DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

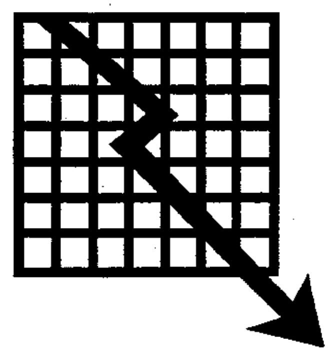
This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.

A Report On

The Fiscal and Economic Trends In Nevada Counties



Prepared by

The Nevada Association of Counties

February 6, 2003

NACO
NEVADA ASSOCIATION OF COUNTIES

201 SOUTH ROOP STREET, SUITE 101 • CARSON CITY, NEVADA 89701 • (775) 883-7863 FAX (775) 883-7398

C, 2 of 10

February 6, 2003

Dear Honorable Members of the 72nd Session of the Nevada Legislature:

County governments are currently facing fiscal conditions not seen in the past twenty-five years. The attached data and analysis, provided by the Nevada Association of Counties, was compiled from various sources to demonstrate current trends in economic wellness indicators. These trends, accompanied by the increased cost of government, have led <u>all</u> of Nevada's county governments into a current or impending fiscal crisis. Consider the following:

- ***The total assessed value in Mineral County has declined 56% since FY-96. Eight other counties have flat or declining total assessed values.***
- ***Total revenues in Eureka County are down 25% since FY-97. Eight other counties have flat or declining general fund revenues.***
- ***Taxable sales have dropped 11% in Elko County since FY-97. Fourteen other counties, including Washoe and Clark, have flat or declining total taxable sales.***
- ***The population of Lander County has fallen 22% since 1996. Eight other counties have population numbers that are flat or declining.***

This document provides an economic profile of each county with these figures and others to provide a picture of the fiscal and economic conditions in Nevada's counties. This document also contains information regarding other county issues, such as public lands and unfunded mandates. NACO hopes that this information is valuable during the 72nd Session while legislators consider measures that could impact county governments and their ability to serve the citizens of Nevada. Please contact our office at (775)883-7863 should you have any questions concerning this document. We look forward to working with you during the 72nd Legislative Session.

Sincerely,

Robert S. Hadfield
Executive Director

Andrew A. List
Policy & Research Coordinator

TABLE OF CONTENTS

COUNTY PROFILES

C.3 of 10

➤ <u>INTRODUCTION.</u> County governments are and have always been service providers. Counties are responsible for public safety and insuring that sheriffs departments throughout the state are staffed with well-trained and equipped employees. Counties are responsible for funding (with the exception of judges' salaries) and administering Nevada's court systems. Counties are responsible for building permits and building inspections. Counties are responsible for filing and keeping property and legal documents. Counties are responsible for the long term care of indigent citizens. Some counties own and operate hospitals and are thus responsible for providing medical care, while all counties provide for the health and welfare of county residents. Counties provide road and transportation corridors. This is just the beginning of a comprehensive list of services provided by county governments in Nevada. This document is intended to explore the fiscal trends in Nevada counties through certain "economic wellness" indicators: (1) Population trends, (2) General fund revenues, (3) Maximum overlapping tax rates, (4) Total county assessed value, and (5) Taxable sales. The county trends for these indicators are shown at the right in Table A. This document also details general fund revenues and expenditures by category and total general expenditures over time. These indicators demonstrate without question that nearly all of Nevada's counties are facing a real or impending fiscal crisis. What follows is an explanation of each economic wellness indicator, other overriding county governance issues, and an economic profile of each county. It is hoped that this information is useful to legislators of the 72nd session during the debate and consideration of issues impacting county governance.

