

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-ninth Session
April 4, 2017**

The Senate Committee on Revenue and Economic Development was called to order by Chair Julia Ratti at 3:54 p.m. on Tuesday, April 4, 2017, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 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 Julia Ratti, Chair
Senator Aaron D. Ford, Vice Chair
Senator David R. Parks
Senator Ben Kieckhefer
Senator Michael Roberson
Senator Heidi S. Gansert
Senator Patricia Farley

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Colleen Lennox, Committee Secretary
Tina Nguyen, Committee Manager
Lex Thompson, Committee Secretary

OTHERS PRESENT:

Dawn Lietz, Administrator, Motor Carrier Division, Department of Motor Vehicles
Mary Walker, Carson City; Douglas County; Lyon County; Storey County
Jeff Page, Manager, Lyon County
Brad Bonkowski, Chairperson, Carson City Regional Transportation Commission; Supervisor, Carson City
Paul J. Enos, CEO, Nevada Trucking Association

Senate Committee on Revenue and Economic Development
April 4, 2017
Page 2

Jon S. Erb, P.E., Senior Civil Engineer, Douglas County Public Works; Douglas
County Regional Transportation Commission
Jason VanHavel, Director, Public Works, Storey County
Roy Edgington, Mayor, City of Fernley
Nick Marano, City Manager, Carson City
Marshall McBride, Chairman, Board of Commissioners, Storey County
Dagny Stapleton, Nevada Association of Counties
Mackenzie Hempt, Nevada Chapter, The Associated General Contractors of
America, Inc.
Wes Henderson, Executive Director, Nevada League of Cities and Municipalities
Janine Hansen, Nevada Families for Freedom
Peter Krueger, Nevada Petroleum Marketers & Convenience Store Association
Cheryl Blomstrom, Nevada Taxpayers Association
Steven D. Hill, Director, Office of Economic Development, Office of the
Governor
Jonas R. Peterson, President and CEO, Las Vegas Global Economic Alliance
Tray Abney, The Chamber
Nancy McCormick, Vice President, Business Retention/Expansion and Workforce
Development, Economic Development Authority of Western Nevada
Tyre L. Gray, Las Vegas Metro Chamber of Commerce
Jared Busker, Children's Advocacy Alliance
Denise Tanata
Emily Warren
Carrie Paldi, District Manager, Creative Kids Learning Center
Rhiannon N. Foreman
Kimberly Mull, Nevada Coalition to End Domestic and Sexual Violence
Marlene Lockard, Nevada Women's Lobby; Service Employees International
Union Local 1107
Bailey Bartolin, Legal Aid Center of Southern Nevada; Washoe Legal Services;
Volunteer Attorneys for Rural Nevadans
Salena Carr-Piccioni, Intern, Progressive Leadership Alliance of Nevada
Nova Murray, Deputy Administrator, Division of Welfare and Supportive
Services, Department of Health and Human Services
Ray Bacon, Nevada Manufacturers Association
Lori K. Chatwood, Deputy Treasurer, Debt Management, Office of the State
Treasurer
Jonathan P. Leleu, Nevada Bus and Limousine Association

CHAIR RATTI:

I am going to open the hearing on Senate Bill (S.B.) 439.

SENATE BILL 439: Authorizes certain local governments to increase diesel taxes under certain circumstances. (BDR 32-1002)

DAWN LIETZ (Administrator, Motor Carrier Division, Department of Motor Vehicles):

To assist with understanding S.B. 439, I will give you a brief overview (Exhibit C) of the International Fuel Tax Agreement (IFTA) shown on Slide 2. Discussions on IFTA began in 1983. In 1984, federal legislation authorized a motor carrier fuel tax working group to look at ways of making fuel tax reporting for the motor carriers more efficient. In 1991, Congress enacted an Intermodal Surface Transportation Efficiency Act, which is what IFTA fell under. Congress funded a working group to assist with the implementation. All jurisdictions were required to be signed on by September 30, 1996, in order to maintain federal funding.

Nevada adopted the ability to enter into the compact in 1989 under *Nevada Revised Statutes* (NRS) 366.175. Nevada did not actually join until 1991.

Why IFTA? The main reason is efficiency. Prior to IFTA, trucking companies, also known as motor carriers, filed fuel use tax returns in every state they traveled as shown on Slide 3. Additionally, each of those jurisdictions had the ability to conduct their own audits on the carriers. Sometimes, the motor carriers were subjected to multiple audits and multiple fuel tax filings all due at the same time.

Post-IFTA, as shown on Slide 3, the motor carriers file a single tax return with their base jurisdiction. Each month, any tax returns, audits or money that is received for IFTA is uploaded by the base jurisdiction. They are netted together to form a single payment back to the other jurisdictions, rather than each state having to write a separate check.

A map of the contiguous U.S. states and Canadian Provinces is on Slide 4. Alaska, Hawaii and the upper Yukon Territories of the Canadian Provinces are there; however, they are not part of the compact. If they ever joined the compact, that is the region they would fall into.

Slide 5 explains why the fuel tax collections are easier because of IFTA. How IFTA works and what Nevada's participation means is shown on Slide 6. An example would be when a motor carrier files the return in Nevada, it files for mileage traveled in Nevada and every other state traveled. The fuel tax rates for those states are added to get to the distance that is accrued. A check is then cut for those jurisdictions based on the travel.

Slide 7 explains what IFTA does for Nevada. The motor carrier does not have to get individual licenses; it has reciprocity to travel wherever it needs to go. All the money owed is trued up at the end of each quarter. It is better accounting with a single payment to each jurisdiction through the clearinghouse as opposed to individual returns and payments by each jurisdiction.

Slide 8 shows how IFTA helps the carrier. How indexing affects IFTA carriers is shown on Slide 9. In order for the carriers to receive credit for local taxes for fuel purchased in Nevada but consumed outside Nevada, like other IFTA taxes, the carrier has to apply to the Department of Motor Vehicles for a reimbursement. In NRS 373.083, it provides the carriers the reimbursement mechanism also explained on Slide 9. For example for Clark County, which is the only one that has indexing and the refund mechanism, we withhold the first 20 percent of the diesel index tax. The reimbursement requests must be received by April 1. The total of those reimbursements cannot exceed 20 percent of the tax collected in a given county.

Slide 10 explains what S.B. 439 will do.

CHAIR RATTI:

Thank you and to your colleagues for working with us and putting together this presentation at such a short notice.

MARY WALKER (Carson City; Douglas County; Lyon County; Storey County):
We support of S.B. 439. I will read from my written testimony ([Exhibit D](#)) which refers to the amended version of the bill ([Exhibit E](#)).

To clarify the split between the cities and counties, the amendment has some conceptual language that it would be split according to how the 9-cent regional transportation commission (RTC) funding is split. Some cities, including Fernley, would like to codify current distribution in some manner. We may need the Legislative Counsel Bureau (LCB) to help. For example, Lyon County for over

22 years has split the RTC funding according to assessed value between the cities and the County. The intention is to retain that. There is an agreement between the Lyon County Board of County Commissioners and the City of Fernley to do so. They want, in some manner, assurances on codifying that. We will work with them, the Committee and the counties to come to some final language.

JEFF PAGE (Manager, Lyon County):

Lyon County supports this bill and the amendment to ensure our ability to take care of maintaining roads. We conducted our pavement management report. The cost would be about \$32 million to \$33 million to replace the necessary roads that are at failure or close to failure rate in the next year or 2. That does not include the roads that are within 50 percent to 70 percent failure.

The roads referred to in this bill do not include, as an example, East Walker Road that is 12 miles of dirt road out in the middle of nowhere. The majority of our road infrastructure work in the Central Lyon County corridor—from the Carson City line and Churchill County line to intersect with Highway 50 and Highway 95A—will be in the Mound House Industrial Park area, Dayton Valley Road area and the Ramsey Weeks Cutoff. We need to get those roads up to standard, so we can continue to support those folks who want to build and do business in Lyon County.

Our experience with the shutdown of Highway 95 between Schurz and Fallon suggests what truck traffic will be like with the opening of USA Parkway. We anticipate a large volume of truck traffic through our County. We are not against trucking, we just want to be prepared to handle the traffic that is going to be using our County roads.

Since 1995, Lyon County RTC has been in place and has split the money by assessed valuation. It is established by County code to provide to Yerington and Fernley. Although we only had one city in 1995, we have no objections to continue that process. In first discussing this bill, we wanted to ensure our incorporated cities were getting a portion of this funding. Whatever happens in Fernley and Yerington will improve our economy with incoming revenues. Based upon where we are with developers both in the City of Yerington and potentially in the City of Fernley, this bill would benefit them long term greater than it does us. I anticipate, based upon some new agriculture operations being planned in Mason Valley, that you will see the City of Yerington's assessed valuation climb

several hundred million dollars in the next five to ten years. This will increase revenue coming in for them. For us it is a win-win for the two cities and the County to deal with roads throughout the jurisdiction.

In the last 25 years, vehicles have become more efficient with fuel. New types of vehicles do not even use gasoline or diesel. We are beginning to see a major change in the amount of revenues we receive from the gas tax. If Lyon County was not hurting, my Board of County Commissioners would not have authorized me to be here. We are at a point where we have no other options on how to deal with road issues. The 5-cent tax generates about \$2 million per year; after the 20 percent, it is about \$1.8 million. About \$800,000 will go to the City of Fernley; the City of Yerington gets about 5 percent to 6 percent of that; the rest would come to unincorporated Lyon County. As a sell to the public, the money would be utilized as an identifiable source strictly for roads. It does not go to anything else, the general fund, social services or any of those kinds of things, it goes strictly to deal with roads and people's potholes.

CHAIR RATTI:

I would like to dig into the distribution between counties and cities a little bit to make sure we understand. If we did not put something in the law that specifically directs the county on how the money has to be distributed, how would it play out in Lyon County?

MR. PAGE:

If it did not pan out, I would sit down with the cities of Fernley and Yerington and do an interlocal agreement for the same process we follow through RTC.

CHAIR RATTI:

It would essentially match the fuel tax distribution?

MR. PAGE:

Based upon assessed valuation, yes.

CHAIR RATTI:

I have been in many meetings as local government coming to the Legislature and asking for more local control. It is an interesting dichotomy to want local control in some areas but then want the Legislature to be more directive in other areas. I like local control where it makes sense. Basically, the answer is you would do an interlocal agreement to match fuel taxes?

MR. PAGE:
Yes.

BRAD BONKOWSKI (Chairperson, Carson City Regional Transportation Commission; Supervisor, Carson City):

I support S.B. 439. In Carson City, the repair and maintenance needs for our street systems are approximately \$15 million annually. We typically have between \$2 million and \$2.3 million available annually, depending on the amount of grant funding that we are able to procure.

Our streets continue to deteriorate in spite of our efforts to maintain them. We have implemented several innovative programs over the last few years to stretch the revenue we have and to provide the best maintenance solutions for our roads, but the gap between actual funding and basic maintenance needs is too great.

This is not a Carson City issue but a statewide and countrywide issue. Senate Bill 439 provides much-needed funding to at least help bridge a portion of that gap and allow us to expand our basic maintenance program. This will not be a total solution by any means; however, it is a step in the right direction. I urge you to pass the bill.

PAUL J. ENOS (CEO, Nevada Trucking Association):

We support S.B. 439. Traditionally, these have been the type of taxes that we have opposed, diesel tax at a local government level. Throughout the years that has changed. We have seen through fuel tax indexing two local governments being able to tax diesel fuel.

We appreciate working with the proponents of this bill to make sure that we complied with IFTA to have a mechanism for our interstate trucking companies that do not pay taxes on point of purchase, like we all do when we fill up their vehicles, but point of use to be able to have some kind of parity with those entities out of state. I appreciate when we did that in 2013 with Clark County. It has made a big difference to some of our companies. We still do not have it in Washoe County, but I appreciate how we are moving forward when we are talking about local taxes on diesel fuel, which are primarily paid for by commercial vehicles.

Second, we are very happy to be perhaps the first state in the Nation that has a dedicated source going to truck parking. Truck parking is a huge issue in Nevada and nationwide. I was driving from San Francisco on Valentine's Day after driving in an automated truck. When I came back into town, there was a line of trucks five miles long. I learned from the Nevada Department of Transportation that it was ten miles long at one point. We had a weather-related event with roads that were shut down.

Truckers are bound by federal regulations on how many hours they can drive. They can only be behind the wheel operating that vehicle for 11 hours a day. Truckers have to take a half-hour meal and rest-break period. Everything is currently logged on a paper logbook. Paper logbooks are going away at the end of this year. Where a trucker may have had the ability to kind of fudge some of those hours in order to find truck parking, with electronic logging devices and a potential \$1,100 per day fine for a violation of hours of service, truck parking is going to become even more acute.

I appreciate that we are giving something on a diesel tax to pay for some roads, but we are also doing something that is going to have a positive impact on the people who are paying those taxes, our truck drivers. I am supportive of where we are moving with the amended version of S.B. 439. We have the ability not just to get our refunds through an IFTA-type program but to make a statement that we do want to see truck parking in the State. We are also going to see that some of that money is going to an investment.

JON S. ERB, P.E (Senior Civil Engineer, Douglas County Public Works; Douglas County Regional Transportation Commission):

Douglas County, Douglas County Public Works and the RTC are in favor of this bill. We have a pavement management system with a shortfall annually. This bill will actually help us with our pavement preservation projects. It will not solve our problem, but it will actually go a long way.

