

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Third Session
February 8, 2005**

The Committee on Government Affairs was called to order at 8:07 a.m., on Tuesday, February 8, 2005. Chairman Parks presided in Room 3143 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. All exhibits are available on file at the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Mr. David Parks, Chairman
Ms. Peggy Pierce, Vice Chairwoman
Mr. Kelvin Atkinson
Mr. Chad Christensen
Mr. Jerry Claborn
Mr. Pete Goicoechea
Mr. Tom Grady
Mr. Joe Hardy
Mrs. Marilyn Kirkpatrick
Mr. Bob McCleary
Mr. Harvey Munford
Ms. Bonnie Parnell
Mr. Scott Sibley

COMMITTEE MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT:

Susan Scholley, Principal Policy Analyst
Amber Joiner, Assistant Policy Analyst
Eileen O'Grady, Legal Counsel
Keith Norberg, Deputy Fiscal Analyst
Deanna Duncan, Committee Manager
Chelsea Bibb, Personal Attaché
Nancy Haywood, Committee Attaché

Michael Shafer, Committee Attaché
Kiz Malin, Committee Attaché

OTHERS PRESENT:

Andrew List, Executive Director, Nevada Association of Counties
Jenny Welsh, Policy Analyst, Nevada Association of Counties
David Fraser, Director, Nevada League of Cities and Municipalities
Nancy Howard, Assistant Director, Nevada League of Cities and
Municipalities
Mike Baughman, Contract Executive Director, Intertech Services
Corporation, Legislative Advocate for the Humboldt River
Basin Water Authority
Mathew Baughman, Research Associate, Intertech Services
Corporation, Legislative Advocate for the Humboldt River
Basin Water Authority

Chairman Parks:

[Meeting called to order and roll called.] As we start this new session, I have only a few short remarks to make. I want to welcome everyone, as well as members of the audience. I did serve on Government Affairs in the 1997 Session. In the 1999 Session, I left and went to Ways and Means, where I stayed for three sessions. When I was asked by the Speaker to chair Government Affairs, I put together a number of conditions that I would ask for, and one of them was for us to have a talented group of Committee members. I am greatly impressed by the quality of everyone that has been assigned to Government Affairs, and I hope that all of you are happy with being assigned here.

I want to thank you for serving on this Committee. Hopefully, it will be a very productive Committee. We are going to start off by receiving a number of presentations this week and next Tuesday as well. These will be presentations by local governments and associations of governments, as you can see on your agendas. If there are, by any chance, any other presentations that you think would be good for the entire Committee to hear, I would be happy to entertain those at that time. Our staff can also provide us with presentations that would be very helpful for us. They certainly are sufficiently talented in that respect.

Let me start off with a few introductions, if I may, for the Committee and those persons who might be watching us on the Internet. Our Committee hearings are

also broadcast on the Internet for anybody who finds it preferable to view our proceedings in the luxury of some other accommodations, especially chairs that are slightly more comfortable than the ones here in the committee hearing room.

[Chairman Parks, continued.] As far as introductions, I would like to first introduce our Vice Chairman, Peggy Pierce. This is Peggy's second session on Government Affairs and her able assistance in dealing with the issues in front of the Committee. We do have a number of members who are returning from the last session. They include Assemblyman Atkinson, Assemblyman McCleary, Assemblyman Christensen, Assemblyman Goicoechea, Assemblyman Grady, and Assemblyman Hardy. We also have a veteran legislator who has decided to join us for the first time, so we welcome Assemblyman Claborn. We also welcome Assemblywoman Parnell, who is serving her third session on Government Affairs.

We have three new members, Assemblywoman Kirkpatrick, Assemblyman Munford, and Assemblyman Sibley. I want to welcome each of you to Government Affairs. I think that you will find that we cover a lot of very interesting issues, and you will find that there is a tremendous amount of things to learn. [Chairman Parks introduced the Committee staff.]

Yesterday I was challenged, and I thought I would share that with you. Government Affairs tends to be one of those committees that has a lot of bills, and with the fact that there is no Committee on Taxation, we will probably have additional bills to consider. As you know, the bill is normally assigned based on the primary chapter of the NRS [*Nevada Revised Statutes*] that they affect. A number of those chapters have been reassigned to Government Affairs from Taxation. I would indicate that we gained ten chapters, and we lost one chapter.

The challenge came from the Chairman of Judiciary, who always enjoys the fact that he can always say that his Committee handled more bills than any other committee. Therefore, his Committee is the most hardworking. He now knows that he is in jeopardy of losing that distinction. Last session he had 180 bills. Last session Government Affairs had 147 bills, so it looks like we may top the Judiciary this session. It will be quite a bit of work.

I do not know if you have gotten a copy of the listing of the chapters that we gained. It is in our Committee Brief ([Exhibit B](#)), I have been informed. To quickly comment on this is that we lost NRS 353, State Financial Administration, to Ways and Means. We picked up the Revenue and Taxation under Title 32, 360B, Sales and Use Tax Administration, Sales and Use Tax, which is NRS 372. We have 374, Local School Support Tax; 374A, Local Tax for

Extraordinary Maintenance, Repair, or Improvement of School Facilities; 375A, Tax on Estates; 375B, Generation-Skipping Transfer Tax; 376A, Taxes for Development of Open-Space Land; 377, City-County Relief Tax; 377A, Taxes for Miscellaneous Special Purposes.

[Chairman Parks, continued.] I may have missed one or two along the way, but in general, those are the chapters that we have picked up. As we are all aware, when bills are assigned to committee, there is often a one-minute recess where particular interest goes to another committee that has some other issue related to the assignment of a bill. It can be directed to another committee. We will certainly be watching those.

Another comment is that we do have some additional bill draft requests that we will be allowed to ask for; however, that will only be in the next few weeks. It is my understanding that we may have as many as eight additional bill draft requests that we may ask for. If there are some issues that you would like to have the Committee consider requesting, I will certainly entertain those. That concludes my opening remarks. Once again, I want to thank each of you for serving on the Government Affairs Committee.

The next thing to do is to adopt Committee Standing Rules. We have our Standing Rules. I don't know if everyone has had an opportunity to look at them, but they are basically unchanged from the previous session. The only thing I would like to impress upon you is, if you are going to be late or absent, that you make efforts to notify us if that is the case. We know that as you go along, you will have other bills that you will need to present in other committees, but if we know before the start of the meeting that you are going to have to duck out to present one of your own bills to another committee, we appreciate knowing that in advance.

ASSEMBLYWOMAN PARNELL MOVED TO ADOPT THE STANDING
RULES FOR THE COMMITTEE ON GOVERNMENT AFFAIRS.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairman Parks:

The next item is a staff presentation of the Committee Brief and will be presented by Susan Scholley, our Policy Analyst from the Research Division [of the Legislative Counsel Bureau].