C. 4710

Table A

County Economic Trends

	Population	Total Revenues	Assessed Value	Taxable Sales	Maximum Overlapping Tax Rate
Carson City	↑	↑	↑	↑	$2.6825
Churchill County	↑	↑	↑	⇔	$3.5477
Clark County	↑	↑	↑	⇔	$3.3809
Douglas County	↑	↑	↑	⇔	$3.0109
Elko County	⇔	↓	↓	↓	$3.6400
Esmeralda County	⇔	↑	⇔	↓	$2.8150
Eureka County	⇔	↓	↓	↓	$1.9726
Humboldt County	⇔	↓	↓	↓	$2.8536
Lander County	↓	↓	↓	↓	$3.4446
Lincoln County	↑	↑	↑	↓	$3.6375
Lyon County	↑	↑	↑	↓	$3.3568
Mineral County	↓	↓	↓	↓	$3.6400
Nye County	↑	↑	↑	↓	$3.6400
Pershing County	↓	↓	↓	↓	$3.6392
Storey County	⇔	⇔	⇔	↓	$3.0030
Washoe County	↑	⇔	↑	↑	$3.5799
White Pine County	↓	↓	↓	↓	$3.6400

C.5 of 10

- **POPULATION TRENDS.** Population growth is a double-edged sword for county governments. Population growth can increase revenues from property and sales tax if new homes are constructed and new jobs are created. Population growth can be detrimental if it occurs too quickly and new revenues cannot grow fast enough to provide necessary services to new and existing residents. Declining populations are nearly always detrimental to local governments. With a loss in population comes a loss in property tax when vacant houses drive housing prices and values down. With fewer people in the county, lower taxable sales can also be anticipated. This leaves less tax revenue to provide service and maintain existing infrastructure. In either case, counties must still provide certain health, welfare, safety, and transportation services to citizens. Local government hiring freezes, lay-offs, and cuts in service normally follow. Population trends are detailed in each county profile; data used to compile population trends is shown in Appendix A.

- **GENERAL FUND REVENUE AND EXPENDITURE TRENDS.** When general fund revenues decline, there is normally a year or more of "lag time" before expenditures can be trimmed. This lag time can be attributed to many factors, including long-term leases or employee contracts. This can lead to declining ending fund balances and thus the ability of county governments to respond to emergency and unforeseen circumstances. Revenue and expenditure trends are detailed in each county profile and in Appendix B.

- **GENERAL FUND REVENUE SOURCES AND EXPENDITURE CATEGORIES.** The majority of county revenues are derived from property and sales tax. Any changes to the structure of this narrow tax base can greatly impact county revenues. Expenditures from county general funds demonstrate the degree to which counties have been forced to cut discretionary expenditures, such as those for culture, recreation, and community support. General fund revenue sources and expenditure categories are presented in each county profile and in Appendices C and G, respectively.

- **MAXIMUM OVERLAPPING TAX RATES.** The Nevada Revised Statutes state that the maximum overlapping tax rate for any taxpayer cannot exceed $3.64 per $100 assessed value. If additional revenue becomes necessary, county government must have the flexibility to increase property taxes up to the $3.64 cap. The large number of entities that share a portion of property tax revenues (including the State, school districts, cities, hospital districts, general improvement districts, and other special taxing districts) have decreased this flexibility as taxing districts maneuver to use the rate remaining under the tax cap. Nine counties lack property tax flexibility to varying degrees because they are within $0.15 of the $3.64 tax cap: Churchill, Elko, Lander, Lincoln, Mineral, Nye, Pershing, Washoe, and White Pine. The overlapping tax rates are detailed in each county profile and in Appendix D.

- <u>**Assessed Value Trends.**</u> The assessed value of a county is directly related to the county's ability to generate property tax revenue. Quite simply, counties with increasing assessed values have the opportunity to increase property tax revenues, while those counties with decreasing assessed values have decreasing property tax revenues. A portion of a county's total assessed value is composed of the net proceeds of minerals. In some counties (e.g. Lander, Humboldt, Pershing and Eureka), this portion can be sizeable. Changing federal environmental regulations, and mine consolidations within the industry have led to new economies of scale and reduced workforces throughout the industry in Nevada. This has resulted in a decline in net proceeds tax receipts. Total assessed value data is presented in each county profile and in Appendix E.