JASON VANHAVER (Director, Public Works, Storey County):

Dedicated transportation revenues cover approximately one-third of our transportation needs in our County. Unfortunately, the difference on an annual basis tends to be made up with general fund revenues. While general fund revenues can be utilized for such a use, that is generally not the spirit intent for general revenues at the county level.

Storey County supports this bill and strongly encourages its acceptance to help direct revenues to their most appropriate end destination.

ROY EDINGTON (Mayor, City of Fernley):

City of Fernley supports S.B. 439 with the conceptual amendments as introduced by Ms. Walker with the language the funds will be distributed according to the RTC formula in effect as of July 1. This will codify the intent of the distribution.

This language will share that not only Fernley but other cities that fit into this category get their share of the distribution. We can all agree that it is a much-needed revenue vital toward the improvement of our infrastructure.

We did our budget last night, and this would literally double our road department budget. We only have four people on the road, and this doubles our budget. We appreciate working with Lyon County to make this happen.

NICK MARANO (City Manager, Carson City):

I would like to echo what Supervisor Bonkowski said. This bill would be important for Carson City, and we support it.

MARSHALL MCBRIDE (Chairman, Board of Commissioners, Storey County):

We support S.B. 439 based on fairness. I have a three-quarter-ton gasoline-powered truck that we use for a snowplow. I pay a motor fuel tax in Storey County to operate it. Not to beat up on truckers, instead I will beat up on my brother. He drives a one-ton diesel pickup in Carson City. He fuels up and drives his vehicle around town without paying the same motor fuel tax I do. In all fairness, those of us who basically drive the same vehicle should be paying the same taxation as well.

On the level, we would like to participate in helping finance truck-resting areas on our highways. Storey County has not reached the threshold of ten million gallons per year but in the not so distant future, we will be able to meet that goal with the growth of the Tahoe Reno Industrial Center. We have another large fuel provider that is coming on board and possibly a second. In the future, Storey County will be able to step up to the plate and help contribute to this fund.

DAGNY STAPLETON (Nevada Association of Counties):

We support S.B. 439 creating the option for counties to enact a 5-cent diesel tax. All of our rural members are supportive of having this option and a majority, all but a few, have voted to enact a similar additional optional gas tax, the proceeds of which go to regional roads.

Another example of the need for this bill in the rural counties is Humboldt County. It recently suffered significant damage from flooding and has over \$3.5 million and counting in damage to roads, money that the County does not have. Humboldt is another county that is supportive.

We also support the amendment and would be happy to work with the proponents on some of the concerns expressed.

MACKENZIE HEMPE (Nevada Chapter, The Associated General Contractors of America, Inc.):

Thank you to the proponents of the bill for including us in the conversations.

WES HENDERSON (Executive Director, Nevada League of Cities and Municipalities):
We appreciate and support this bill and the amendments. It will also work to make sure we get the distribution language correct.

JANINE HANSEN (Nevada Families for Freedom):

I am also testifying for John Wagner, Independent American Party, who is unable to be here today.

Government always wants more taxes. This particular bill circumvents the will of the voters in several of the counties, including where I live in Elko County. It talks about much-needed revenue for government but what about families?

For most workers, real wages have barely increased for decades. The Pew Research Center states that five decades' worth of government wage statistics indicate that for most U.S. workers, real wages, that is after inflation is taken into account, have been flat or even falling for decades, regardless of whether the economy has been adding or subtracting jobs.

We continue to take more out of the pie, a little piece here and a little piece there. I was involved in the discussion in Elko County about raising the fuel taxes a few years ago. I attended four hearings and met with the committee. Commissioner Demar Dahl came up with a plan that would have allowed

Elko County to pay for the roads it needed without raising the taxes. But the County was intent on raising the taxes, which it did. When the fuel tax came up this last election, it was defeated for probably a couple of reasons.

I live on a dirt road in Elko County, which is never taken care of by the County. Many people in the rural counties need trucks. Many of them are diesels. Why? Because many of them are ranchers who need those diesel vehicles.

Ms. LIETZ:

I want to go on the record that we are neutral on this bill. I would like to also go on the record and say that the reimbursement process that we have worked out with the counties is similar to what we already have in place for Clark County. The distribution of the additional funds will be done manually on the 5-cent tax for each county that enacts it. When we go into system modernization on Phase 2, where the fuel supplier program will be built, we will automate that process. We have a lot of practice between Clark and Washoe Counties doing this manually, so it should not be a big deal for the counties.

I would also like to thank Ms. Walker, Mr. Page, Mr. Enos and Peter Krueger for working with us on the friendly amendment that we added for housekeeping. To go on the record, for section 7 of [Exhibit E](#) we asked for an amendment to NRS 365.500 to add terminals to the list of the other fuel entities that are required to reimburse the Department of Motor Vehicles for the cost of conducting an audit when we are required to travel out of state.

In section 8, [Exhibit E](#), we would like to amend NRS 366.265 to allow the Department to charge a flat fee of \$25 in lieu of charging \$6 per set of decals for the IFTA vehicles like we currently do. The main reason is an equity issue. When we first put in the \$6 fee, we were charging per vehicle. A company that has 100 vehicles pays \$600 a year to get these licenses, but a company that only has one truck pays \$6. The cost to us to do the account maintenance is relatively the same, regardless how many vehicles it has, once the company is in our system. We would like to rectify that by doing a flat fee of \$100 for every IFTA license as opposed to charging for the decals. It comes out to be a revenue-neutral request.

On section 9 of [Exhibit E](#), we would like to amend NRS 366 to add a definition of jurisdiction to match the definition in IFTA.

In section 10 of [Exhibit E](#), we would like to amend NRS 366.199 to prohibit the purchase of tax paid fuel by another licensed supplier. Law only prohibits the sale making the seller the only one liable if a transaction occurs between the two parties. We want that to be a joint liability. For example, if I have a fuel license, I am as responsible for trying to buy tax paid fuel as the person who sold it to me.

In section 11, we would like to amend NRS 366.395 to correct the penalty fees that are in law of \$50 and 10 percent. According to IFTA, it should be a \$50 fee or 10 percent, whichever is greater. We are correcting the language so we are not charging our customers for both.

SENATOR GANSERT:

Can you cover the license fee again? You said it is \$6 a vehicle, but you want to go to a \$100 flat fee. If you only have 1 or 2 vehicles right now, you are paying \$12 versus \$100. I am missing it?

MS. LIETZ:

We would charge a \$25 flat fee. I am saying the companies that have 100 vehicles are paying \$600 every year. We would like them to only have the same \$25 flat fee. It would be revenue-neutral for us at \$25. We would charge that per license as opposed to charging \$6 for every truck.

SENATOR GANSERT:

How many truckers do you have where it is just a single truck versus multiple trucks?

MS. LIETZ:

I would have to go back to the Department and run records on that to give you an actual number.

SENATOR GANSERT:

Or even if it is five or under because your breakeven is four?

MS. LIETZ:

Four vehicles or less. I could get you the numbers on how many companies are under four. We have just under 1,800 accounts and about 11,000 vehicles that are registered. That 11,000 varies from year to year.

Senate Committee on Revenue and Economic Development
April 4, 2017
Page 13

CHAIR RATTI:

I would be interested in those numbers too.

Ms. LIETZ:

I will get those.

PETER KRUEGER (Nevada Petroleum Marketers & Convenience Store Association):
I am here to add some numbers to this dialogue ([Exhibit F](#)). We are neutral on the bill. Nevada Petroleum Marketers & Convenience Store Association are the men and women who collect the tax on behalf of the citizens of Nevada. We are considered fuel suppliers. We have the liability to collect and pay that tax to the Department of Motor Vehicles.

My written testimony, [Exhibit F](#), shows the diesel sales and percentages for diesel sold in Lyon County.

On page 2 of my written testimony are the figures if the tax is based on gallons sold as opposed to assessed value or some other arrangement.

CHERYL BLOMSTROM (Nevada Taxpayers Association):

I find myself the keeper of history today. The parity between the counties was talked about. When Washoe County started this process in 2002, it put together a blue ribbon committee and came up with the ideas to propose, took it to the voters and asked them for an advisory question. The voters approved that question. The committee brought it to the Legislature, and the Legislature authorized indexing Washoe County gas tax. The committee came back to voters with a second question adding diesel to the indexing, and the voters approved it.

In 2013, Clark County wanted to do that. It came to the Legislature and received a legislative authorization but only for two years. The Legislature said Clark County can index the gas and diesel, but in two years in 2016, it had to be put on the ballot and the voters must approve it. In Clark County, they approved it.

Assembly Bill No. 191 of the 78th Session required the county commissions to put a similar ballot question statewide. All of the rural counties we talked about said no. They said no in pretty astounding numbers. The largest yes vote was in Mineral County, which was 42.44 percent of the vote. The least was in

Esmeralda County that only received a yes vote of 21.29 percent. No county said yes.

CHAIR RATTI:

Was that question just on fuel taxes, gas taxes or did it include diesel?

MS. BLOMSTROM:

It included special fuels, and diesel is calculated as a special fuel, so it was gas and special fuels.

It is problematic to me and the voters, who spoke no less than six months ago, to then come back and implement this via an ordinance. If the Legislature is going to do this, it should mirror what happened in Clark County. The counties should be given the authorization to do it as an ordinance and then come back in two years with the pilot, so they have some numbers in their counties. They would probably have some roadwork that is done, then put it to a vote of the people. If the people say yes, terrific. If the people do not say yes, I think it should be considered the will of the people. People live in rural counties for very good reasons. And they are conservative.

SENATOR FORD:

This is more a question for proponents of the bill because, honestly, what you have said out loud makes sense to me. I would like to hear the response from the proponents as to why we would not follow your suggestion in that regard.

CHAIR RATTI:

I appreciate that. When we get to closing comments, we will make sure that question gets asked.

MS. WALKER:

We developed this bill and amendment completely different from what was on the ballot question. The ballot question was indexing all of the gas taxes as well as the diesel taxes, including State diesel taxes. This bill would only index the State diesel taxes.

We did not want to go against the will of the people and come to you with indexing. That is not we are proposing. What we are proposing mirrors what is in statute regarding gas taxes. The boards of county commissioners have a 5-cent option to implement a gas tax in their counties. All this does is mirror

that authority. This is for the taxpayer as well because there is an inequity. We are charging people who have gas vehicles the 5-cent option, but we are not charging people who have diesel. The people who have the additional tax on their gas vehicles when they fuel up are paying for the road maintenance, but the people who have diesel vehicles are not. We did this purposefully as completely separate from what was asked of the voters last November. It probably worked as you only have one person in opposition, Ms. Hansen. You are not seeing a lot of people coming up against what we are proposing because it is modest and entirely different than what was proposed last fall on the ballot.

CHAIR RATTI:

Mr. Page, what would the process look like at the local level? Does a county commission enable it, and how would the county notice that to the public?

MR. PAGE:

An ordinance is publicly noticed through a variety of processes. We do a public posting on our Website, on the State's Website, where we are mandated to post, and on a number of public buildings throughout Lyon County. Because we are spread out, we do about 17. At the first hearing, a commissioner proposes the bill, and it is read for the record. In 30 days, another public hearing is held for the public to testify, voicing concerns for or against.

One issue I have is if we follow the path we do with fuel indexing, it would limit the window for rural counties to enact. There may be counties that do not have a service station. For example, I do not know if Esmeralda County has a service station. A county may not want to enact a gas tax or fuel tax if it does not even have a service station in the community. However, if it gets a service station, a county may want to utilize that funding, so what is the window? If it is only done this one time and we have two years to bring it back, what does that look like for those other counties in the future? Ms. Walker is indeed correct. Our intent was not to bypass what the voters said, our intent was to deal with this as a one-time up-to-5-cent tax on diesel fuel not indexed. It does not grow every year like indexing does. It stays at 5 cents just like the gas tax does.

CHAIR RATTI:

I want to put on the record, we do want to make sure the amendment as presented actually captures the intent of what was testified to today. The Committee would ask you to work with LCB staff to make sure we get there. We will close the hearing on S.B. 439 and move to S.B. 441.

SENATE BILL 441: Revises provisions relating to workforce development.
(BDR 18-1122)

CHAIR RATTI:

The next two bills, S.B. 441 and S.B. 442, are also Committee bills. I want to make some opening remarks on these two bills. Steven Hill, Director, Office of Economic Development (GOED), approached me in advance of the bill deadlines to say that GOED would be interested in having an economic development-focused bill draft. In the end, we settled on two to make one simple concept stand out, with the rest in one rather large omnibus bill that you will hear more about. There was much spirited discussion. There were things Mr. Hill wanted in the bill draft request (BDR) and things I wanted in the BDR. What you are seeing today is the result of literally hours of conversation to get to something we can both support. We want to let everyone know we are open to questions. We want to make sure we get all the information on the record, particularly in S.B. 442, which is a relatively complex bill.

SENATE BILL 442: Revises provisions relating to economic development.
(BDR 32-1001)

STEVEN D. HILL (Director, Office of Economic Development, Office of the Governor)

I want to thank Chair Ratti for the significant investment of time that she has put into both of these bills.

Senate Bill 441 relates to the Workforce Innovations for a New Nevada (WINN) program. We had the opportunity to make a larger presentation to this Committee so I will not go back through what the WINN program does, but we are excited about what the program brings to Nevada and to Nevadans. We are also heartened by the early success we have had. We are seeing Nevadans being able to increase their opportunities in life, getting on career paths that much of the economic development work and companies throughout the State have brought to Nevada. We see this as a remarkable opportunity going forward for Nevadans to participate in the new Nevada.