Susan Scholley, Principal Research Analyst, Legislative Counsel Bureau:

[Introduced herself.] I am honored to once again be serving as the Committee staff. I had the pleasure of staffing the Committee last session, and I look forward to the wide variety of topics that come before this Committee. It is never dull. The Committee is fortunate, and once again so am I, in having Eileen O'Grady as our Committee Legal Counsel. Eileen has staffed this Committee for several sessions, and you will find that she is extremely knowledgeable about the issues and statutes within the Committee's jurisdiction.

Before I go any further, I want to remind all of you that the Legislative Counsel Bureau is a nonpartisan bureau, and as nonpartisan staff; I will never advocate or oppose a specific piece of legislation. My role for the Committee is to assist you in finding the information and the resources that you need and that you want to make informed decisions. Both Eileen and I are happy to help you in that regard and to answer any questions you may have, not only matters before the Committee, but if you have other questions, please don't hesitate to ask us. If we can't answer them, we will find the people that can.

Please turn to your Committee Policy Brief ([Exhibit B](#)), that you will find on the table in front of you. Every session, each committee policy analyst prepares for his or her Committee, a policy brief which recaps what happened last session. It reviews the Committee's jurisdiction and alerts the members to the issues that you can look forward to in this session. I want to begin by emphasizing what Chairman Parks pointed out, that there has been a change in the Committee's jurisdiction because of the demise of the Assembly Committee on Taxation. The taxation bills this session are going to be split between the Assembly Committee on Commerce and Labor, Committee on Government Affairs, and the new committee, the Assembly Committee on Growth and Infrastructure.

At the back of your Committee Policy Brief ([Exhibit B](#)), there are six pages of chapters and titles of the NRS [*Nevada Revised Statutes*], which define the jurisdiction of the Assembly Committee on Government Affairs. The ~~strikeout~~ chapters are those chapters within the titles that were assigned to the Committee that are assigned to another committee. Again, as noted by Chairman Parks, Government Affairs now has jurisdiction over 9 of the 28 chapters within Title 32, Revenue and Taxation. You were introduced today to the fiscal analysts and when the Committee is hearing taxation bills, the Committee will be staffed by a fiscal analyst. Otherwise, the Committee's jurisdiction is the same as last session.

[Susan Scholley, continued.] The other thing I might point out is that the Committee's jurisdiction will be affected somewhat by the new Assembly Committee on Growth and Infrastructure. In addition to certain tax bills, Growth and Infrastructure will also be referred any bills primarily affecting growth and infrastructure. I think this means that some bills that would have otherwise come to Government Affairs, such as those affecting water supply or planning matters, may instead go to Growth and Infrastructure. That will be determined as the bills are introduced.

I want to remind all of you that, although Senate Government Affairs jurisdiction is very similar to Assembly, it is not identical. They have had some changes on the Senate side, so not all the bills that we receive or that we send out will necessarily go to Senate Government Affairs. You can be looking for bills from other Senate committees this session.

On pages 2 through 5 of the Committee Policy Brief ([Exhibit B](#)), I have summarized quite a few of the bills that were heard by the Committee last session. I erred on the side of inclusion, so the list is rather long. I am not even going to begin to summarize it or go into it, but I hope you will find it useful in either remembering what happened last session, or for the new members, in getting a sense of what kind of bills the Committee will have before it this session. If any of you have any questions on any of these bills, please don't hesitate to ask. I will be happy to pull that together for you.

There are two reports that the Committee members might be interested in. The Public Employees' Retirement System [PERS] is within this Committee's jurisdiction and PERS has put out two reports since last session. Assembly Bill 555 of the 71st Legislative Session allowed the reemployment of retired persons for a limited period of time. That is getting ready to sunset. PERS was directed to do a report on that program. Senate Bill 345 of the 72nd Legislative Session related to the exclusion of taxable income, and there is a report by PERS on the feasibility and the IRS [U.S. Internal Revenue Service] ruling that was issued on that subject. Again, if anyone is interested in a copy of those reports, I would be happy to get you copies.

On page 6 of the Brief ([Exhibit B](#)), is a listing of the general topics that you can look forward to this session. On a particular note, I would like to point out that there are a dozen or so Open Meeting Law bills this session, which you can look forward to hearing. There are also over a dozen bills addressing water supply regulation and wells. Those seem to be two of the hotter topics this session.

[Susan Scholley, continued.] Although you have all received a copy of the session calendar and the deadlines, I do want to call your attention to a couple of the deadlines. Chairman Parks mentioned them also. On page 7 of the Brief, coming up next week on February 14, is the final deadline for individual bill draft requests, of which Assembly members have two. February 28 is the final deadline for Committee bill draft requests. Mr. Parks mentioned that the Committee may have eight bill draft requests up to that deadline.

The mother of all deadlines, of course, is the April 15 deadline for passage of Assembly bills out of the Assembly committees, except for the exempt bills in Ways and Means. I will remind you that we often have some long meetings as we approach that deadline, trying to get bills out of committee. Bills that don't make it out of committee by April 15 die. Shortly after April 26 is the deadline for the passage of Assembly bills out of the Assembly, and that week you can look forward to some long Floor sessions.

Although there are comparable deadlines for the Senate bills in May, if I recall, the volume of the bills is more manageable at that point and those deadlines aren't quite as ugly as the April 15 and the April 26 deadlines.

New this year in the Committee Policy Brief, I included a table of counties by population. As you will recall, a lot of the legislation divides counties into populations over 400,000, between 400,000 and 100,000, et cetera. So you have a little cheat sheet there. There is also a list of cities by categories and a listing of the charter and general law cities in Nevada. Lastly, I have included a list of key contacts for a number of organizations and agencies that typically appear before the Committee. If you are looking for contact information for someone, and you can't find it, let me know, and we will get that for you. If you have any suggestions for contact information that we should add to the brief, let me know that also.

That concludes my presentation. I just want to emphasize again that if Eileen and I can be of any assistance to you, and I am sure I can speak for Fiscal staff also, don't hesitate to ask. Even if your question doesn't relate to Government Affairs, we will find you the person that can answer your question. I look forward to working with you this session. Thank you, Mr. Chairman.

Chairman Parks:

Are there any questions for Ms. Scholley? Thank you. I think this concludes our opening remarks for our Committee. As a chairman, I tend to like to let our guest speakers or witnesses make their presentation before entertaining questions. I know that sometimes you may have a burning question to ask, and

I would only suggest that, if possible, can you jot it down and wait till the presentation has concluded before asking your question? Are there any questions that any of the other Committee members might have before we proceed?

[Chairman Parks, continued.] Today we have three presentations scheduled. The first two deal with associations of local governments and the other one is a presentation dealing with one of the numerous authorities that the state has. We will move into the presentation, which will be an overview by the Nevada Association of Counties. I would like to welcome Andrew List, Executive Director, to come forward. Jenny Welsh is with him.