- <u>**Taxable Sales Trends.**</u> A large portion of county revenue is generated through sales tax receipts. Counties collect sales tax at a rate ranging from the minimum 6.5% up to 7.25%. In all counties, 2% of the sales tax rate is dedicated state revenue and 2.25% is dedicated to school districts. The remaining rate, a minimum of 2.25%, is dedicated to counties and other programs, such as the 0.25% dedicated to the preservation of open space in Carson City. Data presented represents sales tax receipts collected up to the end of the fiscal year. Taxable sales fell in twelve counties in FY-02. There are several reasons for this decline. First, in select counties, declining populations leave fewer citizens to patronize local business establishments. Second, advances in automotive technology have made long-distance travel more convenient; thus citizens are traveling to larger population centers where greater variety exists to purchase goods. Finally, tax-free internet sales continue to erode into taxable non-internet sales. Taxable sales data is presented in each county profile and in Appendix F.

- <u>**Other County Issues: Unfunded Mandates.**</u> Over the years, the State and county governments have engaged in discussions regarding which unit of government is best positioned to provide services to the public, most often within the category of health and human service functions. These discussions have resulted in service shifts between the State and counties, in each direction. An unfunded mandate occurs when service delivery requirements are shifted from the State to counties, with no accompanying funding to pay for the service. As the last line of service delivery, counties cannot pass services along to any other governmental unit, and thus the county ends up absorbing the cost of the service. Shifting services without accompanying funds to pay for the service does nothing less than shift the

C.6 of 10

revenue problem from the State to the county, where less sovereignty exists to mitigate the impact. For this reason, NACO stands opposed to unfunded mandates, unless additional revenue sources are provided for pursuant to NRS 354.599. NACO also respectfully requests that legislators refrain from using the following language, which was common place in the 71st Session: "The provisions of NRS 354.599 do not apply to any additional expenses of a local government that are related to the provisions of this act." Such language undermines the unfunded mandate law put into place by an 82%-18% vote on statewide Question 8 in 1992.

- <u>OTHER COUNTY ISSUES: PUBLIC LANDS.</u> Roughly 86% of Nevada is managed as public land by Federal land management agencies. These include the United States Bureau of Land Management (68.3%), the United States Forest Service (7.3%) and the United States Department of Defense (4.4%). The Federal management of public lands in Nevada's counties has a profound impact on local economies. Throughout the past decade, increased regulation of public lands used for mining and livestock purposes have made these industries less profitable. Populations in some rural communities have declined with mining layoffs and ranch sales. The prospect of higher precious metal prices in recent months has extended the lives of some mines, but exploration activities are still almost nonexistent. In addition, the designation of wilderness areas across Nevada in the late 1980s, and their subsequent management as de-facto wilderness have prevented federal land from being used for other economically beneficial purposes. While wilderness is suitable and can indeed generate jobs and economic growth in more populous areas, the idea of eco-tourism has not done the same for rural counties. This is the legacy of Great Basin National Park, the least visited of any nationwide. These public land based economies, and the uncertainty of dealing with federal agencies have made Nevada's rural economies especially fragile. An additional impact of federal land ownership is the small amount of private land remaining to generate property tax revenue. For example, 97% of land within Lincoln County is managed by federal land management agencies. Any actions taken by the State or Federal government that lessens the tax base, or the amount taxed on this very small base could have detrimental impacts on county finances. NACO will continue to work with federal entities to insure that the economic impacts of federal public land management actions are minimized while environmental and safety concerns are met. NACO hopes that the Nevada Legislature will consider the uncertain nature of these public land based economies and the small private land base in counties during the session, especially when considering measures that will allow counties to be flexible and save taxpayer dollars.