Putting the program together takes significant effort. It takes a commitment on the part of companies, not only to provide graduates of these programs with the opportunity for being interviewed and a priority opportunity at jobs but a

detailed study of the work that they need to do and the design of the curriculum.

Our Office, in cooperation with those throughout the Nevada System of Higher Education (NSHE) and the regional development authorities (RDAs), is working on full pathways and also working with the Department of Employment, Training and Rehabilitation to develop recruiting and screening aspects to the WINN program. In addition to that, in order for the WINN program ultimately to perform at its optimum level, we are measuring the results and tracking those results, looking for what works best and what may not be working in order to improve this important part of the program.

Senate Bill 441 is a relatively straightforward bill. Section 1 allows the RDAs in the State to apply to our Office for a grant from the WINN program. We certainly welcome not only that opportunity, but the RDAs have expressed, particularly in the larger metropolitan areas, the desire to be a part of the development of these programs moving forward. I know that one of the goals of S.B. 441 is to broaden the expertise in this area throughout the State, and allowing the RDAs to be part of that is important.

Section 3 of the bill updates the requirements and mandates that our Office has to include the workforce in a modern economic development policy as a part of our priorities.

I appreciate the Governor's commitment to the WINN program and the commitment he has made in his budget. There is an \$8 million commitment over the next biennium. I also want to recognize that the Southern Nevada Forum has made this one of their economic development priorities for this Session as well, and we certainly appreciate their support.

CHAIR RATTI:

I want to make sure there is clarity on this point. There is \$8 million in the Governor's budget. This \$3 million would be in addition to that \$8 million, correct?

MR. HILL:

That is correct.

Section 5 allocates \$2 million to the Interim Finance Committee (IFC) Contingency Fund to expand the WINN program.

Section 6 allocates \$1 million from the General Fund to the program to facilitate regional development authorities applying to our Office for a grant.

Section 7 allocates \$140,000 for the total cost of hiring a person in our Office dedicated as a WINN specialist in the State.

CHAIR RATTI:

I want to add for the record, there was compelling testimony during our educational hearings at the beginning of the Session. Workforce development was the No. 1 challenge facing our economic development efforts. I was excited to work with Mr. Hill in bringing this forward and hope that we can find a path for it to support more investment in workforce development. In particular, I like that GOED will have the ability to make sure that in working with the higher educational entities, which are also statewide, that there is some consistency and to push down some funds to the local level, so we are broadening that level of institutional knowledge in expertise across the State as well as getting more people involved in the workforce development issue.

SENATOR GANSERT:

For these grants, can nongovernmental agencies or entities receive grants, or is it just limited to government or quasi-governmental agencies?

MR. HILL:

No, it is not limited to just government agencies. In fact, it is a part of an economic development effort, so a company has to be a part of the WINN program grant in order for it to move forward.

SENATOR GANSERT:

I was thinking the grants are about partnerships with the private sector. Can a non-NSHE institution be eligible, maybe I should say it that way?

MR. HILL:

Yes, any training provider that our Office certifies as capable of carrying out that particular WINN grant is eligible.

CHAIR RATTI:

I need clarity because I am confused. There are the grants that are eligible in the WINN Account typically, but then in this particular bill there are grants specifically to the RDAs, correct?

MR. HILL:

Yes, that is correct.

CHAIR RATTI:

I just want to make sure we are talking about the same grant.

SENATOR GANSERT:

The grants go through RDAs, but they are for partnerships that would be private sector and an education institution or entity?

MR. HILL:

The workforce component of the grant ultimately will go to the training provider in partnership with a business seeking that training. The bill—as written, in particular the amount allocated to the RDAs—would also allow, not necessarily require, some of that funding for the capacity that is needed to develop the programs at the RDAs. It would be one of the eligible uses of the funding.

SENATOR GANSERT:

The RDA could actually receive the funds and develop a program?

CHAIR RATTI:

The intent of those grants is that the RDA receive the funds.

SENATOR GANSERT:

The RDAs develop their own programs?

CHAIR RATTI:

Yes, to develop their own programs. The way I would phrase it is they have some dollars to invest in innovation at the local level. There are very specific, differing needs in Clark County versus Washoe County versus the rural counties represented by the Northern Nevada Development Authority. It is to enhance what is happening at the State level but allow for some innovation at the local level. Mr. Hill, is that fair?

MR. HILL:

I would rephrase that a little. Ultimately, the training portion would need to go to a certified training provider. It would flow through the RDAs, some of which may stick with the RDAs to facilitate their ability to actually implement that portion of this program.

SENATOR GANSERT:

It is more of a flow-through to train. Is there a restriction on how much money or a percentage that can stay with an RDA versus going to a training entity?

MR. HILL:

There is not. Our Board of Economic Development would be responsible as they review the grant. The specifics of how that funding would be spent is reviewed and potentially approved by our Board. The efficiency of those dollars would remain the grantees' responsibility.

JONAS R. PETERSON (President and CEO, Las Vegas Global Economic Alliance):

We support S.B. 441. It would solve a critical need. What we see at Las Vegas Global Economic Alliance is the need of clients. Clients are continuously coming to us and asking for a direct path to job training assistance through RDAs. This bill would allow us to meet that need and help more companies say yes to creating jobs, get them information quickly and provide that needed job training assistance.

We also appreciate the flexibility in the bill. It is the intent to not only provide job training programs for clients but also to increase the workforce development capacity of RDAs in areas like promoting internships and apprenticeships. Regional development authorities are uniquely positioned to take on some of these roles in a competitive environment and would like to be able to apply for that type of funding as well.

TRAY ABNEY (The Chamber):

We strongly support this bill. Workforce needs are probably the top need that we hear about from our members. We are not talking about Ph.D.s and engineers, we are talking about companies that cannot find folks to answer the phones at their front desks and perform even basic job skills. It is difficult out there. Anything we can do to help provide training and a better workforce, we support.

NANCY MCCORMICK (Vice President, Business Retention/Expansion and Workforce Development, Economic Development Authority of Western Nevada):
Implementation of workforce development and the need for financial support are shown in my written testimony ([Exhibit G](#)). I support this bill.

TYRE L. GRAY (Las Vegas Metro Chamber of Commerce):
An investment in workforce development will equal growth in economic development. We support this bill.

SENATOR GANSERT:
Just for clarification, can the \$8 million that is already in the General Fund be used in the same way? Is this an additional \$3 million, or does the \$3 million have different parameters that are outlined in this bill?

MR. HILL:
The way the law is structured, I do not believe it would be possible to make the grants to the RDAs. The rest of the funding contained in S.B. 441 is just an expansion of the current program.

SENATOR GANSERT:
Would all \$11 million be available for the purposes outlined in this bill, or does the \$8 million stay where it is and not be grandfathered into these revisions?

MR. HILL:
As I read S.B. 441, the \$8 million would continue to be used the way it is being used. The \$2 million portion of the additional funding would expand that \$8 million to \$10 million and would be in that same use that has been in place. The additional \$1 million for the RDAs would be a change in the policy of the program to some extent.

SENATOR GANSERT:
Only \$1 million is available through the RDAs. The other would bolster the \$8 million to \$10 million?

MR. HILL:
Yes, that is correct.

CHAIR RATTI:

I would add one piece to that. The bill is intentionally structured to go to IFC in the second year of the biennium, so there is time for GOED to figure out how that \$8 million is going and to decide if that \$2 million would be beneficial. Perhaps that is a little bit creative, but what we are trying to do is recognize that there really are significant needs in workforce development. As we are advancing our economic development agenda, workforce development is a high priority. But we want to be thoughtful about just throwing around an extra \$2 million. It gives GOED and Mr. Hill some time to see if the program is really gaining some momentum. Then GOED can come back to the IFC and make the case for why that additional \$2 million is needed or decide the \$8 million really is meeting the need and that extra money is not necessary.

I place written testimony in support of S.B. 441 from Aviva Gordon and Amber Stidham for the Henderson Chamber of Commerce into the record ([Exhibit H](#)).

Knowing that S.B. 442 might be a little bit more complicated and lengthy, I am going to switch up the order and ask Senator Farley to present S.B. 455.

I will close the hearing of S.B. 441 and open the hearing on S.B. 455.

SENATE BILL 455: Authorizes tax credits for employers who assist employees in paying for child care. (BDR 32-1006)

SENATOR PATRICIA FARLEY (Senatorial District No. 8):

One of the key elements we have to have so people can participate in workforce development is the ability to take care of their children while they are taking part in either the training skills and/or working.

I want to explain why S.B. 455 is important not only for working families but also for employers who want to promote family-friendly workplaces.

Senate Bill 455 will entitle an employer to receive a credit against the Modified Business Tax (MBT), if the employer pays money to the entity under the contract with the Division of Welfare and Supportive Services (DWSS), Department of Health and Human Services (DHHS), which determines eligibility for childcare subsidies.

The purpose of this credit would be to assist an employee who has one or more children under the age of 13 and whose household income does not exceed 85 percent of the median income in Nevada.

The amount of the credit is equal to 50 percent of the amount paid by the employer to the entity under contract with DHHS. It is not to exceed \$5,000 per employee, per year. Any unused credit may be carried forward for five years.

The measure may sound familiar as it is similar to Senator Pat Spearman's bill, S.B. 147, which I strongly supported. However, Senator Spearman and I are currently combining our efforts on the best components of both bills into this bill.

SENATE BILL 147: Authorizes tax credits for employers who assist employees in finding and paying for day care. (BDR 32-56)

I am sure you are acutely aware of the burden of childcare costs on Nevada's working families. As you know, there are many challenges faced by working families, and it has become increasingly more difficult to find affordable childcare and early education opportunities. This bill incentivizes employers to help.

As a working mother of two, I know firsthand the stresses of finding good quality childcare so that I can go to work and know my children are not only safe but are also being provided critical learning experiences in their developmental years. Care and active learning for children in their early years from infant up to the age of five are especially critical. That is when 90 percent of brain growth occurs.

Like most things in life, you get what you pay for. The increasing cost of childcare puts lower- and middle-income families in a difficult situation for those who often need assistance.

According to Child Care Aware, the average cost of childcare in Nevada is over \$9,000 a year. The Children's Cabinet reports that weekly rates for childcare in Clark County for an infant are \$200 or more per week. This equates to over \$10,000 per year. You can see that the choice of having children is becoming more and more difficult for lower- and middle-class families, and the cost of

childcare for a lower-wage worker is a staggering percentage of his or her annual income.

According to the National Women's Law Center, the tax codes of the federal government in over half the states provide some assistance to families in meeting their employment-related care expenses. However, many states provide little or no tax assistance to families struggling to pay for that care that is essential to their economic well-being and/or continuing to work.

Since Nevada does not have a personal income tax, it is harder to find ways to provide credits to working families who need help to locate and pay for quality childcare and early educational opportunities for their children. This is why S.B. 455 is so important. Employers will benefit from helping their employees find and pay for good childcare because those workers will be able to concentrate on their jobs, knowing their children are in good hands.

Section 5 changes the language in NRS 432A from the Division "may" make information available for businesses to create a family-friendly work environment to require that the Division "shall" provide businesses with information on how to create these environments. Not only will the Division of Welfare and Supportive Services consult about the opportunities in Nevada, but DWSS can also help consult with federal tax rebates and write-offs so that employers can cover a lot of the cost of childcare for their employees.

There is a \$50 million allotment for this program. We have a program that is underfunded. Only 2.3 percent of families are able to participate because Nevada does not fund this program. There are a lot of people on the waiting list or those who do not even get on the waiting list because it is too long, so they are never going to seek help from this fund. I did want to be honest about the true need. I realize we will have to negotiate on the allotment, maybe \$49.9 million, some give and take there. I want the Legislature and State to understand what that number is. If we do get an allotment, there is not the misunderstanding that we took care of the need; we only got an appropriation toward fulfilling the need that we have in the State.

I will close by restating any help we can give parents to find and afford quality childcare is critical to caring for the children who will grow up and be the workforce of tomorrow.

I urge your support of this important bill. Jared Busker with the Children's Advocacy Alliance will walk the Committee through the contents of S.B. 455. We have some families in Las Vegas who will share why this is so important.

JARED BUSKER (Children's Advocacy Alliance):

I want to thank Senator Farley for bringing this legislation forward and allowing us to discuss the importance of childcare overall and the childcare subsidy program.

There are 65 percent of Nevada children up to the age of 5 who live in households where all parents are in the workforce. There is a definite need for childcare for our families to be able to return to work.

With that being said, Nevada ranks as the least affordable in the Nation for the cost of infant care in licensed family childcare and eighth least affordable in licensed centers for infant care. The cost of infant care represents 51 percent of income for a family of 3 living at 100 percent of poverty and 40 percent of income for a family of 3 living at 130 percent of poverty. In more conceptual terms, a single parent making \$10 an hour would have to work 40 hours per week for 25 weeks just to pay for an infant's childcare.

This bill is similar to A.B. No. 165 of the 78th Session that established the Opportunity Scholarship as well as S.B. 147, as Senator Farley mentioned.

Section 1, subsection 1 amends NRS 363A. It creates an MBT tax credit for businesses that assist an employee whose household income does not exceed 85 percent of the median household income in the State toward paying for the cost of childcare for a child who is less than 13 years of age. This directly mirrors the eligibility requirements for our childcare subsidy program.