Andrew List, Executive Director, Nevada Association of Counties (NACO):

[Introduced himself.] With me is our Policy Analyst, Jenny Welsh. By way of introduction, the Nevada Association of Counties was formed in 1924. We are an organization that lobbies on behalf of the counties and also pushes policy positions on behalf of the counties at both the state and the federal level. We are governed by a board of directors with representatives from all 17 counties and also other elected officials including the clerks, treasurers, recorders, district attorneys, judges, sheriffs, et cetera.

In front of you, you have a packet, "The Fiscal and Economic Trends In Nevada Counties" ([Exhibit C](#)), put together by our organization every other year to try to assist this Committee and also other legislators to understand the counties, and the fiscal makeup of the counties, and the trends that are occurring, as far as their revenues and expenditures are concerned. In this booklet, you will also find a list of the Nevada Association of Counties bill draft requests and our legislative package for this session. We have 15 bills on our agenda this session. All of them are in your booklet. I won't detail all of them, but I would like to mention 4 of them.

The first one is BDR 586 (on page 5 of [Exhibit C](#)). This has to do with the rule called Dillon's Rule. Thank you. Judge Dillon was from Missouri [sic] and was a Supreme Court Judge there in the 1880s. He came up with a theory that cities and counties are creatures of the states and have only those powers delegated to them; no more and no less. What we would like to do is to clarify Dillon's Rule. We think that its application in the state of Nevada has become somewhat too strict and hampers local governments as they try to operate on a day-to-day basis.

We have some data that indicates that this makes some of the operations economically unfeasible, and counties could be more efficient if Dillon's Rule

were modified or abolished. I believe that this bill will come either before this Committee or before Senate Government Affairs.

[Andrew List, continued.] The second bill I would like to highlight briefly is BDR 587. It has to do with court fees. As Jenny will detail later on, the courts eat up a large chunk of county general fund revenues, and it has tended to escalate over the last decade. We would like to raise some court fees just to offset that trend. They have been indexed to the CPI [Consumer Price Index], and we think it is a fair measure. Another bill draft request in your packet ([Exhibit C](#)) is BDR 583. It has to do with fiscal notes. It has been our experience that the fiscal note process is a difficult one for the Legislative Counsel Bureau and the Fiscal Division to work with, and sometimes they might get a late start on a fiscal note or they might have incomplete information. After a bill is enacted you might end up with fiscal impacts above and beyond what you might have expected. This bill would get the fiscal note process started a lot earlier and hopefully get some more input to figure out what those fiscal impacts might be before the bill is enacted.

The last bill I would like to highlight is BDR 597. It has to do with property tax. Right now there is a \$3.64 cap on property tax. Of that \$3.64, the state occupies 15 cents of the tax rate. This bill would take the 15 cents outside of the \$3.64 rate to give the counties a little bit more flexibility if they need some more room. It would be permissive for the counties to use the 15 cents as they see necessary. It does not raise taxes.

Another issue we have been dealing with over the past decade is unfunded mandates. We don't have a bill, per se, on unfunded mandates, but I would like to point out that NACO spearheaded an effort to get an advisory question on the ballot in 16 of the 17 counties during the last election cycle. It was an advisory question only and what it asked the voters was, "Do you favor a constitutional prohibition on unfunded mandates?" By a 63 to 37 percent margin, the voters said, "Yes. We will amend the *Constitution* and create a constitutional prohibition on unfunded mandates."

The reason we feel that this may be necessary is that the current law on the books, NRS 354.599, is frequently circumvented. We understand that there are times when that might be necessary, for example, if the State and the counties might be swapping services. We understand that it is necessary, but it is frequently done without our input. Whether or not NACO [Nevada Association of Counties] goes forward on the 2006 general election ballot with a constitutional amendment depends largely upon what happens in this session. We are here to work with you. If the law does need to be circumvented, we would like to speak about it ahead of time and try to work out the necessity of

that. That being said, I would like to turn it over to Jenny Welsh from NACO to talk about a few other issues and then go into the document that you have in front of you.

Jenny Welsh, Policy Analyst, Nevada Association of Counties:

Rural counties have a public land-based economy. If mining slows up, so does the economy; 86 percent of Nevada is managed as public lands by federal land management agencies. Increased regulation of the public lands used for mining and livestock purposes have made these industries less profitable and therefore, profoundly impact local economies. For example, 97 percent of the land in Lincoln County is managed by federal land management agencies. NACO will continue to work with the federal entities to ensure that the economic impacts of federal public land actions are minimized while environmental safety concerns are met.

Moving on to population, there are two classes of population in Nevada: those that are gaining, and those that are not. The population can be detrimental to both those that are increasing and decreasing. If population grows too fast, new revenues cannot grow fast enough to provide necessary services to new and existing residents. With a loss in population comes loss in property tax, and vacant homes are driving housing prices down and land values down. There are lower taxable sales and a loss in services.

On page 59 (of [Exhibit C](#)) in the packet, you will see that Carson, Clark, Douglas, Lyon, Nye, and Washoe are all increasing, while others are decreasing. It shows the population estimates through 2014. The employment rate in Nevada has decreased since fiscal year 2002. The employment rate, for example, in Carson City in the fourth quarter of 2004 was 4 percent. This is a decrease of 1 percent in the fiscal year 2002. Storey County in the fourth quarter of 2004 was at 1.6 percent, which is essentially full employment, because you always have people that are in between jobs. With industries that are moving to rural communities, they are having difficulty finding skilled labor.

Andrew List:

In your booklet ([Exhibit C](#)), we have detailed the general fund revenues of the counties and where they get their funds. I know there is going to be a lot of talk this session over taxes, particularly property taxes, and this will detail where these counties are getting their funds. Through this booklet, we hope that you can see how your decisions will impact those counties.

For example, the consolidated sales tax is one of the largest components of each county's general fund budget. In Eureka County, 62 percent of their general fund revenue comes from consolidated sales tax. On the low end is

Nye County, with just 17 percent of their revenue coming from consolidated sales tax. As far as property tax is concerned, Storey County gets 49 percent of their general fund revenue from property tax. The low end is Humboldt County, with just 14 percent.

[Andrew List, continued.] I would like to point out that if you look at the charts and look at the graphs, based on fiscal year 2003 data, nine counties actually have declining general fund revenues. With one exception, those are the counties that also have declining populations. With declining populations you have a decline in property tax and also a decline in consolidated sales tax. The next piece of data is Chart 5 ([Exhibit C](#)). In every set of counties, you have the assessed valuation of each county. Assessed valuation is tied to how much property tax you can collect. If your county's assessed value is declining, so is your property tax.

The assessed value data that we have is for fiscal year 2005, the latest data that is available. We have nine counties that are actually losing assessed valuation. Again, most of those counties are the ones that are also losing population. When people are moving out of the counties, the housing market declines, so does the total assessed value of the county; thus, your property taxes take a dive. A good example of how that works is in Mineral County, which has lost 60 percent of its assessed valuation since 1996. It is also tied to a decline in their population.