C. 7 of 10

NACO BILL DRAFT REQUESTS FOR THE 2003 LEGISLATIVE SESSION

- **BDR 20-170 - County Elected Official Salaries (NRS 245.043)** By the time the 2003 Legislative Session convenes, seven and one half years will have passed since base salaries for county elected officials were increased. In 2001, NACO requested passage of AB 256 in accordance with the historic legislative practice of increasing salaries every six years. AB 256 was not passed in the 2001 legislative session. BDR 20-170 updates AB 256 of the 2001 session. It includes the following provisions: (1) Increased salaries for all elected officials based on the cumulative increase in the average hourly industrial wage in the state of Nevada since the date of the last increase in base salary; (2) A waiver provision for economically distressed counties; and (3) A retroactive effective date of the fist Monday in January, 2003. County governments, expecting passage of this bill, have budgeted for salary increases in the current fiscal year. Further, the effective date of the bill will cause salary increases to take effect at the beginning of the elective term of office for the majority of elected officials and mid-term for the remainder. NACO believes that elected official salaries should be periodically increased to reflect the rising cost of living and increased workloads. Additionally, salaries commiserate with job duties are necessary to attract qualified and able candidates for office.

- **BDR 20-172 - County Flexibility (NRS 244)** Pursuant to established Nevada case law, Counties have only those powers specifically granted to them by specific statute. In certain instances, county governments are unable to respond to the needs of citizens without first receiving legislative approval to do so. In AB 92 of the 2001 Legislative Session, county governments sought and received statutory power granting counties the power to enact ordinances relating to the development of affordable housing, the control and protection of animals, the rehabilitation of rental property, and the rehabilitation of abandoned residential property (NRS 244.189). BDR 20-172 of the 2003 Legislative Session addresses the flexibility of county governments in the following areas so long as the actions of the county government are not contrary to existing Nevada law: (1) Public safety; (2) Community redevelopment; (3) Public health and sanitation; (4) Nuisance abatement; (5) Imposition of a civil penalty as a prelude to or instead of criminal sanctions; and (6) Acceptance of rights-of-way grants on federal lands. NACO believes that county governments, as first responders to citizens in need, should have the flexibility to respond to the needs of Nevada citizens in a timely and proper fashion, so long as such response is not contrary to Nevada law. NACO believes that county governments that have the flexibility to respond to the needs of citizens are best able to respond to those needs in a fast and reliable manner and do so at the lowest cost.