Section 1, subsection 2 does not allow for the credit to be used if it was a part of a salary reduction plan for that employee.

Section 1, subsection 3 provides details as to how the business may go about receiving the childcare tax credit.

Section 1, subsection 4 requires the payment for childcare to be used at a childcare facility that participates in the Quality Rating and Improvement System (QRIS) administered by the Office of Early Learning and Development through

the Department of Education. This provision is in Proposed Amendment 3417 ([Exhibit I](#)) that Senator Farley and our office have put forward. If the State is going to be paying for childcare, in essence through a tax credit, we should be paying for high quality and receiving the social benefits that go with that.

Research shows where an at-risk child attends a high-quality childcare program, that child has an increase in high school graduation rate; college attendance; science, technology, engineering and math knowledge; lifetime wages; and tax revenue. There is also a decrease in instances of violent crimes and teen pregnancies. We really would like for this to be tied toward quality. This section also requires the entities under contract with the DHHS, the Las Vegas Urban League and The Children's Cabinet to provide notice when they receive a payment through the Department of Taxation. They would be the two entities that would be managing the childcare tax program, receiving payments from the businesses and also paying the childcare providers.

Section 1, subsection 5 allows for the Department of Taxation to approve or deny any application for the credit for each fiscal year up to \$5 million for fiscal year (FY) 2017-2018, \$5.5 million for FY 2018-2019 and an amount equal to 110 percent of the immediate preceding fiscal year for each succeeding fiscal year.

Section 1, subsection 6 provides for the tax credit to equal 50 percent of the amount paid or up to \$5,000 per employee, per year. This is also an amended increase from the \$2,500 that was in the first version on the bill. We would like to amend this to better reflect the actual costs of childcare. As an employee receives up to \$10,000 for childcare, that would roughly be equal to the costs of infant care today.

Section 1, subsection 7 does not allow for this bill to be applied retroactively. Section 1, subsection 8 allows for the tax credit to be carried forward up to 5 years.

Section 2 of the bill allows for the credit to be carried forward against the MBT for a business that makes payments described in section 1.

Section 3 amends NRS 363B in the same way as section 1 in Proposed Amendment 3417, so I will not go over it.

Section 4 repeats the language in section 2. Section 5, as Senator Farley mentioned, requires the Division of Welfare and Supportive Services to make available for businesses information regarding worksite wellness, family-friendly policies and the childcare tax credit. This will help inform businesses of this tax credit, so it actually gets utilized.

Section 6 appropriates \$25 million for FY 2017-2018 and \$25 million for FY 2018-2019 for a total of \$50 million over the biennium to the Program for Child Care and Development from the State General Fund to DWSS. I have provided an overview ([Exhibit J](#)) of how we would propose the \$50 million be utilized and spent. Quickly going over that, it would allow us to update the reimbursement rates from the 2004 market rates to the current 2015 market rates for every single child being served. It also allows us to remove every single child who is currently on the wait list and serve an additional 1,700 children. Lastly, it allows us to remove the wait list for childcare providers that are waiting to get rated in the QRIS. We have 61 providers on the wait list, and we have 90-some providers that are participating but have not yet been rated.

Additionally, after further review of the language in this bill and with discussions from the DWSS, we will be working with the Division to put forth some friendly amendments just to clarify language in the bill.

SENATOR ROBERSON:

Perhaps I know the answer to this. Where do we rank now with the resources we provide for childcare? The follow-up question is: If we funded this to the tune of \$50 million, where would that put us? If you do not know the answer, okay, just an idea or ballpark would be great.

MR. BUSKER:

We serve 2.32 percent of all eligible children. We were ranked fiftieth in the Nation. I may be off a few states, but we have not substantially improved. I am pretty confident with that fiftieth rank. I am not sure where we would rank afterward, but I can try to figure out an estimate.

SENATOR ROBERSON:

If you could, that would be helpful. It is not a small amount of money. We want to see that we are making a real improvement and get an idea of how far we have to go to at least be in the middle of the pack.

SENATOR KIECKHEFER:

The appropriation is going to the existing childcare assistance program that is run by the Division of Welfare and Supportive Services. That \$50 million is not necessary to implement the tax credit program that you have to incentivize employers to provide assistance, correct?

SENATOR FARLEY:

They are two different issues. Since we have talked a lot about workforce development, we did want to talk about what the real need is and what the actual impact will be if we fund this program correctly.

SENATOR KIECKHEFER:

I understand. We heard this budget in the Senate Committee on Finance not long ago. I can think of them separately. Your tax credit program will still work if we do not appropriate \$50 million?

SENATOR FARLEY:

Yes.

SENATOR KIECKHEFER:

In the language presented in the amendment, the appropriate entity would either be the Las Vegas Urban League or The Children's Cabinet because they are the contracted entities through DHHS?

SENATOR FARLEY:

Yes.

SENATOR KIECKHEFER:

The business contacts either the Urban League or Children's Cabinet and says they would like to get a tax credit for an employee. That employee then fills out the application process for the existing childcare assistance program through the Urban League or Children's Cabinet. That entity then determines eligibility based on household income? Correct?

MR. BUSKER:

Yes. The business would contact the entity, either the Las Vegas Urban League or The Children's Cabinet. The entity would determine eligibility the same way it determines eligibility through the childcare subsidy program. It would be the exact same form since we are mirroring the language. The Children's Cabinet

would contact the Department of Taxation to make sure that there was a credit available and then report back to the business with an approval that the credit can go forward. Either The Children's Cabinet or the Las Vegas Urban League would be the managers making sure the payments were going through and then reporting back to the Department of Taxation to make sure the employers could receive the tax credit.

SENATOR KIECKHEFER:

For example, it flows from the business to the Urban League. Then it goes to the Department of Taxation, back to the Urban League and back to the taxpayer for approval. Then the business provides the money directly to the childcare provider or to the Urban League?

MR. BUSKER:

The business would provide it to the Urban League, then the Urban League would provide it to the childcare provider with whom it has a contract.

SENATOR KIECKHEFER:

Rates would be paid at existing market rates or at existing rates under the childcare assistance program? That is a big difference as to whether the people would be able to access this program.

MR. BUSKER:

It would be based on what the employer is willing to contribute for each employee.

SENATOR KIECKHEFER:

Who finds the childcare? Is it the parent who has to go find a participating provider and negotiate a rate with that provider?

MR. BUSKER:

From my knowledge, the Las Vegas Urban League already has a list of providers that are participating in the childcare subsidy program. The list would mirror the same list since we are still requiring them to participate in the Quality Rating and Improvement System. We would have a list of providers that would be eligible.

SENATOR KIECKHEFER:

There would be other providers that may be willing to accept this employee's children that do not participate in the childcare assistance program because we pay such a low rate out of the child assistance program.

MR. BUSKER:

Yes. The only requirement would be to participate in the QRIS to be able to receive the money from the tax credit.

SENATOR KIECKHEFER:

There is no requirement that the tax credit cover the full cost of care. It can ultimately cover 50 percent of the cost of care, depending on what rate is negotiated between that individual parent and that childcare provider?

MR. BUSKER:

Yes.

SENATOR KIECKHEFER:

How does the Urban League, for example, know how much to pay the childcare provider? Is it billed on a monthly basis back to you or the entity?

MR. BUSKER:

From my knowledge, the Urban League would be in contact with the business and know how much the business would be willing to pay to the childcare provider. From that previous discussion, what monies it receives from the employer would be what the League pays toward the provider.

SENATOR KIECKHEFER:

I do not get that.

CHAIR RATTI:

I may be wrong here, but help me out, Mr. Busker. The amount of the subsidy does not come close to covering the cost of childcare. It would be applied to the bill, but it would not be the full portion?

SENATOR KIECKHEFER:

Why would the childcare facility be in touch with the business at all? The subsidy would be a portion. If the business pays the subsidy to the Urban League or The Children's Cabinet, that contractor is then required to pay the

bills to the childcare center. Where does the parent's contribution come in if there is one?

MR. BUSKER:

Could you please repeat your question?

SENATOR KIECKHEFER:

If the business is making a certain contribution toward an employee's childcare, it would pay a certain amount as part of the benefits package for that employee to the Urban League, based on the allowable tax creditable portion. That may not cover the full cost of childcare. Does the parent then pay the difference into the Urban League or does the parent pay the childcare provider independently to make up the difference? Who controls all of that?

MR. BUSKER:

I would imagine the parent would pay the difference directly to the provider. The parent may be able to work out some other program to just work with the Urban League to pay the difference. I believe it would go directly to the provider to pay the other percentage that is still needed.

SENATOR GANSERT:

You first said that you actually pay a market rate for the childcare. The subsidy may not cover 100 percent of that. It did not seem like it was tied to a set amount like our current program. Is that correct? Is that a clear question for you?

MR. BUSKER:

Yes. We would not be setting the exact amount that a business would have to contribute for its employee.

CHAIR RATTI:

I do not think the line of questioning is about the contribution amount. It is about what rate is going to be paid on the childcare. Our childcare subsidy program is at a fixed rate below the market rate. The first question is whether we are allowing other providers in that are above market rate. The second line of questioning is how do we know then what else is owed?

SENATOR GANSERT:

I guess the real question is do we allow above-market rates? And if it is above market, are we still limiting the contribution from the State to the subsidy we currently have, whatever that rate is? Say it is \$200 a week and the State sets it that their allowance is \$100 a week Are they getting reimbursed at \$200 or getting a credit for \$200 versus the \$100?

MR. BUSKER:

We would not dictate it would have to be paid at the market rate. If the employer wants to pay at a higher rate, that would be allowed. The market rate is just the average rate that all childcare providers report charging. Some childcare providers may charge more. We would allow the employer to pay the full amount of what the childcare cost is if it is willing to do so.

SENATOR GANSERT:

It looks like up to \$5,000 by the amendment.

CHAIR RATTI:

Just to take this a step further. What Mr. Busker may be trying to say is that an employer in a benefits package may pay the full cost of childcare but only gets the tax credit for \$5,000.

SENATOR FARLEY:

There are federal matching dollar programs, which is why we wanted to bind the DHHS over to educating. In some cases, the employer can get almost 90 percent covered of the cost of anything it contributes. That is part of it too, without boxing it in too much, allowing the employer to be educated about those benefits but then to enjoy them by assisting an employee.

SENATOR GANSERT:

That actually was my next question. Given the request for the \$50 million, is that based on your knowledge of the federal dollars that would be brought in or have you balanced those? Or did you just sort of ballpark that you thought it would be \$50 million.

CHAIR RATTI:

There is a summary of the \$50 million in our packet, if that helps to answer the question. This is the expense side, what it does not speak to is any federal match.

MR. BUSKER:

We contribute 4.36 percent of the total budget toward that program to the budget account 3267. Everything else is coming from the State through Temporary Assistance for Needy Families dollars and also funding through Child Care and Development Block Grant. We are receiving almost 96 percent of money from federal dollars. I do not believe if we put in more that we would receive a higher match to go along with the General Fund contribution.

SENATOR GANSERT:

That is kind of to my question. If you put in \$5, the feds potentially match \$95? If you put in \$50 million, does it match at 95 percent? If you are leveraging \$50 million, a 95-to-5 ratio is huge.

MR. BUSKER:

I am not exactly sure what the federal match is, but we can get back to you.

CHAIR RATTI:

Thank you. I am curious about the third-party contractor. Are there any administrative costs in this program for that entity? I believe the contractor is able to take some administrative costs from the childcare subsidy program it manages. What about from the childcare tax credit program?

SENATOR FARLEY:

We reached out to the Urban League and we have a call in to The Children's Cabinet. My understanding from the Urban League is there would be no additional costs for the League to process this.

SENATOR KIECKHEFER:

From a State budgetary perspective, the program we run is not based on match, it is based on federal grants. We are not going to be leveraging up additional State resources. The Governor's budget has \$88 million in this specific budget account currently in expenditures for childcare client benefits. Another \$10 million is for quality assurance and another \$18 million for certification and things like that. We run about \$120 million out of this budget. The vast majority of it is through federal block grants though, so we are not going to be leveraging up additional State money into it by additional expenditures.

Was there any discussion about recertification timing? This is a program we recertify on an annual basis in terms of eligibility. Is there anything about

requiring a notice from an employer if there is a change in salary or something like that that would bring a person above the 85 percent of median income?

MR. BUSKER:

No, we did not include that in this bill. We would be open to discussions to include something regarding recertification and how often that would have to be.

DENISE TANATA:

I normally testify in front of you as the Executive Director of the Children's Advocacy Alliance. Today, I am testifying before you as a citizen of Nevada.

We had one other individual who had to leave in order to pick her child up from childcare, but she did submit her testimony online. It is from Elizabeth Dittenber ([Exhibit K](#)). I would just ask if you have a moment to review her testimony.

I am here today as a mother. I want to give you a brief story. I moved to Nevada in 1996. I had a three-month-old daughter. I moved here with my ex-husband. About six months after moving to the State, I became a victim of domestic violence. My ex-husband began abusing drugs and then abusing me. I quickly became a single mom within a very short period of time. At that time, I lived in a weekly Budget Suites behind the Stardust. I worked at the Stardust and worked for a while at the Budget Suites. They were very low-paying jobs. Sometimes, I had less than \$10 or \$15 a week for groceries for me and my daughter. With little resources to support us, I relied on a neighbor at the Budget Suites, someone whom I did not know very well, to help take care of my daughter. That was the only thing I could afford so I could work, often two jobs, to try to support us.