Another item you have in your booklet ([Exhibit C](#)) is taxable sales. We had ten counties in the fiscal year 2003 that had declining sales tax. I realize that in the fiscal year 2004, some of those counties are actually taking a turn, and it is climbing back up again. An example of a county that is losing sales tax is Esmeralda County. It has lost 47 percent of its sales tax revenue since 1997 and almost half of its taxable sales since 1997. Again, that is based on fiscal year 2003 data.

The reason we are not using fiscal year 2004 data for some of these counties is that there are a lot of new regulations out there. The accounting standards and accounting practices that are tied with what happened with some large corporations, such as Enron, also apply to counties. One in particular is GASB 34 [Government Accounting Standards Board, Statement 34]. GASB 34 requires counties to put any sort of post-retirement health care benefits on the books as a liability. What GASB 34 has done is that a lot of the counties have asked for an extension for filing their fiscal year 2004 reports, so we don't have those figures available.

Jenny Welsh:

Expenditures overall, on average, have increased every year through the last decade. As money declines in the smaller communities throughout Nevada's rural counties, more mandates need to be paid for. Counties are moving revenue away from public parks, libraries, and other discretionary spending towards mandated services. Clark County has increased expenditures 14 percent since fiscal year 2002, where Eureka County had to decrease expenditures 43.5 percent since fiscal year 1997. The result is a loss in revenues.

You will see the chart on page 60 ([Exhibit C](#)), and another chart on page 65, detailing the expenditures. Overall, the biggest expenditures are public safety with judicial increasing as a large portion of the general fund every year.

Andrew List:

I might mention that on the expenditure side of the equation, a lot of times a county might reach a peak. If you look at some of the population data here, a lot of the counties reach the population peak, the mining counties, anyway. Humboldt, Pershing, and Elko Counties might have reached a peak in the late 1990s with their population. When the mines closed down, their people started moving away, but their expenditures can't be cut right away to meet declining revenues. The reason is that they might be involved in a lot of contracts, or they might have some outstanding bonds for schools or other facilities that need to be paid for. A lot of times, with some of their police and fire service and their unions, they have benefits that have been negotiated and can't be cut immediately.

With Mineral County, this created some devastating problems. When Mineral County's expenditures kept going on the rise, they actually couldn't cut them back, while their general fund revenues were declining at an alarming rate. I remember that one year, in 1998, Mineral County's ending fund balance was \$1 and their contingency fund was \$0.

By way of wrap-up, I would like to mention the tax cap issue and the position we have taken. At our last board meeting—we don't have any resolutions on the book, we don't have any formal positions, but just by way of the discussion, some things did come up. First of all, a tax rollback has been proposed to the 2001 level. It was unanimously agreed that that would be devastating to the counties to lose that much revenue immediately. It would force counties to cut all sorts of services, probably in terms of health and human services, indigent care, public safety, libraries, and road services.

Another idea that has come up is an exemption for the first \$100,000 on your home from any sort of property tax. That also would be devastating to some of

our rural economies, where the houses aren't worth much more than \$100,000. You would be exempting 75 to 80 percent of the property tax base in its entirety. Something that our board has found support for is either a sunset on any property tax cap law that is passed, or, if there is any freeze, that it be temporary. We think that it would be a mistake to put a permanent solution on what looks like a temporary market aberration. Another idea that we found some support for is using some sort of rolling average and limiting the increase in your property taxes to a rolling average over a 5 to 7 year period.

[Andrew List, continued.] We think that that would somewhat smooth out the transition so you aren't hit with a 5 percent increase for a couple of years and then a 30 percent increase the next year. If you use some sort of rolling average, it might smooth that out and make it easier for taxpayers to pay. Finally, thank you for the opportunity to appear before you. I would be happy to answer any questions, and as always, NACO is willing to work with this Committee as the session goes on. We are here as a resource for you and will be happy to work with you.

Assemblyman McCleary:

I am looking at the population of some of these counties, and you mentioned that they have declining populations as well as revenue. Would your organization consider consolidating some of these smaller counties into some of the larger ones to provide better services for their people?

Andrew List:

It has always been our position that a consolidation of counties and the consolidation of services must come from the bottom up. If the citizens want to consolidate and they speak through their commissioners, that is certainly something that we would be willing to work on. At this point, I know that there is a bill out there to study the consolidation of Nye and Esmeralda Counties. I spoke with the Esmeralda County Commissioners and they are opposed to the consolidation of Esmeralda County with northern Nye County at this time.

As far as consolidation of services, I know that some cities and counties have consolidated services, such as Metro [Las Vegas Metropolitan Police Department] in Clark County. It is a very good example. Also, there is the provision of some public safety services in White Pine County. I think that needs to come from the counties rather than from the top down.

Assemblyman Christensen:

Jenny, you may have been the one who said that the counties are moving away from funding libraries or parks, and you referred to that as more discretionary spending, because of the unfunded mandates. The question that comes to mind

is: Can you give me a really good example of one of those unfunded mandates that would put a city or county in the spot where they would feel like they can't do that because of what the State did?

Andrew List:

The largest unfunded mandate that we have seen on the books right now—and again, we don't take exception to the policies themselves, we take exception to the practice of unfunded mandates—is to provide guaranteed heart, lung, and hepatitis C benefits to firefighters and police officers. We don't take exception to that. If that is what this Legislature thinks is good sound public policy, that is fine. But it isn't unfunded mandates. Counties will struggle mightily to pay for those.

There hasn't been an actual study done, statewide, on those benefits. Some of the preliminary numbers that we have seen are that those benefits could cost a half-billion dollars over time on local governments, and that could cause counties to cut some services. Another unfunded mandate that came about last session was the requirement that counties pay for health care benefits to retired county workers who joined the state retirement plan. Again, if this body thinks that that is a sound policy, that is fine, but we just need a way to pay for it. That has caused some counties to reexamine some of their services. I think it is hard to tie exactly which service you cut to which unfunded mandate exists. It is more of a whole litany of the unfunded mandates just causing a hole in your budget.

Assemblyman Christensen:

You have given two examples. I am sure you could go on, but that was the level of what I was looking for. How significant are they? Is there any quick fix? It sounds like this is more of a significant issue than that. You have answered my question.

Andrew List:

I think that this ties in with the property tax data that you will find in your booklet ([Exhibit C](#)). I apologize for the quality of some of the copies. We intended to print in color but we had some technical difficulties. Some of them might be hard to read.

We have 11 counties that are within 15 cents of the \$3.64 property tax cap. When these unfunded mandates are passed down to those 11 counties, and 5 that are actually right at the cap, there is nothing they can do. They are capped out on their sales tax; they are capped out on their property tax. They have no choice but to cut services. I think that that is one reason why we want to move

the State's portion of the 15 cents of that property tax, outside of the cap. Then they might have a little bit of wiggle room. If they can't somehow reconfigure their budget to make it work, they can raise taxes if they need to.