C. 8 of 10

Appendix B

County General Fund Revenue and Expenditure Trends

Source: Nevada Department of Taxation

27,285,687	29,726,474	32,375,649	34,099,199	36,331,145	40,794,274	45,313,099	48,355,502	6.71% since FY-01
26,424,826	28,891,508	32,236,444	33,787,873	34,497,219	39,235,331	43,172,494	46,363,406	7.39% since FY-01
6,806,669	7,126,533	7,924,077	8,540,511	9,705,846	9,627,347	10,770,464	11,183,445	3.83% since FY-01
6,917,633	7,602,150	8,291,821	8,251,345	9,465,919	10,306,267	10,101,406	11,086,586	9.75% since FY-01
429,679,624	468,547,116	511,060,640	542,752,403	600,465,356	668,583,918	717,570,701	767,842,783	7.01% since FY-01
426,412,047	471,859,042	506,148,835	533,227,737	580,302,645	647,181,943	718,416,195	750,077,755	4.41% since FY-01
16,961,332	18,030,932	19,125,876	19,933,111	22,065,441	23,200,674	24,610,380	26,471,752	7.56% since FY-01
16,926,605	18,899,605	19,223,830	19,404,786	20,679,433	22,756,562	23,100,440	25,816,208	11.76% since FY-01
12,844,605	14,500,768	15,859,189	16,277,676	14,371,127	16,253,646	15,907,053	15,981,517	-1.82% since FY-98
12,921,106	13,696,220	15,105,664	16,422,075	15,742,470	16,942,114	16,630,005	16,514,988	-2.52% since FY-00
2,009,314	2,247,017	2,395,399	2,455,970	2,512,321	2,440,149	2,583,824	2,688,352	4.05% since FY-01
1,889,774	2,102,428	2,377,431	2,141,949	2,491,635	2,431,853	2,245,792	2,908,223	29.50% since FY-01
6,571,503	8,738,721	8,650,292	7,759,712	7,331,786	7,633,500	7,363,694	6,550,668	-24.27% since FY-97
6,199,354	9,412,473	10,250,091	9,445,649	5,636,844	5,642,860	6,557,126	5,794,285	-43.47% since FY-97
8,653,144	9,368,546	10,471,182	9,840,172	9,821,854	8,947,044	9,406,397	9,084,606	-13.24% since FY-97
6,597,786	7,415,157	8,192,265	9,112,717	9,687,867	9,741,387	9,585,556	9,534,266	16.38% since FY-97
5,862,678	6,559,018	6,359,919	6,496,791	6,521,282	6,804,443	6,838,695	6,297,854	-7.91% since FY-01
5,072,810	6,460,574	6,742,269	6,944,933	6,434,328	6,191,737	6,234,479	6,010,270	-3.60% since FY-01
2,419,011	2,410,972	2,778,660	2,745,585	2,759,913	2,840,640	3,098,956	3,187,076	2.84% since FY-01
2,375,301	2,612,524	2,446,450	2,614,198	2,884,146	2,821,650	2,995,009	3,275,858	9.38% since FY-01
9,692,510	10,803,413	12,961,130	14,523,280	14,716,342	15,589,528	16,603,381	17,480,980	5.29% since FY-01
10,435,658	11,015,916	11,865,184	12,596,009	14,417,258	15,639,739	17,117,329	17,683,918	3.31% since FY-01
4,428,104	4,472,228	4,919,762	5,777,611	4,645,137	4,591,216	4,426,906	4,057,838	-29.77% since FY-98
4,396,574	4,831,327	4,971,241	5,272,144	5,074,144	4,823,770	4,437,113	4,205,922	-20.22% since FY-98
13,748,139	14,481,271	17,876,952	19,203,952	18,233,924	20,125,610	22,564,131	not available	12.12% since FY-00
14,016,027	15,622,501	16,339,027	18,008,317	19,416,459	20,912,418	23,158,171	not available	10.74% since FY-00
3,370,523	3,776,194	4,088,698	4,422,675	6,158,996	5,269,254	5,169,083	4,894,769	-20.53% since FY-99
3,173,758	3,509,265	3,872,550	4,564,739	6,253,318	4,887,211	5,169,928	4,842,380	-22.56% since FY-99
2,433,700	2,655,539	3,624,478	4,136,638	4,299,445	4,441,046	3,876,897	4,672,995	5.22% since FY-01
2,560,750	2,978,513	3,167,399	3,949,537	4,451,011	4,646,565	4,399,375	4,679,126	0.70% since FY-01
135,934,767	150,688,296	163,175,759	177,889,435	188,673,424	205,833,503	215,784,109	220,717,845	2.29% since FY-01
135,622,070	150,261,182	156,593,695	177,217,953	185,285,879	206,946,487	214,772,946	217,465,715	1.25% since FY-01
4,538,213	5,202,982	6,068,262	6,286,577	6,154,611	6,828,062	6,322,404	6,419,096	-5.99% since FY-00
4,533,110	5,236,214	6,125,049	5,791,536	5,845,877	6,381,898	6,365,870	5,888,652	-7.73% since FY-00

C. 9 of 10

Appendix C
FY-02 County General Fund Revnue, State of Nevada
Source: Department of Taxation