I knew at that point I wanted to change my life for both myself and my daughter. I decided I needed to go back to school. I started looking for resources. I learned about the childcare subsidy program. Because of childcare subsidy, I was able to leave my job at the Stardust. I was able to attend the University of Nevada, Las Vegas, to achieve my undergraduate degree full time while working part time as a student worker. Because of that, I was able to finish my undergraduate degree in two and a half years. I went on to law school where I graduated from the Boyd School of Law in 2003.

I am here today because if it were not for the subsidy program, there is no way that I could have gone back to school. There is no way that I would be here before you today in the position I am in. It is one of the reasons I do the work I do. It has literally changed my life and, now, both of my daughters. When my second daughter was born in 2006, I did not need to rely on any type of public assistance. Today, I am paying college tuition for my 21-year-old daughter who was the beneficiary of that childcare subsidy. I am thankful because her college tuition is less now than her childcare was almost 20 years ago.

Although I do not have the numbers, I can tell you with great certainty that I have paid in more in taxes and contributions through consumer purchases than I have received in childcare subsidy over those years. I believe that every parent should have the same opportunities that I had. But that is not the case. I strongly urge your support for S.B. 455. I will turn it over to Emily Warren who will give you an example of why that is not the case now.

EMILY WARREN:

I am from Las Vegas representing myself. I want to share why I support this bill to expand childcare systems in Nevada.

I am a single mom and full-time student. I work part time to cover my expenses, and I intern part time for college credit as a part of my program. Four days a week, I have 11- to 14-hour days with a combination of work, internship and class time. The other days are spend studying, writing papers and researching for my thesis, all while trying to spend quality time with my daughter.

From January to December 2016, I paid \$8,724 for childcare for my daughter who turned 4 in October. She only goes to school three or four days a week while I am either at work, in class or at my internship. I receive some grants and scholarships from the University of Nevada, Las Vegas (UNLV) , in order to pay for my school, but I still have to take out four different government tuition loans to cover the remaining cost of both my tuition and my daughter's. When I tried to apply for a childcare subsidy, I was told there was a waiting list because of funding issues. I was never able to receive assistance. Undergraduate tuition for Nevada students at UNLV totals around \$7,000 per academic year, depending on the amount of credits the student is taking. During my undergraduate years, I paid less for my own tuition than I did for my toddler. The high cost of childcare in Nevada discourages many nontraditional students like myself from seeking higher education as a means to a better life.

Obtaining more funding for childcare subsidies can help working parents who are trying to accomplish their academic goals in order to better their families' future.

CARRIE PALDI (District Manager, Creative Kids Learning Center):

I support S.B. 455. Providing a tax credit to businesses that assist their employees with the cost of childcare is an investment in our State, our children and our future.

Childcare is a significant expense for families. Many families struggle with the day-to-day costs of paying childcare expenses. Currently, the programs that offer subsidies to assist families with childcare costs have long waiting lists. Families who are fortunate enough to qualify for these subsidies still struggle with the costs of childcare as these subsidies pay 75 percent of the 2004 market rate. These rates must be adjusted to current market rates to ensure children have access to quality care.

As a provider of early childhood education for over 25 years, I have seen many families benefit from childcare assistance. Providing a tax break to businesses that help support childcare costs and appropriating resources from the State General Fund to DHHS for the childcare development programs will provide a much-needed revenue stream. It will have a significant impact on families in our State by assisting them with these costs of childcare. This will provide families with greater access and choice, providing children with the opportunity to have quality early childhood education experiences.

As a person who has devoted my life to early childhood education in the State, I believe strongly that investing in our children is an investment in Nevada's future. To me, that is an investment worth making.

RHIANNON N. FOREMAN:

As a 17-year-old ward of the State, I had already planned out my life. I knew I wanted to work for the Division of Child and Family Services in DHHS for foster children. I spent many years as a single parent pursuing the necessary education and skills to make this a reality. Being a single parent and graduating with two undergraduate degrees would not have been possible without programs such as this childcare assistance program.

Last year, I accepted a job to earn extra money for my family while I was working on my MBA and master's degree in psychology. It was difficult working for \$10.50 an hour. Everything I made went to childcare. After a few weeks of juggling kids, graduate school, a full-time job and paying childcare expenses that exceeded the monthly rent of a five-bedroom house, my body gave up and I suffered a stroke.

The cost of childcare is often the most difficult barrier to overcome because the cost is not determined by an individual's ability to pay. I have, just like many other parents, evaluated the pros and cons of entering the workforce, and the cost of childcare is always listed as a con.

Just this morning, after completing onboarding paperwork for my new job, I registered my three children for daycare. It was a discounted rate of \$824 every two weeks. I have been on the childcare systems waiting list for about 11 months. Even though I may not qualify for childcare systems after receiving my most recent offer of employment, there are still so many families who can benefit from this program. It is necessary that we focus on the collaborative effort to keep this program going. Lack of funding for the program not only affects families but businesses, including childcare and overall quality of that childcare.

As parents leave the workforce, the amount of money being spent decreases, which also affects businesses' ability to keep employees and drive productivity. What this ultimately leads to is a stagnant economy simply because the income earned and firm employment has the greatest influence on consumer spending and economic growth.

I have endured such difficulties so I can use my experiences to advocate for change, especially for those families who cannot be here today. Thank you for allowing me to share my personal experience with you.

MS. HANSEN:

It is good we have a discussion on both sides of the issues. Every time we give a tax credit to someone, you place a greater burden on someone else who has to make up the money for that tax credit. Where did it go?

In this particular case, this bill discriminates against parents who make different decisions, those who make different choices, for instance, working split shifts,

sacrificing to have a full-time parent in the home or family care. Last night, I had dinner in Douglas County with a family whose mother has a master's degree and three children. They have sacrificed to keep her in the home. They still pay the same kinds of taxes, which would help to subsidize others who would be getting childcare subsidies. They are sacrificing by living in a very modest home. Their home has old furniture, the backyard is just dirt, and they obviously do not have much money. But they sacrificed because she has made the decision for the family to stay at home.

Tax policy should be equitable policy and have fairness for all. One issue I would like to cover is the issue of quality care. The U.S. Department of Health and Human Services released a study covering decades of the Head Start programs. It found there was almost no improvement in anything after a few years of children who had attended Head Start. What is quality care? I would suggest to you that the best quality care is parent care. We should not be discriminating against parents who chose parent care and make the sacrifices to let that person be in the home.

Everyone does not have that choice. I was a single mother. I worked difficult jobs like cleaning up construction sites and fire jobs and painting, all while I had two little toddlers. I understand the struggles that people have. I have been a working mother my entire life. I also see my own children struggling to have a mother in the home, put food on the table and to pay the taxes they are required to pay.

One of the reasons both parents are forced into the workforce is because taxes are so high. As we look at tax policy, we need to look instead at trying to find ways to reduce taxes on families instead of increase them and benefitting some families while penalizing others. I hope you will look toward more equitable tax policy and tax fairness rather than continued subsidies for some people's choices and not others.

KIMBERLY MULL (Nevada Coalition to End Domestic and Sexual Violence):

We represent the various domestic and sexual violence programs around the State. Childcare and the affordability of childcare is such an issue with victims of domestic violence and sex trafficking in leaving their situations. We support this bill and believe it will offer assistance to victims in order to help them be able to get out of their situations.

MARLENE LOCKARD (Nevada Women's Lobby; Service Employees International Union Local 1107):

We strongly support this measure. I do not think I could add anything to the personal testimonies you have heard.

BAILEY BARTOLIN (Legal Aid Center of Southern Nevada; Washoe Legal Services; Volunteer Attorneys for Rural Nevadans):

We see this affecting our low-income populations across the different populations that we serve in domestic violence, child welfare and special education programs. From the financial point, the only thing I can add is there is a lot of child welfare removal. Of our 4,000 children in foster care, a lot are removed because the parent made the choice to go to work and leave the child with someone he or she did not know very well or a neighbor who did not have a good history, all because that parent cannot find or afford childcare. Remedying that will also help our child welfare numbers.

SALENA CARR-PICCIONI (Intern, Progressive Leadership Alliance of Nevada):
Progressive Leadership Alliance of Nevada supports S.B. 455.

NOVA MURRAY (Deputy Administrator, Division of Welfare and Supportive Services, Department of Health and Human Services):

For the record, I want to state that we do have an agency fiscal note. It came in late last night. It is the information from the contractors that would be doing this activity. It is greater than 20 percent of the whole. I wanted to draw that to everyone's attention.

CHAIR RATTI:

The whole of the \$50 million or the portion, which I believe is \$10 million, plus, to go to the child tax credit?

MS. MURRAY:

As we read the bill, it has \$50 million in total. For FY 2018, it is \$6.2 million for both entities. For FY 2019, it is \$5.9 million, so the total for the biennium is almost \$12 million.

RAY BACON (Nevada Manufacturers Association):

Our concern with this bill, and I had this discussion with Senator Farley when Senator Spearman's bill came out, is twofold. First, the MBT only applies once you get above \$50 million per quarter. The smaller employers, that is probably

those that range perhaps as high as 20 employees but more likely someplace in the range of 10 employees, are not going to be able to take advantage of this bill. These are small, minimum-wage employers that have a tendency to employ people who are in the highest level of need. The tax base is not there for the smaller employers to participate. That is a problem because we have just missed the most needy portion of the audience.

Second, is the mechanics. This bill is very complex as you heard from Senator Kieckhefer's comments and questions. I do not know how you make this more simple. There is no one against the idea. How can you make this program function without having this outrageous cost. The employer at this stage of the game, the average employer, does not even know which employees he or she has on welfare in most cases. The employer is not going to know where to start asking questions. Most employers would rather not engage on that question. The mechanics of getting this done are going to be difficult.

Another issue you wind up with is some of the lower-paying employees work in seasonal operations. The MBT is paid by quarter, so you wind up with quarters where there is nothing that comes in from the tax base. You end up with other quarters where there is a large chunk that comes in from the tax base. I do not know how you manage that mechanically.

As this is structured, the Modified Business Tax brings in about \$750 million a year. We are talking about a program which is 0.0075 percent of the MBT. It is not a huge bite out of the MBT, but it adds a level of complexity to the entire process for the employers, the welfare people and the Department of Taxation. I do not know how much that is going to eat up out of that chunk we are talking about, but I am afraid it is not going to be inconsequential. If I had a magic solution as to how to make this simple so the overhead costs of this were nominal or nothing, I would offer it. I do not have that idea.

The last thing I will mention, just from the standpoint of where are we going with this program at this stage of the game, is that the poorest county in this State is Mineral County by far; the way this is structured, I do not know how you touch that County. The greatest need in the State is the poorest county, and I do not know how you get to Mineral County because it is not even going to have a connection with the two service providers that are going to be doing the approval. Someone in the Welfare Division would have to be in the approval cycle for The Children's Cabinet or Urban League, or somehow figure out

another mechanism. My concern is how we get the mechanics to the point where it is affordable, workable and doable at a reasonable cost.

SENATOR FARLEY:

We had a good introduction by Mr. Hill. We have had people testify about how important these subsidies were to their workforce development, and how they have given back threefold to tenfold to the community by just making this investment early on in their careers. I want to state over again, my whole goal and purpose is to keep working people working. We need to keep working people developing their skills so that we have more success stories like the ones we have heard.

I do not want to keep people on welfare or subsidies. I found out about the fiscal note and it is absorbed in that \$50 million, but I want to go back and check on that. With small businesses and the MBT, I can guarantee if they are a small business with 20 employees, they do not have the extra means to invest in this program. I did talk to Mr. Bacon about that, and he has good points. I do not know how to make it a better to fit for all. If we take some of the bigger businesses and relieve some of the burden, there will be more money left in the subsidies to help those who are working for the small businesses. Right now, that is not happening.

As far as complexity, we modeled the Opportunity Scholarship to weed out some of the issues. All the subsidies that go out through the State either go through The Children's Cabinet and/or Urban League. We would use those two groups because they have the skill sets, abilities and willingness to participate in helping us with this group. Mineral County does have access to The Children's Cabinet resources.

I want to keep working with those in opposition. There have to be good answers out there to this problem. As you can see, we cannot have workforce development if we do not have a workforce to develop.

CHAIR RATTI:

On the fiscal note, we need to see what goes with the \$50 million childcare subsidy program and what goes with the childcare tax credit program, if anything, so there is clarity.

Senate Committee on Revenue and Economic Development
April 4, 2017
Page 42

SENATOR FARLEY:

Absolutely, I took note of that and will get back to the Committee.

CHAIR RATTI:

I place written testimony in opposition of S.B. 445 from Aviva Gordon and Amber Stidham for the Henderson Chamber of Commerce into the record ([Exhibit L](#)). We are going to close the hearing on S.B. 455 and open the hearing on S.B. 442.

MR. HILL:

I am pleased to present S.B. 442. Although this is a relatively involved bill, I hope I can explain it in a way that will be efficient and understandable. Given that this has a broad effect on economic development, I want to thank the Governor and the Legislature for your support over the past several Sessions.

Senator Roberson asked in the last hearing where Nevada ranked in terms of childcare. Obviously, that ranking was not great. I have some news that is on the other end of that spectrum I wanted to share. Over the past week or so, the State has been ranked at the top of two significant lists. Yesterday, the Census Bureau put out a report ranking Nevada as the top state in terms of economic momentum. The change between 2015 and 2016 puts Nevada at the top of that list.