Chairman Parks:

Could you comment with regard to the upswing of mining activity? How has that impacted some of those counties that are facing tougher times, or have in recent years faced tough times?

Andrew List:

Chairman Parks, with the price of gold at about \$420, the recent mining activity is a good thing for these economies. Elko County right now is experiencing a small boom. In Lander County, there was a mine that was planning to decommission and lay off about 300 people. They were actually able to move them to a different mine and add about 100 more jobs. That is a good thing. It will also increase the net proceeds of minerals money that goes to those counties. At the same time, though, with the upswing and the number of people, you need to increase your services and provide for them, whether that be in health care and indigent care, or road service, or public safety. They do need to increase their services.

This is again where this idea of a property tax cap comes in. If you have a community like Mineral County, which has lost 60 percent of their assessed valuation since 1996, that all of a sudden gets a big boom, if they discover a large mineral find for a large industry that decides to locate there, they are going to need to increase their services dramatically. The result of people moving back in will drive the housing market back up, probably at a rate greater than 6 percent. An amount of revenue greater than 6 percent would probably be needed to bring that community back up to speed.

For example, I think Mineral County, last I heard, only has two deputies on the road. One is in Mina and one is in Hawthorne. Two cops for the entire county. They are going to need more than that if their population booms again. It is going to require an increase greater than 6 percent annually in property tax revenue to get to where they need to be.

Chairman Parks:

You mentioned, with regard to property tax, using the rolling average. Could you give a little further explanation of how that would work?

Andrew List:

I am not that good with numbers, but I will do my best. Let's say that you have a four-year period where your property tax is increased annually at 5 percent and then in the fifth year your property taxes increased by 20 percent. If you add your first four years together, that is 20 percent, your fifth year is 20 percent, and you get 40 percent. Divide that by 5 and your average would be 8 percent. So in the fifth year, instead of increasing 20 percent, your property taxes will only go up 8 percent. Eventually, over time, you would reach proper market value. That is the idea. But the idea is also that it would just make it easier for the taxpayer to adjust to the new market values instead of huge spikes and surges that we have seen.

Chairman Parks:

So when each new year comes along, you drop off the oldest year, add a new year to it, and divide by 5, or by 7, or whatever. If all 5 years were 3 percent, then it would be 3 percent.

Andrew List:

That is correct.

Assemblyman Goicoechea:

Just a follow-up to that Andrew, for me. I believe Clark County is the only one that does annual reappraisal, and the other 16 counties actually do an appraisal every 5 years. Your rolling average would work in 16 counties, but it would be extremely difficult in Clark County, where you have annual reappraisal.

Andrew List:

You bring up a real good point. Something else that has been proposed out there is that all counties ought to do annual appraisals, and in the rural counties, I don't think that is going to work. I know in Mineral County, they have the assessor and the deputy assessor. That is the case in most of our smaller counties. I believe Esmeralda County has the assessor and one part-time deputy assessor, so they don't have the workforce to do annual appraisals. That being said, I did talk to Norma Green; she is the head of the Nevada Assessors' Association. She said that if they only had to do a market appraisal every year, they might be able to handle it. The problem is that when they go out there and visit every single property to do the personal property appraisal, there is difficulty with having enough staff.

Chairman Parks:

Final opportunity for questions. We certainly want to thank you for your presentation and we look forward to working with you as we proceed. I know that we are going to have a lot more questions. I could probably ask a

half-dozen further questions regarding your bill drafts today, but we will wait until such a time that we can have a hearing on them. Mr. McCleary, did you want to make an introduction?

Assemblyman McCleary:

I do. Every year, the Henderson Chamber of Commerce has a Career Day. They take high school seniors and pair them up with people in businesses that they might have interest in getting into, later in life. My company participates every year in this, and I am the public relations guy. This is my job to actually do this. But this year I am in session and my boss said, "Why don't we fly these two young people up to Carson City and let them spend the day with you?" I thought, well, that is an interesting thing.

I would like to introduce my two guests, if I could. David Edelblute and Kira Pilette, stand up, please. These two young people, I understand, are straight-A students and have government affairs aspirations, so some of you lobbyists might want to look around here; you might have some potential talent here. They are going to spend the day with me, and I just ask that this Committee please make them feel welcome. Thank you, Mr. Chairman. I appreciate your hospitality, sir.

Chairman Parks:

Thank you, Mr. McCleary. Welcome to the Assembly. Unfortunately, the Assembly doesn't have a Floor session today. Does the Senate? They may be able to catch the Senate if they are in session. Look for lobbyists to give you their business cards to possibly hire you as their interns. Of course, we want you to have those rather than our cards, where you would want to run against us for our seats. [Laughter.] But we have term limits. So, about the time our terms are expiring, I am sure there are going to be some big openings coming up. Welcome.

I would like to move on to receive a presentation from the Nevada League of Cities and Municipalities. We have David Fraser, its Director. Mr. Fraser, we welcome you and congratulate you on your new position as Director of the League of Cities.

David Fraser, Director, Nevada League of Cities and Municipalities:

[Introduced himself.] As the Chairman indicated, this is my first session with the Nevada Legislature. We have been asked today to give an overview of the League of Cities. I will mention that next to me is the Assistant Director of the League of Cities, Nancy Howard. We have been asked to give an overview of the League today, and many of you are very familiar with the League. In fact, at least one of you is very familiar with the League and would be perhaps more

qualified even than myself to give the presentation. Nevertheless, that honor falls to me today.

[David Fraser, continued.] You should have each received a packet ([Exhibit D](#)). In the packet, there are three sections which are marked. The first is an overview. The second is what we call our legislative compact, which we will spend a little time on today. The third section is a listing of bill draft requests that we have submitted, which we probably won't spend much time on today unless you have specific questions on them, since we will have an opportunity to speak to each of them individually as they come before you.

The League of Cities is exactly what it sounds like. It is a league of Nevada cities. It was organized formally in 1959. It actually began with a discussion in the 1940s among several of Nevada's mayors as to how they might speak with a common voice on issues on which they needed to speak with a common voice and how they might in other ways engender cooperation among themselves on issues of common interest and concern.

The first page ([Exhibit D](#)) in your booklet is our mission statement. That is a newly adopted mission statement. It was adopted by our board of directors formally last June following a retreat in April when they worked on that. I am tempted to read it verbatim, but I won't. I am tempted to read it verbatim because I think it very accurately depicts what the mission of the League is and what the mission of our members is. I will just comment as to the mission of the League. The League represents many diverse cities and municipalities, but recognizes that they have common interests. Where those common interests exist, it is the League's mission to forward those interests and to represent, at times such as in the legislative process, those communities and also to help them in ways that I will describe later, in terms of their own individual advancement and cooperation among themselves.

The second page of [Exhibit D](#) is the board of directors' value statement. Our board felt that it was important not only that we lay out a mission of the League, but also that they themselves commit to what their role is and what their values are as a group of directors. You also have in front of you their value statement, which I think is very good, and was also adopted by the same process I mentioned previously.