	Property Taxes	Consolidated Sales Tax	Other Intergovt. Revenue	Charges for Service	Fines & Forfeitures	Licenses & Permits	Miscellaneous Revenue	Tansfers In	Other Financing Sources	Other Taxes	Total Revenues
Carson City	$9,168,492 19.0%	$22,748,157 47.0%	$5,012,696 10.4%	$5,040,472 10.4%	$780,204 1.6%	$4,623,361 9.6%	$942,870 1.9%		$39,250 0.1%		$48,355,502
Churchill County	$2,635,196 23.6%	$3,950,175 35.3%	$1,980,605 17.7%	$409,605 3.7%	$325,755 2.9%	$379,254 3.4%	$173,294 1.5%		$1,329,561 11.9%		$11,183,445
Clark County	$165,876,053 21.6%	$207,485,862 27.0%	$8,436,678 1.1%	$61,937,550 8.1%	$11,170,007 1.5%	$125,634,470 16.4%	$14,403,206 1.9%	$172,898,957 22.5%			$767,842,783
Douglas County	$5,768,422 21.8%	$9,514,200 35.9%	$3,352,623 12.7%	$3,089,560 11.7%	$900,564 3.4%	$3,131,009 11.8%	$703,445 2.7%		$11,929 0.0%		$26,471,752
Elko County	$4,071,346 25.5%	$5,352,253 33.5%	$523,667 3.3%	$1,379,127 8.6%	$1,115,184 7.0%	$638,283 4.0%	$865,271 5.4%		$2,036,386 12.7%		$15,981,517
Esmeralda County	$785,754 29.2%	$1,013,185 37.7%	$176,000 6.5%	$34,900 1.3%	$390,000 14.5%	$8,500 0.3%	$85,000 3.2%	$195,013 7.3%			$2,688,352
Eureka County	$2,475,719 37.8%	$2,969,915 45.3%	$409,485 6.3%	$254,483 3.9%	$63,264 1.0%	$10,264 0.2%	$367,538 5.6%				$6,550,668
Humboldt County	$1,708,705 18.8%	$4,106,369 45.2%	$809,593 8.9%	$317,419 3.5%	$528,671 5.8%	$1,118,510 12.3%	$490,339 5.4%	$5,000 0.1%			$9,084,606
Lander County	$2,572,629 40.8%	$2,554,606 40.6%	$262,635 4.2%	$201,124 3.2%	$282,018 4.5%	$127,094 2.0%	$265,559 4.2%	$32,189 0.5%			$6,297,854
Lincoln County	$905,752 28.4%	$1,231,650 38.6%	$252,042 7.9%	$167,985 5.3%	$413,744 13.0%	$9,381 0.3%	$206,522 6.5%				$3,187,076
Lyon County	$3,320,955 19.0%	$9,611,382 55.0%	$686,280 3.9%	$800,232 4.6%	$607,269 3.5%	$1,720,168 9.8%	$734,694 4.2%				$17,480,980
Mineral County	$856,707 21.1%	$2,102,845 51.8%	$343,018 8.5%	$92,893 2.3%	$210,689 5.2%	$47,327 1.2%	$108,859 2.7%	$295,500 7.3%			$4,057,838
Nye County (FY-01)	$8,081,337 35.8%	$8,347,840 37.0%	$1,416,735 6.3%	$1,258,567 5.6%	$408,510 1.8%	$98,124 0.4%	$2,257,067 10.0%	$695,951 3.1%			$22,564,131
Pershing County	$1,658,820 33.9%	$1,941,568 39.7%	$453,089 9.3%	$155,954 3.2%	$162,622 3.3%	$72,932 1.5%	$349,784 7.1%	$100,000 2.0%			$4,894,769
Storey County	$2,157,637 46.2%	$1,447,079 31.0%		$464,844 9.9%	$6,722 0.1%	$365,428 7.8%	$211,580 4.5%			$19,705 0.4%	$4,672,995
Washoe County	$87,939,000 39.8%	$71,857,499 32.6%	$33,323,953 15.1%	$10,475,461 4.7%	$6,323,577 2.9%	$5,503,712 2.5%	$4,436,480 2.0%			$858,163 0.4%	$220,717,845
White Pine County	$1,584,427 24.7%	$2,286,122 35.6%	$1,856,291 28.9%	$240,880 3.8%	$124,793 1.9%	$27,374 0.4%	$293,789 4.6%			$5,420 0.1%	$6,419,096

2/5/03

C. 10 of 10