Last week, Nevada was at the top of a new poll that *Forbes Magazine* put out. *Forbes* issued their first ranking for what they call the American Dream Index. It ranks the states on their delivering the opportunity for the American dream to the citizens of those states. Nevada was first on that list. Frankly, if we were looking for a way to summarize our goals in economic development five years ago when we started and if we had known that this list would be created, it would have been to lead this list. *Forbes* came to that conclusion largely because of the addition of goods-producing jobs in the State, basically manufacturing jobs—certainly, not just in economic development effort by any stretch, but it is on the part of many across the State. I want to thank the Governor and the Legislature for your support in that effort, which helped to enable that ranking.

The experience that we have all achieved over the past five years is also reflected in S.B. 442 today. The presentation we put together ([Exhibit M](#)) includes a conceptual amendment ([Exhibit N](#)). I will point out the areas in our

presentation that are not included in that bill. We will work with the Committee and your staff over the next several days to complete the mock-up of what will just be a conceptual amendment today.

The bill summary on page 1 of [Exhibit M](#) and the amendment can generally be described in four components. It clarifies several abatement provisions, topics that have come up over the last couple of years that we feel are important to clarify in the statute. It strengthens the criteria for tax abatements for companies based on the wages a company is paying as well as the prevailing unemployment rate in the county at the time. It provides a different and more secure path for construction of the Apex Industrial Park infrastructure and for other development of infrastructure throughout the State that is also a part of the qualified project of the future. The conceptual amendment, [Exhibit N](#), would allow an alternative path to the \$1 billion threshold with some tighter criteria and somewhat less in terms of incentives.

The clarifications included in the bill are on page 2. After I go through the presentation, I can go through the bill itself. We classified these in four buckets so it will skip around in the bill to some extent, but this is an easier way to understand the content of the bill.

During the 2015 Legislative Session, we passed aviation abatements. If you look at testimony, we made it very clear that those abatements were not intended to apply to commercial airlines. We have had some questions from commercial airlines, and we cannot point at exact language. It is not clear enough in the bill. We have not provided commercial airlines with aviation abatements, but section 3, subsection 4 of the bill would clarify commercial airlines are not able to participate in the aviation abatements.

Second point, we removed language that relates to the calculation of the percentage of Nevadans employed at a site on a qualified project with respect to construction employment. The language says employees who are "anticipated to be engaged" on the project. This provides a fairly broad interpretation of that calculation we think is unnecessary. That language was originally put in the bill due to the potential start of the construction. A particular trade may not be readily available in Nevada, given that the companies would probably have a majority of Nevadans engaged on construction. "Anticipated to be engaged" was included but at this point is not

necessary, and the downside to having that language in the bill certainly outweighs the upside.

Third clarification is a qualified project may only be a qualified project for a "common business purpose or industry." There was some discussion that broader purposes, for example improving the economy of a region, could be a purpose which would have opened this much more broadly than was intended. Adding the language a "common business purpose or industry" is helpful to allow all to understand it was the intent.

SENATOR KIECKHEFER:

On that point, in section 5, subsection 2 where you are clarifying "engaged in a common business purpose or industry," I worry if we make it too restrictive, a single project has to be engaged in a specific industry or would it be something like Apex where multiple things could be happening on one site? Would something still be able to fit under this definition for a broader project site that could include many different businesses doing different things?

MR. HILL:

No. In fact, this language is specifically recommended to preclude that.

SENATOR KIECKHEFER:

Would we want to preclude that in all instances? If there is a large site where you could do testing of new transportation technologies, manufacturing, warehousing and things like that under a single development type of project, you would not want something like that to be eligible for an abatement?

MR. HILL:

I would say that a \$1 billion threshold would not be a significant threshold for a broad set of projects along those lines. I would anticipate at Apex that we are going to have one that allows it to meet that threshold. After that, every other business that would move into that vicinity would be eligible for these types of abatements. If we were going to look at, basically a major master plan, we would need to rethink the thresholds and the abatements because it would be different.

The fourth point may functionally not be able to be avoided but is not in the law. When the State agrees to bond a project, in order to issue those bonds there needs to be an engineered estimate of the cost of that project. In order to

do that, an engineer has to do the work necessary to produce that estimate. This generally is considered to be 30 percent plans, which are plans that are 30 percent developed. Engineering on a project, rough rule of thumb, is going to be about 10 percent of the cost of the project. A pretty significant investment in the engineering work is needed in order to move forward with that bonding project. Because of the uncertainty of the project moving forward and the fact that in this area of the law this infrastructure would be intended for the benefit of the qualified project, this language would require that the lead participant in that project front the engineering cost in order to issue the bonds. The company is eligible to have that expenditure reimbursed through the bonding process, as long as that bonding process actually is followed through to its conclusion and the bonds are issued. This specifically states in law that the lead participant in the qualified project will be required to front the money to do the engineering work, so that public entities are not required to front that money.

The next two points really clarify the language around rail projects, which we feel more accurately reflect the conversations that we had about rail projects during the Twenty-ninth Special Session in 2015. It standardizes terminology throughout the law. It specifically calls out rail projects, which would include both passenger and freight rail, and the authority to enact those projects would be available to both counties or cities.

SENATOR FORD:

When we spoke of this previously, the rail project component related in some parts of Faraday, is that right?

MR. HILL:

Yes, that is correct. We are recommending this language be standardized and made available for projects that come in the future. For the Faraday project itself, rail is not anticipated anytime in the near future.

SENATOR FORD:

For the record, that is not going to affect the viability of the project of any of the promises we made in order to get the project to come here, is that right?

MR. HILL:

No, we have reached that conclusion in conjunction with Faraday.

The final clarification on this page is not in the bill but will be included as a part of an amendment. The abatement qualifications in statute are partially determined by whether a company is looking to locate in an urban county or a rural county. There have been concerns expressed by smaller cities or smaller areas in the urban counties that the qualifications for the urban counties are preventing opportunities in these smaller communities. For example, the requirements for Gerlach in Washoe County or Laughlin in Clark County are the same requirements that would be in place if either was in the urban areas of those counties. They have asked that areas where the U.S. Department of Agriculture designates rural areas, regardless of whether that is in a rural or urban county, be used as a means for identifying their community, therefore allowing them to use what are not the same level of thresholds in terms of job creation and investment for potential projects in their community.

Page 3 of [Exhibit M](#) addresses section 1, subsection 4 of the bill. We increase the thresholds and criteria for companies seeking abatements in the State. This is easier to look at on page 4 than it is to read. We discussed this during the 2015 Legislative Session as well, and you passed legislation that put this format of criteria for abatements in place. It is also the format that the GOED Board had adopted through policy prior to the 2015 Legislative Session. The line running through the middle is a 7 percent threshold this bill sets, up from the current 6 percent. If the unemployment rate in a county is below 7 percent, it is on the right side of the page; if it is above 7 percent, it is on the left side of the page.

There are different levels of abatement based on the average wage the project is paying in comparison to the statewide average wage. For reference, 100 percent of the statewide average wage right now is \$21.35 an hour, so 85 percent would be slightly above \$18.00 an hour and 70 percent is close to \$15.00 per hour. Our Board has had the opportunity to have lived through the past five years with a broad range of unemployment. When I started in the job, our unemployment rate was in the high 13 percent. Now we are down to 4.9 percent statewide. We have had time to experience a broad variety of unemployment rates and have a sense of how our Board feels about providing abatements at different wage levels in those different unemployment levels.

While there was some conversation at our Board level about this, we feel that these recommendations in this part of the statute make sense and comport with the policy and conversation that our Board has had over that five-year period.

Looking forward, if we see a rise in unemployment to some level that works through that 7 percent range, the Board's experience has been on the way down. On the way up, there may be a different sense of how that unemployment range may be in play, but at this point we would support a move from 6 percent to 7 percent. We also support raising the rates on the left-hand portion of page 4 to 70 percent and 85 percent as shown from what are now 65 percent and 80 percent. That is an appropriate change and keeps with Board policy.

CHAIR RATTI:

To make sure I understand this chart correctly, if unemployment is below 7 percent, we have less need for job generation and there would be no abatement less than 100 percent of the median wage where the jobs created were less than 100 percent of the median wage.

MR. HILL:

There would be partial abatements down to 85 percent and then no abatements available below that.

CHAIR RATTI:

Below 85 percent there would be no abatements available, but from 85 percent to 100 percent they would be prorated?

MR. HILL:

Yes, that is correct.

The third point on page 3 pertains to language throughout about the first 17 pages of the bill repeated several times. In section 1, subsection 2, paragraph (e), we have moved the requirement for health care and the GOED Board discretion with respect to average wage and health care to an area that does not include the Board having the discretion to override those two criteria. That is in keeping with what the policy and the practice of the Board has been, which is good policy and makes sense. This would require the wages that are outlined on page 5 be adhered to and the requirement the companies provide health care to all employees in order to be eligible for abatements also be adhered to. Functionally, it really adds to the state-average wage that is in comparison to a number of companies that do provide health care and some that do not. The wage that is eligible for abatement would include health care 100 percent of the time. The value of that job to an employee would be

somewhat higher if a company is eligible for abatements than the average company in any state that is not eligible for abatements.

SENATOR FARLEY:

Requiring health care, because we are all struggling with it, that is affordable and requiring health care are two different things. I am wondering if we can put businesses at least pay 50 percent of the employee's portion or put some sort of factors in there. Health care for companies is so expensive that most of them are abandoning their health plans or making it so expensive the employees are not participating. I was just curious if we could add that not only do they have to have health care, but they match 50 percent of the employee's portion.

MR. HILL:

The bill would require and the law requires that we adopt regulations as to the requirements around what constitutes health care. That requirement is in place. It is somewhat equivalent to a level in the health insurance exchange. It is a combination of what specific coverages are required in health care as well as maximums on what the cost to an employee as a proportion of their pay may be. There are two measurements that make sure it is affordable for employees, and there are 10 or 12 coverage requirements that we would constitute as health care. Each one of those requirements has to be met.

SENATOR FARLEY:

That is true except when you get over 50 full-time employees. There are companies that have 100 employees, but they do not have full-time employees. The company cuts the employees off at 30 hours a week or 32 hours a week, so they do not hit the health care requirement. If we say the company is required to offer health care that is 50 percent employer-matched, we know the employees are actually being offered the health care and the employer is not hiring 100 employees at 30 hours a week to avoid hitting the requirement to have to comply with the Affordable Care Act. Does that make sense? There a lot of companies that do that, especially manufacturing and hourly wage jobs. The employer just cuts the employee's hours off at 32 hours a week, and it does not have to offer anything.

MR. HILL:

We are not in a position to enforce the use of part-time workers in order to reduce costs; it is not an issue that we deal with. We do require that the company provide health care to all their full-time workers. Our requirement to

what constitutes the definition of having met the health care provision would be stricter than simply the 50 percent requirement the company matches for the cost of the worker.

SENATOR KIECKHEFER:

When you evaluate the company's employment, do you evaluate it based on total jobs created or full-time employees who would then be required to receive health care benefits?

MR. HILL:

As part of the criteria for applying for the abatements, we will only count full-time employees. A company has to have the specified number of full-time employees in order to qualify. We do not preclude companies from having part-time workers and do not have the ability to enforce a policy, so we do not develop a policy on that.

SENATOR KIECKHEFER:

The job numbers that are in our thresholds, that would be a minimum number of people, all of whom would be required to be offered health benefits?

MR. HILL:

That is correct. One more comment, we also require that they report all jobs.

CHAIR RATTI:

To drill down on that a little bit deeper to make sure that it is clear for the record, you are measuring to give abatements not full-time equivalents but actual full-time employees?

MR. HILL:

Yes, that is correct.

Page 5 is the major part of the conceptual amendment. It provides an alternative path to the \$1 billion threshold in most of the incentives that are included with that threshold. The difference is simply that a company would be eligible to aggregate projects on separate sites to achieve the \$1 billion threshold. There are some differences in what would be eligible in that the current statute does not require a specific number of jobs or a specific wage. That provision in the law only relates to the transferrable tax credits. It does not relate to tax abatements. This would require that the initial project that kicks off this

program for a company would have at least 500 jobs and would pay at least 120 percent of the state-average wage that would be nearly \$26 per hour. At that point, that company would commit to investing \$1 billion over the course of 10 years in the State. The difference is the potential to do that on more than one site, rather than the requirement that it be done on a single site. Each additional project the company adds would be accumulated toward that \$1 billion investment requirement, then would have to individually qualify for abatements. The concern would not get additional abatements; it would be part of that initial project.

In summary, the company could not then add a project with very low wages but invest a lot of money that would count toward that \$1 billion. It would have to achieve the wages we talked about on page 5 in order for the investment that enabled those jobs to count toward the \$1 billion threshold. Even when an initial project was high wage, high job but future projects down the road were low wage, that would be counted toward that investment.

The law allows for other participants on the site to be eligible to participate in those abatements. That could include the supply chain for the company. This path would not permit those additional participants in the abatement program. In addition, the company that was taking part in the abatement would be required to contribute to Local School Support Tax of 2.6 percent equivalent of the sales tax. We are not asking that any additional transferrable tax credits be made available. It is important to point out, data centers cannot be counted toward the investment threshold. Data centers must employ the data center abatement the Legislature passed and was signed into law during the 2015 Legislative Session. It is not that we do not encourage data center construction and operation in the State, but a 300,000-square-foot or 400,000-square-foot data center with a \$300 million investment over the course of the first 3 years is going to achieve that \$1 billion threshold because of the refresh cycle all on its own. This would be treated separately for purposes of this path to the \$1 billion threshold. In summary, that is what will be contained in that amendment.