Again, the League of Cities was organized in 1959 as an organization to promote communication of legislative advocacy, disseminating knowledge of municipal affairs, and to render technical information and other information of member cities. We are, in fact, a consortium with the frontline providers of

public safety, infrastructure and community well-being. Our cities represent more than 1.25 million of Nevada's residents.

[David Fraser, continued.] Page 5 ([Exhibit D](#)) indicates our membership. There is one typo I will point out on the right-hand column: that Caliente and Carlin are in fact two different cities. I don't know if we have anybody here with us today from those municipalities, but that was a typo that I apologize for. I didn't notice that until this morning. We are comprised of general law cities and charter cities as well. The reason for the addition of the Nevada League of Cities and Municipalities is that we also represent several towns, GIDs [general improvement districts], and special districts, which are listed in front of you there.

Much of what we do is legislative advocacy. We also provide training for our elected officials, in cooperation with NACO and the University of Nevada. We have developed what is called the power program which is, in fact, a series of training sessions that our elected officials can go through and actually certify upon completion. That runs them through a range of all manner of things from open meetings to public finance to human resources. It really helps them, and we think that is a great value for our members, especially those that are newly elected to serve in those positions.

We also have, which many of you have attended, an annual conference at which our members not only have an opportunity to network with each other and share successes, but also commiserate over things that fall short of success at times. It is really for sharing best practices and becoming educated. During those sessions, several of you have been kind enough to donate your time and come and help discuss legislation and the legislative process with our members.

We also have several awards that we do. We have the "Public Official of the Year" award, which was awarded to a former member of your Committee. We have two actually. Tom Grady is a recipient of this award in the past, I believe, when he was the Mayor of Yerington. That award represents someone who has given outstanding service in an exemplary fashion in their role as an elected official. We also have youth awards that we give that include a couple of scholarships that we award to outstanding young women and young men in our state. We also recognize cities for their outstanding efforts.

The League has a seat on the Advisory Committee for Participatory Democracy, which was created by the Legislature and now is under the auspices of the Secretary of State, according to the statute. We were instrumental in developing what will be given this year as the first "Jean Ford Award," which will be given by that committee to someone in the state who has done an

exemplary job in promoting participatory democracy, and you will be hearing more about that from that committee. We also provide group health insurance for our members as well as a supplemental retirement deferred compensation program.

[David Fraser, continued.] If you turn the page ([Exhibit D](#)), I mentioned the insurance. We do all the things that you would expect in terms of communicating through newsletters, updates and briefs, and so forth. We also provide consulting services as needed. Under the statute, we have some statutory oversight for the Nevada Rural Housing Authority for the Local Government Finance Committee. We appoint members to this committee. We sit on the Statewide Transportation Technical Advisory Committee for NDOT [Nevada Department of Transportation] and also on the Private Activities Bonds Advisory Council. We also serve on many other boards and committees as time and occasion permit.

On the next page, you will see that in addition to our municipal members, we also have several corporate members of the League who, quite frankly, through their dues and sponsorships, help to provide a lot of the resources that the League needs to fulfill its mission, but it also gives an opportunity for innovative public/private partnerships. That is really the primary focus of that program. We are actually selective about who our corporate members are. While we welcome new corporate members regularly, they are subject to the approval of the board of directors, and we strive to target those corporate members that we see would be a good fit with our members in terms of bringing opportunity for those public/private partnerships and innovative new programs.

That concludes the overview of the League of Cities. The next section is our legislative compact. Let me just tell you what the legislative compact is and then maybe I will ask Nancy [Howard] to indicate how we arrive at that. The legislative compact as it is illustrated in Section 3, gives the League an opportunity to submit bill draft requests on behalf of its members, which we greatly appreciate. There are a lot of issues that take place during the session that aren't requested on behalf of its members, aside from which, we have submitted bill draft requests. What the compact represents is a united statement of the values and positions of the League of Cities. Nancy, if you would, explain how we arrive at this consensus.

Nancy Howard, Assistant Director, Nevada League of Cities and Municipalities:
[Introduced herself.] We work during the interim of the session for probably about a year putting together our mission, value, and bill draft request package that we will carry to the next legislative session. We have a member representative from every one of our member cities and municipalities that serve

on a legislative committee. They, in fact, adopt the bill draft requests that we bring forward. We also work with several people that you will be working with very closely here in the Legislature. There are staff lobbyists representing various city members of the Nevada League of Cities. That is the Government Affairs Advisory Committee. They recently renamed themselves. They are now the LGIT [Local Government Issues Team].

[Nancy Howard, continued.] We work very closely with those two groups. Then, once that package is put together, we bring the whole package—our compact, our bill draft requests—to our full board of directors for approval and then submit it to you. We actually look forward to working with you on all of those issues, and as David mentioned, the issues are briefly summarized in here ([Exhibit D](#)) in some of the different areas that we will be concerned with or express interest in. However, they may not include all of them. It will give you a good general feel of who we are, what issues we are going to be following, and when you might see us here before you.

David Fraser:

Again, as Nancy mentioned, the compact and the bill draft requests are approved by our full board. Our board, I should have mentioned in the overview, is comprised of an elected official from each of our members. When that board votes, they each are voting on behalf of their city, and when we arrive at a consensus, it is a pretty clear indicator of that. In addition to having this approved in final form by our board, it goes out to each of our member cities for their review, comment, and question, and to go through their formal process for approval and that kind of thing.

The compact includes areas of financial stability, taxation, government operation, labor and management, public safety, development and growth. Again, this is a statement of the League's general position and values regarding each of those areas.

Nancy Howard:

I have just a couple of things on the compact itself, some of the issues. The previous presenters, Andrew and Jenny, talked about their advisory question on the last ballot, unfunded mandates. Dave [Fraser] did spearhead that question, and the Nevada League of Cities is totally supportive of that initiative and will be working with them on that issue very strongly.

David Fraser:

In the third section ([Exhibit D](#)), I will just mention again, is the list of the League of Cities bill draft requests. Many of those will be coming before this

Committee, and we will have time to discuss those at length. We have a bill draft request regarding the universal energy charge, prevailing wages, ATV [all-terrain vehicles] routes, and voter registration, which is aimed at not only increasing efficiency in the registration, but also increasing registrations, which is compatible with the goals that the Legislature has outlined in their creation of the Advisory Committee for Participatory Democracy.

[David Fraser, continued.] We also have a bill draft request on public property and municipal charter election dates. Rather than dive into further depth into those, Mr. Chairman, I would entertain any questions that you have with regard to those or anything else that we have presented.

Chairman Parks:

Are there any questions for the Nevada League of Cities? Under the heading of the unfunded mandates, do you feel that the cities are equally impacted by the heart, lung, and hepatitis C mandates as the counties indicate that they are impacted?

David Fraser:

Yes.

