a simple solution for which there is none. Thank you, Madam Speaker.

ASSEMBLYMAN MORTENSON:

Thank you, Madam Speaker. For those who say this may curtail business in our state, I would like to ask, "When is the last time you called ahead to a convention city and asked what the room rate tax was and made a decision on whether to attend a convention based on the amount of the room tax?" I haven't looked recently, but a few sessions ago when I had a similar bill, there were many major convention states that had a much larger room tax than we did. Thank you, Madam Speaker.

ASSEMBLYMAN STEWART:

Thank you, Madam Speaker. I had a long list of reasons I am reluctantly supporting this measure; however, as I listened to my colleague from Boulder City, he ticked off every single one of them, so I will echo what he said. Thank you.

ASSEMBLYWOMAN LESLIE:

Thank you, Madam Speaker. I rise in support of IP 1. I would just like to remind our colleagues of some of the issues we have been hearing in Ways and Means this entire first month of the session. We've been hearing about how difficult it is to recruit and retain our teachers, and we're balancing that against a suggested 6 percent cut in salary and additional cuts in other benefits. We know the remediation funds had great results in the last biennium, and yet we see a zero in that column for remediation.

This coming week, we're going to hear about our higher education budgets that have been decimated, and we're facing a choice of closing one of the universities or closing all the community colleges, plus our professional schools. In health, we've been talking about an additional 5 percent cut in reimbursement to our hospitals, knowing that may mean that up three rural hospitals have to look at whether they have to close or not. We are still working on a plan to try and restore over half of the rural mental health clinics that have been cut from the budget. We are in a world of hurt. So is the industry. We absolutely know people who are losing their jobs because they are showing up on our Medicaid rolls. We are going to have to add a lot of money in caseload for those folks.

So what do we do? Today we have a chance to take a step forward and try to solve the problem and be a part of the solution. I know in Washoe County we're already over the 13 percent cap, and I've never heard that that is the reason people don't come to Reno—because we have a 13.5 percent room tax downtown. I urge you to think about the hole that this is going to create in our budget if we reject this initiative petition. Thank you, Madam Speaker.

ASSEMBLYWOMAN GANSERT:

Thank you, Madam Speaker. These are some of the tough decisions that we face during the session and other sessions. I can tell you many times this week people have said, "This is why you get paid the big bucks." I believe that we were elected to make these decisions and that our constituents want us to work together to find solutions. We are the stewards of the taxpayers' money, and I can attest that in Ways and Means, we're working every day from zero-based budgets. We are trying to reform government. We're trying to make significant changes; we do have that opportunity now. This initiative petition was supported by the voters, and it was supported by a very conservative Governor in his budget. As was testified today, that amount is \$292 million dollars, and after going through these budgets, I don't know where we are going to find another \$292 million dollars. We have cut higher ed, the Governor's cut higher ed, he has rolled back salaries. There really aren't very many good choices we can make. That is why I agree with all the previous speakers.

Our caucus will be split. We respect each others' decisions, something that has been very important to our caucus - that everybody can make up their own mind based on the evaluation of the situation. I personally will be supporting this because, again, it is in the Governor's budget. I don't know where else we are going to find the money, and it was supported by a vast number of voters.

ASSEMBLYMAN CLABORN:

Thank you, Madam Speaker. I rise in support of IP 1. The school system educated my children, the school system has educated my grandchildren, and I hope the school system will be here and have enough funds to support my great-grandchildren—I have two of them. I am going to use one of Wendell Williams' old clichés—our old Assembly friend in this building—it's the right thing to do. Thank you, Madam Speaker.

ASSEMBLYMAN ARBERRY:

Thank you, Speaker. I rise in support of this issue. This is a hard measure, and as my colleague just mentioned, my colleague that used to be here, that retired, was a strong educated man and he was strong behind education. We have to ask ourselves, when? It's got to be now. We always want to come in here and say we can't make these tough decisions, but we have to. Today is one of those days. I applaud you, I respect your decision, we are working together. As the minority leader just stated, we are trying to do this as a group—trying to take care of Nevadans. Education—no matter where you go when people find out that you are a legislator, they want to say to you, "Education is first." Just one example: I stopped by my eye doctor's office, and he had to hold this lady off from me. When she found out that I was a legislator, she wanted to come out of the room and let me have it. She wanted to give me her opinion that education comes first, and our kids deserve it. We need to push the right button, and that is the green button, and say the time is now and it will always be better for us to educate our kids.

Thank you, Speaker.

ASSEMBLYMAN GRADY:

Thank you, Madam Speaker. I, like many of my colleagues, don't like this bill at all, but on the other hand, we have been meeting in a bipartisan manner to try and save rural mental health clinics, and I have three of them in my district that were ready to close. If we don't fill this hole, I will lose those clinics. Therefore, I feel it's an obligation to the people in my district that I will reluctantly support it. Thank you.

ASSEMBLYMAN SETTELMAYER:

Thank you, Madam Speaker. I agree with all the previous speakers, this is a very difficult bill. I can see the good aspects of this bill, in the fact that it helps plug a hole, and I can see the bad aspects of the bill in relation to small businesses. Up to about two days ago, before we actually did the math and how each individual precinct and each individual assembly district voted, I was actually ready to flip a coin. It was just that close of a thing. Interesting enough, I'm probably one person in this room that can say it because I think I'm the only assembly district that actually voted this no. I will be following my constituents' vote. Thank you.

Roll call on Initiative Petition No. 1:

YEAS—35.

NAYS—Christensen, Cobb, Goedhart, Gustavson, Hambrick, McArthur, Settelmeyer—7.

Initiative Petition No. 1 having received a two-thirds majority, Madam Speaker declared it passed.

Initiative Petition ordered transmitted to the Senate.

GUESTS EXTENDED PRIVILEGE OF ASSEMBLY FLOOR

On request of Assemblywoman McClain, the privilege of the floor of the Assembly Chamber for this day was extended to Patricia Wenger.

On request of Assemblyman Mortenson, the privilege of the floor of the Assembly Chamber for this day was extended to George Phillips.

On request of Assemblyman Ocegüera, the privilege of the floor of the Assembly Chamber for this day was extended to Brian Hurlburt.

Assemblyman Ocegüera moved that the Assembly adjourn until Wednesday, February 25, 2009, at 11 a.m.

Motion carried.

Assembly adjourned at 12:12 p.m.

Approved:

BARBARA E. BUCKLEY
Speaker of the Assembly

Attest: SUSAN FURLONG REIL

Chief Clerk of the Assembly