SENATOR KIECKHEFER:

Would a data center be eligible for inclusion in the multiple site projects in that it would then have to contribute to the Local School Support Tax and ultimately have to pay 4.6 percent sales tax on what it purchases? Or does this totally exclude them from the multisite concept?

MR. HILL:

The way the data center abatement program was structured during the 2015 Legislative Session, data center firms would not choose to participate in the multisite location. The way the data center abatement statute was constructed, there could be multiple sites in a single county. You cannot have multiple sites across the State without the second county or any additional county in and of itself being eligible. Frankly, the thresholds in the data center statutes are low enough that most any data center that would consider multiple sites is going to qualify for individual sites.

SENATOR KIECKHEFER:

A company would not find any value in trying to include a data center in a multiple site project.

MR. HILL:

That is correct.

SENATOR FORD:

I know we are doing multiple sites. If you can count the sites in the aggregate now for purposes of the abatement, what does that do for local tax collections in that regard? Can you speak to that a little bit?

MR. HILL:

The way the tax abatements work, they are really just a reduction in the amount of tax that is paid by a company as it either employs people through the MBT or purchases capital goods from the sales tax standpoint or a property tax standpoint. It would just reduce the amount the company pays, but the method for collecting that tax would be the way it normally proceeds. If the company had sites in two different counties, it would pay property tax for the property in this county and the property tax in the other county, just at a lower rate in each county. The property would go on the county rolls. The abatements are temporary, so at some point that property tax would then jump back to the 100 percent level.

SENATOR FARLEY:

What are we doing to ensure we are accounting for the impact on the local governments, the counties and the cities that have a very different belief about their input into this process than you testified to last week? My concern is how are we accounting for them? There is the rumor that part of the reason why we

are talking about the property tax issue this Session is because there are some holes from these abatements and incentives that have caused that gap. What is the process for making sure we are not negatively impacting the locals?

MR. HILL:

At GOED we perform both an economic and fiscal impact analysis for each project regardless of size. We post that and send a notice to every local government that is affected. They have access to that information. That is done 30 days prior to every Board of Economic Development meeting. We give them that period of time, and if they disagree in any way with our recommendation to the Board or the decision they may anticipate from the Board, they have the opportunity to weigh in during that period of time.

SENATOR FARLEY:

Is it a surprise as to what I am saying? Do you believe there is a disconnect in the communication with the locals that are being impacted about their ability to offer information and/or suggestions about the impacts back to GOED?

MR. HILL:

There is a wide range of opinions on how that process works.

SENATOR FARLEY:

Is there a way of solving that? That seemed to come up at the two Special Sessions I have been involved in and during conversations in the Interim.

MR. HILL:

My suggestion would be that, as I mentioned here a week ago, we have yet to have any communication from a local government objecting in any way to any abatement we have ever offered. If they have a concern, I certainly recommend the local government expresses it to us.

SENATOR FARLEY:

I would like to help with that conversation. The locals have expressed it to me both during the Special Sessions and the Interim. I do not know why that is not making its way to you. It is worth a conversation.

CHAIR RATTI:

I am more familiar with how it works in northern Nevada, but what I am wondering is the role of the regional development authorities in this piece. In the

north, we have representatives from each of the local governments—Reno, Sparks, Washoe County—that sit on the boards of directors of the RDAs.

Is there an area that could be investigated for improvement in that communication channel? Maybe we are not relying too heavily on that communication channel? I will speak to my experience on local government. Just because you have one city council member sitting on a board does not necessarily mean that the information that member gets at that board meeting makes it back to the rest of the council members who may or may not have differences of opinion. But it seems like we could strengthen an existing channel to make sure the opportunity for engagement and participation is more prominently known amongst all the members of the council.

MR. HILL:

Most of these projects are in Clark, Washoe and Storey Counties. In those areas, that communication has been pretty strong. I will point out, communication does not start until we make this public, unless the company in some way, shape or form either wants or needs to work with local government on that project prior to that 30-day notice. I understand there is a concern this is well down the road before a local government representative may be involved in conversation. It has to work that way. What we have asked our Board to do, what we would ask local governments to do and what we have talked about here is that the policy the Legislature and our Board put together is then adhered to. If these projects qualify, they are going to receive these abatements; if they do not qualify, they will not. We are not picking who we like, that process is in place. If a local government would come to us and say we do not want you to do that in our community, that type of feedback would be helpful and our Board would certainly listen as would GOED. We have never received that type of feedback.

SENATOR KIECKHEFER:

Back to the Special Sessions, and I think of North Las Vegas bringing us the Faraday project and Storey County bringing us the Tesla project. They actively went out and recruited those companies to come to their communities. Particularly in northern Nevada, you are hearing more about some of the ancillary benefits out of Washoe County and the local governments that have to deal with some of the population growth and things like that. Most of the complaints I have heard about abatements relate more to rural communities and property tax abatements for renewable energy projects. Things like solar and

geothermal projects and abating those property taxes has drawn the vast majority of the local government concern that I have heard about in terms of tax abatement issues.

SENATOR FARLEY:

My final comment is we should engage the cities and locals to understand their concerns and the value of the input they may have on the process.

CHAIR RATTI:

To be clear, that is in a conceptual amendment at this point. We will be looking for mock-up language before a work session is held.

MR. HILL:

Page 7 of [Exhibit M](#) uses language already in statute. For personal property taxes, the capital investment threshold in section 11 of Senate Bill 442 was addressed in the 2013 Legislative Session. Prior to the 2013 Legislative Session, a zero was added to these numbers, at least in the urban areas. There was a \$50 million investment threshold if it was an industrial manufacturing facility and \$10 million if other. The Legislature reduced that during the 2013 Legislative Session. In the same section of the bill, we worked on a different type of abatement in a foreign trade zone. It was our intention that a foreign trade zone abatement had a four-year sunset, which was put into law. That sunset was then applied to this capital investment threshold. We certainly do not think that it makes sense to revert to a \$50 million threshold for investment in order for manufacturing companies to be eligible for abatements in the State. We are asking for the sunset of that part of the law to be eliminated.

Page 8 of the presentation is in the bill, but it is a little difficult to read the language and follow how this works. I will try to explain this a different way. During the 2015 Special Session, we discussed in great detail the process for potentially providing infrastructure to Faraday and the Apex Industrial Park. The law that was passed is eligible to be used by other qualified projects, but I am going to refer to the Faraday project and Apex to compare and contrast what is in the law and what we are proposing now. Frankly, if we had thought about this method a year and a half ago, we would have recommended this method then.

What is in the law allows a special improvement district (SID) concept to be used for the land surrounding the Faraday land at Apex and a tax increment area (TIA) concept to provide infrastructure for Faraday. The SID is a fee that is charged to the landowner. That fee is added to a property tax bill, and the underlying land serves as collateral in the event that the landowner does not make that payment for the infrastructure that has been put in to that landowner's benefit. The TIA just simply takes the additional taxes that are generated, or in this case a portion of the additional taxes that are generated, to make the bond payments to pay for the infrastructure that those bonds fund.

There is not security associated with the TIA unless that security is required separately from the company, which we certainly have and had the intention of doing. Given the somewhat difficult start that Faraday has had, it caused us to look for alternatives. We were concerned that the TIA would not be enough to fund the entire portion of the bond payments that are attributable to the infrastructure that would be built for them. This is a way that is helpful for Faraday, helpful for the State and enables that infrastructure at Apex to move forward. I will add that because most of that infrastructure is either water or wastewater, it is an infrastructure project that will be allocated some to Faraday and some to the rest of the landowners. It is basically one project for water, one project for wastewater, one project for storm water.

It is very difficult to build just the infrastructure for either Faraday or for the other landowners separately and save the corresponding or proportional amount. Our proposal has removed the projection of the need for rail from the Faraday project. So the amount of infrastructure that would be put in for Faraday is now in the \$45 million range. The amount of infrastructure for the other landowners at Apex would remain in the \$75 million range. What looked to be about \$150 million in infrastructure is now down to about \$120 million in total infrastructure.

Our proposal would be to use a special improvement district for the entire project. Nothing would change in terms of what the other Apex landowners would experience or what we projected during the Special Session. We would send Faraday an invoice like we would send the other landowners for their proportional amount of the infrastructure and the benefit that they would receive. Their underlying land, now 900 acres of that site, has been graded and construction should start relatively soon. There is significant value in the land at Apex, which would serve as collateral just like it would for all other landowners

on the site for their payments. The TIA that would be generated from their project and from the infrastructure that is put on the site would be used to offset the Faraday payment in the SID concept.

Basically, we made a commitment to Faraday in order to attract them to the State that we would provide this infrastructure for its project. We made a commitment we would provide more, but that has been reduced. That tax increment area is dependent on Faraday's ability to perform. To the extent it performs and produces a tax increment, it would go to offset the company's SID payment. That process allows this to move forward, and it is more secure for the State. That is our recommendation contained in the language.

If you look at page 9, an additional provision in this bill would allow this funding through the SID/TIA process for revenue to pay back funding in the event the City of North Las Vegas is able to secure a public/private partnership to fund this project. If that is the case, then the State would not be providing any of the bonds or that portion of the bonds, whatever the public/private partnership was willing to fund. The TIA and the SID payment would serve to pay back the public/private partnership lenders.

SENATOR FORD:

This conversation to change these provisions has been approved or at least discussed and acquiesced to by Faraday?

MR. HILL:

Yes, that is correct.

SENATOR FORD:

I remember early in the Session there was a question proposed to you about Faraday attempting to divest from the project or hiring a firm to look to divest from the project. Maybe I am using the wrong terminology, but does that initial question from earlier this Session ring a bell to you at all?

MR. HILL:

I do not recall that question. I am not sure necessarily what you mean divest.

SENATOR FORD:

That they are trying to pull out.

MR. HILL:

That is just not the case.

SENATOR FORD:

Okay, and you are confident of that?

MR. HILL:

Yes, I am.

SENATOR KIECKHEFER:

On the TIA, the increment is going to be based on a company's property tax assessment?

MR. HILL:

It is based on a portion of property tax, sales tax and MBT for projects that meet the \$1 billion or \$3.5 billion threshold.

SENATOR KIECKHEFER:

I will have to go back and look at it to make sure I understand all the different pieces.

MR. HILL:

I believe it is a 50 percent component of the increase. That may be different for one or two of those taxes, but that is the same for all four.

CHAIR RATTI:

There is a lot in this bill, so I encourage all of the members of the Committee who have specific technical questions to get them out here. Please make time before we have to move this out of Committee. We have ten days to make sure everybody gets his or her questions answered. I know Mr. Hill will make himself available to make sure that happens.

I have a question regarding page 3, line 112 of the bill that removes the complaint process, which I believe is associated with this piece you are talking about now.

MR. HILL:

I had that conversation with your staff yesterday. My understanding is it came from one of the bond councils in the conversation. I have noticed that as well. We are trying to understand why and if that language is necessary.

CHAIR RATTI:

I would like an answer on that. I am not comfortable with the fact that we are removing the complaint process. If we could figure that out, it would be helpful.

SENATOR FORD:

I want to commend you and Senator Ratti for working together so well this Session on both of these bills. I want to put on the record that I appreciate your working together on these things.

MR. PETERSON:

We are in support of S.B. 442. At Las Vegas Global Economic Alliance (LVGEA), we believe the State's economic development system is working. State-level incentives have been and continue to be one of the most impactful tools in our success. At LVGEA alone since 2012, we have assisted in the creation of around 17,000 new jobs with help along the way from state-level incentives.

We believe S.B. 442 builds upon our current model and is a step in the right direction. Specifically, we support eliminating the sunset on capital expenditures as a requirement for qualifying for State incentives. We support changing the State's definition of rural areas to align with the definition of the U.S. Department of Agriculture, so it will allow our rural partners in Clark County like Laughlin and Mesquite to have easier access to incentive programs. We support allowing companies to use multiple sites to qualify for incentives. We support the provision that would create a more secure path for Apex infrastructure and bond repayment. It is worth noting that over the last year, we convened a technical advisory panel for the Apex Industrial Park with the Urban Land Institute. This is public/private educational leaders coming together to create a high-level visioning document. Many of their recommendations align closely with what you have in front of you for the Apex area in S.B. 442. We encourage your support.

CHAIR RATTI:

I happen to be more familiar with northern Nevada and how it works there, but can you talk about how you engage local governments at either the elected or the staff level in your process in Clark County?

MR. PETERSON:

On our Board of Directors, we have representatives from all the cities and Clark County. They are a part of monthly meetings where we review clients in the pipeline and tee up for the state-level process for incentives and other forms of assistance. We make sure those people on our Board are very much informed and engaged in the process. The idea is for that to be taken back to the other local entities for coordination.

CHAIR RATTI:

Do you make regular presentations to local governmental bodies at their meetings, being a little more proactive in taking it out to them?

MR. PETERSON:

Yes. We have those who typically will present an annual update to all the cities and the County with our overall work, but the monthly portion would be connected through our Board of Directors.

LORI K. CHATWOOD (Deputy Treasurer, Debt Management, Office of the State Treasurer):

The Treasurer's Office is neutral on this bill. In the proposed amendment ([Exhibit O](#)), we would like to add language in section 7 and section 10.