Chairman Parks:

I have served on interim committees dealing with the workers' compensation-related issues. It has been a big issue, and it is certainly not an issue that the state is also severely impacted by. We will certainly be looking at that and working on that. I am also aware that Commerce and Labor will probably also have some concerns there, too. Most of the initiation of some of these requirements did come through. They were at the Commerce and Labor Committee.

I would just echo what the Nevada Association of Counties indicated. We completely respect and appreciate the job that you are required to do and the many difficult decisions balancing very complex issues. In terms of unfunded mandates, it really is a funding concern of ours, not necessarily that we object in all cases to the legislative policy that is created, but that we have concerns with regard to the funding, specifically if it is mandated without a funding mechanism.

Assemblyman Grady:

Nancy, I think that you have been working very closely with the group on health insurance, the interim committee. Could you give us, just very briefly, what happened with that committee this year? Are you presenting anything to the Legislature?

Nancy Howard:

Yes. I did serve as the chairman of the Advisory Committee for A.C.R. 10 Committee during the interim. We did not make a lot of progress through this interim, and the Advisory Committee did not forward any recommendations to the A.C.R. 10 Committee, and I don't believe there will be anything coming directly from the committee this session. It is such a complex issue. There are a lot of emotions that go along with health care and defining benefits, who should get what benefits, and who should be paying for them. Health-care cost is so expensive as it stands anyway, that we grappled a lot with it. Part of the responsibility of the committee was to decide whether or not there should just be one insurance plan for state and for all local governments in the state, which would be administered by the State.

On that issue itself, we actually ended up breaking down into a subcommittee, and they are pulling together information. I, myself, have not seen the results of that data collection yet, so I will be looking forward to seeing that. I am sure that you will hear bits and pieces of that through other legislation that will be brought forward. We will be seeing some of that data come through.

Chairman Parks:

Does there seem to be an overall interest by all the members of your organization to at least look at the benefits that might be accrued through one consolidated plan, or are you seeing it sort of fractured? Each entity saying, "We have ours and maybe it is better to stay with the way things are." I guess I am trying to draw out whether there is a flavor as to how this thing might come down, because we are certainly going to look at this, and it will probably take a fair amount of our time. I am eager to hear how some of these recommendations might come forward.

David Fraser:

Clearly, there is some level of anxiety surrounding that issue. I would probably say more of the latter than the former in terms of your assessment. Our membership, of course, is clearly willing to look at alternatives. Some of our concerns revolve around collective bargaining issues, where the local governments have been statutorily required to collectively bargain and have done so, and they have contracted with their collective bargaining units for the specific benefits that they have. If we were to go into one plan, who knows what that benefit package might look like, what the units have bargained for, and what the municipalities have to offer.

Again, there is a certain degree of the local control issue, decision-making by the local governing body in terms of what is best and most appropriate and balancing with the financial realities of the given jurisdiction, which will vary.

[David Fraser, continued.] Yes, clearly there is some concern with what that package might look like and what it might cost and what level of local control might be lost in the future in regards to the cost of that program.

Chairman Parks:

Who is the current head of the Nevada League of Cities, as far as the elected official that is representing them this year?

David Fraser:

Our president is Ron Schmitt, City Councilman from Sparks. Just to give you a little more background on that, we have a board of directors, which includes an elected representative from each of our members. There are 24 members of the League. There are, in fact, 26 chairs on the board. There are an additional 2 chairs that are filled by city managers, one from a jurisdiction over 75,000 and one from a municipality under 75,000.

Those are appointed by our members. In other words, we don't appoint which city councilman sits on our board. That member city designates, through their own process, that their representative will be this councilman or this mayor, or so forth. From the board of directors, they have elections among themselves to elect officers. We do in fact, elect a president, 1st vice president, 2nd vice president, and we have a 3rd vice president, which is a representative from an affiliate member. We also have a secretary, treasurer, and an immediate past president. That group comprises what we call our executive board. We do have succession order in the executive board, and Ron Schmitt, City Councilman of Sparks took the reins as president of the League. He will be president until our next annual conference in Las Vegas in October, when a new president will be elected.

Chairman Parks:

Thank you. Any further questions? We appreciate your presentation. What I would like to do at this time is one more presentation. It is from the Humboldt River Basin Water Authority. Mike Baughman is here. Good morning.

**Mike Baughman, Contract Executive Director, Intertech Services Corporation,
Legislative Advocate for the Humboldt River Basin Water Authority:**

Let me begin by introducing Mathew Baughman. Mathew is a product of the University of Nevada Reno. He graduated last year and has come to work for our firm and is contemplating entering the Peace Corps and then graduate school. In the meantime, he is getting his teeth cut in Nevada in various projects we are involved in. He had no idea he was coming up here to the table today. He has no idea that he is going to be testifying in about a week. This is baptism

by fire, because we all know that that is how we respond to issues here in the Legislature. They come up, we deal with them appropriately, and we move on. We certainly appreciate the opportunity to come before you today to give you a quick overview of the Humboldt River Basin Water Authority.

[Mike Baughman, continued.] We are passing out a quick packet ([Exhibit E](#)). I am not going to go through it in great detail, but what you will see is an agenda. We have a meeting here tomorrow in Carson City. This is a five-member board. It represents five counties within the Humboldt River Basin: Elko County, Eureka County, Lander County, Humboldt County, and Pershing County. All those counties contain the vast majority of the Humboldt River Basin watershed.

These five counties came together from 1993 through 1996 to address issues of common concern in the Basin. Primarily their interest evolved around ensuring that there would be a long-term source of water, both surface and groundwater, in those areas to provide for environmental, economic, and social benefits. It is a 15-member board. The five counties each appoint 3 members to that board of directors. They meet approximately once every three months. They have met probably on the order of 40 times in the last several years, since their inception, and have dealt with a variety of issues.

Let me just encourage you all to come to our legislative luncheon tomorrow. Many of you have accepted the invitation. We have heard from others that you may be able to make it. We are going to get into some details tomorrow on issues there. I don't want to upstage that process, because there has been a lot of work put into preparing it. You will have the opportunity to meet the representatives from these five counties, including county commissioners, city council folks that are involved, representatives of agriculture, mining, and people that are out there doing drilling and other things. So we would encourage you to come and meet some of those folks to get a better understanding for that part of Nevada.

The Humboldt River Basin Water Authority was created under *Nevada Revised Statutes 277*, which is the Interlocal Government Cooperation Act. I think this Legislature, in its wisdom, elected many years ago to encourage local governments to come together around issues of common concern, to maximize their limited resources, maximize their skills, and to coalesce around those issues and see if they can't find common ground in representing and finding solutions for problems in their areas. We have provided for you, on the second page, the purpose of NRS 277 and the purposes of these governments coming together under the Interlocal Government Cooperation Act.