In section 7 of the bill as in Mr. Hill's presentation, the City of North Las Vegas with the project we have now available, even though this will be available for other projects as well, may decide to do some infrastructure needs outside of the State bonding. That way this abatement would first be applied to any bonds the State issued as a security.

The second amendment we would request, on page 2 in [Exhibit O](#), adds language to section 10 of the bill. As it is the job of the Executive Director of the Office to help determine what security the qualified project would put up for, as we spoke about, a TIA that is a little bit riskier than an SID based on assessment: We would just ask that the decision is made in consultation with the State Treasurer's Office. That has to do with the project we are working on

for Apex. What we are financing, how we are financing and what the revenue stream is to repay those bonds have fluctuated depending on the engineering plans, the amount of money available and the amount of infrastructure that is needed. For that piece, we would like the Treasurer's Office to understand the financing and what additional security would be needed in consultation with the Executive Director.

After Mr. Hill's testimony, I do have a question that has to do with multiple project sites to make a qualified project and only in relation to the bonding. I understand you can have tax incentives and abatements for a qualified project and it does not necessarily mean that if they are located within the boundaries of a municipality that the municipality is going to ask for bonding. Not all municipalities will ask for infrastructure.

My question is: If you are allowing a \$1 billion project to be located in different municipalities, which municipality—or can both municipalities—asks for assistance in the bonding? How would that be split and how would you determine how much they have? The law says for the program we only have \$200 million available. One single project cannot have more than \$175 million in bonds. Depending on the amount that is left in the program, how would that bonding, if it is meant to apply, be allocated when the project is in multiple areas? I do not know if it is the intent to not have bonding if the \$1 billion project is located in more than one municipality or to do that pro rata? I just bring that up because that would become a question should we need to issue bonds for a project that was qualified by being located in multiple areas.

CHAIR RATTI:

Did you have an opportunity to speak with Mr. Hill before the hearing?

Ms. CHATWOOD:

I did not.

CHAIR RATTI:

I would encourage you to connect with Mr. Hill over the next couple days, so we can figure out what needs to happen.

Ms. CHATWOOD:

I would be happy to.

Senate Committee on Revenue and Economic Development
April 4, 2017
Page 61

MR. HILL:

I would like to recognize the work that Ms. Chatwood does on behalf of the State. She does yeoman's work. We have enjoyed working with her and look forward to continuing to do so in the future.

CHAIR RATTI:

I place a proposed amendment for S.B. 442 from Bob Bilbray for Laughlin Economic Development Corporation into the record ([Exhibit P](#)).

We are going to close the hearing on S.B. 442 and move to the work session.

JOE REEL (Deputy Fiscal Analyst):

You have three work session documents for today. The first work session bill is S.B. 126, sponsored by Senator Ford and heard in this Committee on March 23. I will read the work session document ([Exhibit Q](#)). During the March hearing, Senator Ford offered Proposed Amendment 3222. Page 2 of [Exhibit Q](#) explains the second amendment making the program permanent instead of a pilot program.

SENATE BILL 126: Establishes a program to provide loans to certain small businesses owned by minorities and women. (BDR 18-21)

SENATOR FARLEY MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 126.

SENATOR ROBERSON SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR RATTI:

I would like thank my excellent LCB staff who really looked into the pilot versus an ongoing program to make sure that, mechanically, it would work.

I will open the work session on S.B. 342.

SENATE BILL 342: Revises provisions relating to the collection of certain taxes on passenger carriers. (BDR 32-1116)

MR. REEL:

Senate Bill 342 was sponsored by Senator Farley and heard in this Committee on March 23. I will read the work session document ([Exhibit R](#)). The first amendment to strike "or contract motor carrier" from section 6, subsection 2 basically says that those services would be taxable if they are performed by a contract motor carrier. It puts them back into the base; however, the reasoning behind the proposed amendment to take them out is that those services cannot be performed by a motor carrier.

Second, through working the bill with legal staff and Chair Ratti looking at the provisions of section 1, it is determined that it is not really necessary to have the definition of an "Excise Tax" within the provisions of the bill. It will strike the excise tax definition, but the remainder of the bill would still allow for the provisions to shift the payment to be collected from the passenger.

SENATOR FORD MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 342.

SENATOR PARKS SECONDED THE MOTION.

SENATOR KIECKHEFER:

I am trying to figure out exactly what problem we are trying to solve and whether this is increasing taxes on somebody. This two-thirds bill makes me believe that we probably are, but I am trying to figure out whom.

CHAIR RATTI:

I will try to remind you from the hearing, and I know I have Jonathan Leleu.

SENATOR KIECKHEFER:

I think I may have missed a big chunk of the meeting.

CHAIR RATTI:

My understanding is there is an association. Within that association there are members from two different groups that provide relatively similar services.

When the original legislation was written for this tax, one group got pulled in, the other group did not. Mr. Leleu could give you more clarity on those groups. The members of that association came together and said they would all like to be taxed the same way. They brought forward this bill to make sure that happened. If you want more clarity than that, we would need to bring forward Mr. Leleu.

SENATOR GANSERT:

I still have questions too. The way it is written to me, it is upon the individuals who are using this service. It changes how the tax is collected by the State. If somebody is going to charge \$10, it currently is within the \$10. This bill has it outside the \$10.

CHAIR RATTI:

That is an additional concept in the bill, correct.

JONATHAN P. LELEU (Nevada Bus and Limousine Association):

Senator Kieckhefer, I will give you a 30,000-foot view of what this bill is about. During the 2015 Legislative Session, we passed the transportation network companies (TNC) bills along with an added 3 percent transportation excise tax, which would fund various projects including the medical school.

SENATOR KIECKHEFER:

It was 3 percent on TNCs and 3 percent on everybody else? Was it just supposed to be TNCs and taxicabs?

MR. LELEU:

It was supposed to be on TNCs, taxicabs and common motor carriers. It was supposed to be toward the transportation services industry. What it left out were contract motor carriers, which is a nuance that exists in statute. The difference between a common motor carrier and contract motor carrier is a common motor carrier picks up rides on a ride-by-ride basis; contract motor carrier contracts with a party to provide rides over a given period of time.

SENATOR KIECKHEFER:

Contract motor carriers are not currently required to collect and remit the 3 percent in law?

MR. LELEU:

That is correct. It was left out.

SENATOR KIECKHEFER:

They want to start charging their customers 3 percent more?

MR. LELEU:

Yes. I represent the Nevada Bus and Limousine Association of Las Vegas. In the south, Kimberly Maxton Rushton represents the Livery Operators Association of Las Vegas. Together, we represent the buses and limos of Nevada. Those include common motor carriers and contract motor carriers. Basically, we have said we want to include the contract motor carriers, which we represent, in the 3 percent excise tax and have the excise tax apply evenly across all of the different business models that we represent. I know you do not typically hear an industry saying tax us, but it does make some sense.

SENATOR KIECKHEFER:

What is the anticipated revenue? They are not collecting it now; there has to be a gross revenue number that they are going to tax at 3 percent and remit to the State. Do you know what that number is?

MR. LELEU:

I do not off the top of my head. I apologize.

SENATOR KIECKHEFER:

Is there also a difference being carried out that Senator Gansert was talking about in terms of putting it behind the fare or on top of the fare? Three percent will be a line item for the consumer under this statute where as it is now often included in the gross fare that is paid.

MR. LELEU:

The way we envision this, it is a pass-through. It would be a line item added to the fare that would be borne by the consumer. That is really the meat of the bill. The reason this came up was that during the 18-month Interim between the 2015 Legislative Session and 2017 Legislative Session, we went through the regulatory process with the Nevada Transportation Authority. During those hearings, we met some resistance with one particular commissioner who felt the industry should be bearing the excise tax as opposed to the consumer. That is not how excise taxes work; however, that is what this commissioner felt. We

went back and forth. Ultimately, right before this Session started, the commissioner backed off and said he was going to allow the rules to be written. He did put on the record that he vehemently disagreed with the application of the excise tax to the consumer as opposed to the industry. The reasoning behind this bill was to clarify that an excise tax is in fact an excise tax. It is to be passed through to the consumer. The contract motor carrier was an item of cleanup. As the Livery Operators Association and the Nevada Bus and Limousine Association met several times to discuss various issues affecting the industry, it was always an item of concern that the contract motor carriers were inadvertently left out in the haste to push the TNC bills through. We wanted to make sure that was cleaned up.

SENATOR KIECKHEFER:

You came to talk to me before on this bill, and I thought I understood it. I am still not sure if I totally do.

I am going to be a no for now. I might be persuadable, but one of things I worry about is if we are going to start putting the tax on the top of the fare that is issued, that is actually going to be an increase for everybody. I do not think there is any certainty, whether it is the TNCs or taxis or anybody else, that they are going back 3 percent from their prices and then lay the 3 percent tax as a line item on top of it.

MR. LELEU:

The way it is working now, transportation network companies are adding the 3 percent and charging it to the consumer at the time the fare is levied. The TNCs levy their fare at the conclusion of a ride. The 3 percent is added at that time. Taxi cabs are the same way as are limos and buses generally the same way, although they too write trip tickets, but it works out the same way. The consumer does end up bearing the fare. The contract motor carrier would operate effectively the same way. We are not changing anything that is already happening, and there is no increase in taxes. The tax is already in place, it is already being paid, and it is already a line item. We are just trying to make sure that it is clarified that the consumer bears it, and it applies to contract motor carriers.

SENATOR ROBERSON:

This is a tax increase because you are expanding the tax to other people who do not pay it. That is why there is a two-thirds on this bill. To set the record straight, we are proposing to tax people who are currently not being taxed.

CHAIR RATTI:

Senator Roberson, you make a good clarification. Whether we are treating the tax as similar to a sales tax, adding on after the fact or making it more similar to a gross receipts tax where it is included and the business pays it, there is no increase in taxation. Where we are adding another group of individuals or companies that are not currently being taxed, that is an increase in taxation because they are not being taxed now. I want to make sure we all understand what we are voting on. That is why it is a two-thirds vote.

MR. LELEU:

The characterization is correct. I am not going to nuance things. All of you know me as somebody who hits right between the eyes. We are hitting the same people, but we are hitting different business models that the same people are providing. We are splitting hairs, but Senator Roberson is accurate.

CHAIR RATTI:

We are sweeping in a new group of taxpayers.

MR. LELEU:

Correct.

SENATOR GANSERT:

I will be a no for now as well.

THE MOTION PASSED. (SENATORS GANSERT, KIECKHEFER AND ROBERSON VOTED NO.)

* * * * *

CHAIR RATTI:

Perhaps you will have some additional conversations with people.

Senate Committee on Revenue and Economic Development
April 4, 2017
Page 67

MR. REEL:

Our last bill for the day is S.B. 419. It is sponsored by Senator Joseph P. Hardy and was heard in this Committee on March 28. Senator Hardy offered an amendment, Proposed Amendment 3261, attached. I will read the work session document ([Exhibit S](#)).

SENATE BILL 419: Exempts and proposes to exempt sales of certain durable medical equipment, oxygen delivery equipment and mobility enhancing equipment from sales and use taxes and analogous taxes. (BDR 32-325)

SENATOR ROBERSON MOVED TO AMEND AND DO PASS AS AMENDED S.B. 419.

SENATOR GANSERT SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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Senate Committee on Revenue and Economic Development
April 4, 2017
Page 68

CHAIR RATTI:

Seeing no public comment, the meeting is adjourned at 7:35 p.m.

RESPECTFULLY SUBMITTED:

Lex Thompson,
Committee Secretary

APPROVED BY:

Senator Julia Ratti, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	2		Agenda
	B	7		Attendance Roster
S.B. 439	C	11	Dawn Lietz / Department of Motor Vehicles	Written Testimony
S.B. 439	D	3	Mary Walker / Carson City; Douglas County; Lyon County; Storey County	Written Testimony
S.B. 439	E	9	Mary Walker / Carson City; Douglas County; Lyon County; Storey County	Proposed Amendment
S.B. 439	F	2	Peter Krueger / Nevada Petroleum Marketers & Convenience Store Association	Written Testimony
S.B. 441	G	3	Nancy McCormick / Economic Development Authority of Western Nevada	Written Testimony
S.B. 441	H	1	Aviva Gordon and Amber Stidham / Henderson Chamber of Commerce	Written Testimony
S.B. 455	I	7	Jared Busker / Children's Advocacy Alliance	Proposed Amendment
S.B. 455	J	1	Jared Busker / Children's Advocacy Alliance	Written Testimony
S.B. 455	K	2	Elizabeth Dittenber	Written Testimony
S.B. 455	L	1	Aviva Gordon and Amber Stidham / Henderson Chamber of Commerce	Written Testimony
S.B. 442	M	10	Steven D. Hill / Office of Economic Development	Presentation

Senate Committee on Revenue and Economic Development
April 4, 2017
Page 70

S.B. 442	N	1	Steven D. Hill / Office of Economic Development	Conceptual Amendment
S.B. 442	O	2	Lori K. Chatwood / Office of the State Treasurer	Proposed Amendment
S.B. 442	P	3	Bob Bilbray / Laughlin Economic Development Corporation	Proposed Amendment
S.B. 126	Q	6	Joe Reel	Work Session Document
S.B. 342	R	7	Joe Reel	Work Session Document
S.B. 419	S	7	Joe Reel	Work Session Document