[Mike Baughman, continued.] This has worked very well in the Humboldt River Basin. We have a very diverse group of representatives. We have diverse issues at times. We have had very big issues to deal with. In 1993, when these counties originally came together, they were facing a proposal by interests in the Reno/Sparks area to export about 300,000 acre feet of groundwater from the Humboldt River Basin and move it into the Reno/Sparks area to help with the deficits of water there and growth issues and things of that nature.

That served to galvanize those rural counties up in that country with regard to their economic future and the beneficial uses of water in their area. Over the years, they have dealt with mine watering, the drought, and flood conditions, and they are dealing with water quality issues. All the while, I think they have demonstrated a great willingness to understand issues, to come together in trying to reach consensus on issues, and to try and forge a working relationship with interests across all sectors. We have gone toe-to-toe with the mining industry. We have sat down afterwards and I can tell you that the counties up there support the mining industry very strongly.

They are all very concerned about the environment. We have ranchers on our board. I mentioned a person by the name of Rita Stitsell, third-generation rancher, who runs the ranch as a woman. She has been a schoolteacher in Carlin for 30 years and recently retired. I can tell you that she loves the land as much as anybody else that comes up into that country, because that is where she makes her livelihood, and that is where she spends her days, out on the land. We have folks among our board members who we can consider to be conservationists. They are very much interested in the environmental quality of the land they live and work on.

It is quite a diverse group. We obviously are very concerned about the economic and fiscal future of the areas up there. Rural local governments are struggling right now fiscally, and the sectors that we deal with are struggling, in many cases. Mining is up and down. Agriculture is always on the defensive in terms of higher costs and greater regulatory issues. Those represent some very important economic sectors up in our area. We constantly are striving to find ways to ensure that the water resources that are available up in that area, both surface water and groundwater, are put to the best beneficial uses and that the quality is maintained to preserve those uses over time.

If you look at the agenda ([Exhibit E](#)) for tomorrow's meeting, it gives you a flavor of the kinds of issues that the River Basin Authority is dealing with currently. They do monitor applications by various entities to appropriate water there. They are particularly concerned about applications by the federal government and attempts by the federal government to obtain water rights.

[Mike Baughman, continued.] They have been and remain quite concerned about stock water rights on the public lands, and as you all know, most of Nevada is administered by the federal government. The range livestock industry is heavily dependent upon access to forage for grazing purposes. The federal government recognizes grazing as an effective land use management tool.

We think that it is very important that at least a partial private interest in the resources out there be maintained. While there is not private interest in the federally administered land base, there is private interest in the water rights out there. The federal government has been seeking to acquire stock water rights in their name only. This Legislature has seen fit the past few sessions that that can't happen and to encourage joint ownership. The River Basin Authority is strongly supportive of that. You have enacted laws to provide for that, and those laws are in effect today. We certainly would encourage the preservation over time.

The authority is also concerned about acquisition of water rights by the State. There is a very major proposal in our area right now by the Nevada Division of Wildlife to create what is being called the Argenta Marsh. This is about a 2,000-acre wetland. It is land that would be acquired by the State from the [U.S.] Bureau of Reclamation. Currently there is not water provided or available and now does not have water for this project. It would appear that the only way that they could obtain water to provide for this project would be to acquire existing water rights and to change the manner of use and the place of use for those water rights, presumably from agriculture to wetlands.

We raised the question in the area about what effect it has on the economy. What effect does that have on tax base? As we all know, irrigated agriculture provides benefits to wildlife, so there is a trade-off. We are asking that the State and the Bureau of Reclamation address these kinds of issues before making decisions, and we would encourage this Legislature to monitor those activities as well.

Finally, I would just note an area of interest, and there are many that the River Basin Authority is looking at. It has to do with the export fee that is found in *Nevada Revised Statutes* currently. We encouraged the Legislature during the past session and we are encouraging the Legislature again this session to increase that fee. The Public Lands Committee has taken that up as a bill draft, which is Senate Bill 35. We are looking for a modest increase in the fee, simply taking what was adopted in 1991 and adjusting it by inflation. We are proposing to take it from \$6 to \$10. We think that is equitable. We think that establishes a basis for negotiations among parties about mitigating impacts of exporting water. It does provide for some value added to the local governments

out there. We see water as an underpinning development of local government sustainability. We would certainly encourage that.

[Mike Baughman, continued.] There are many other issues. Water quality is one, but this is not Natural Resources [Committee] or the Assembly Agriculture Committee or the Senate Natural Resources Committee. This is Government Affairs. You have five counties that have come together under the Interlocal Government Cooperation Act to maximize their limited resources to address issues of government in that area, dealing primarily with water to provide for sustainable economic and fiscal benefits, and it is working.

We would encourage you to encourage others in these times of difficult governments, in rural Nevada in particular, to come together around issues of common concern. We would ask you to be cautious of anybody's attempt to undermine the current statutes that allow for this type of intergovernmental cooperation. Everything is done under the Open Meeting Law. It is all above board. We provide for lots of public interaction, if the public chooses to interact. I think that we have an excellent process for dealing regionally with issues, and we certainly appreciate the Legislature's continued support in that regard.

With that, I am not going to get into any other particular issues. We have a lot of pretty pictures tomorrow, and we have products from industries that are out in our area, and we have a great meal for you. If you can take 40 to 50 minutes or so and wander over to the library about noon, we will feed you and introduce you to some of the folks over there. We certainly look forward to seeing you then.

Chairman Parks:

I do have a couple of questions. First of all, do you get any tax rate funding? The funding for your operation comes from what sources?

Mike Baughman:

The River Basin Authority assesses itself. Each of the member counties—there are five counties—each year develop a budget, and they have assessed themselves anywhere from \$5,000 to \$8,000 a year. There is no tax rate associated with the Authority. It exists simply at the behest of the member counties. Each year they come up with a budget. They assess themselves anywhere from \$5,000 to \$8,000. Every county pays the same. There has never been disagreement of what it will be in any given year. Their budget runs anywhere from \$25,000 to \$30,000 a year, up to maybe \$40,000 to \$50,000, depending upon whatever kind of carryover they had. It is a very lean organization, but we think that it has been very effective.

Assemblywoman Parnell:

Besides this one Senate bill, do you have any other legislation that you have either sponsored or is of great concern to you?

Mike Baughman:

The River Basin Authority has not requested any legislation this session, although we are entitled to as a local government, if you will. However, they have passed a resolution. They are very supportive of the initiative to provide funding for an assessment of water resources around the state. I don't know the details of that package, but I understand that Senator Rhodes and Assemblyman Goicoechea are working towards that. We do support the fact that they passed a resolution.

We do think that there is a need for improving the information that we have out there about groundwater availability, about interbasin connections, so that when we take water from one basin, what does it do to the next basin? In our area, we generate about 340,000 acre feet of surface water out of the Humboldt River System, and there are water rights for 100,000 acre feet of surface water through reuse. We are very interested to know what the ground water/surface water interactions are and how that interplay occurs. We generally think that there is a lack of sufficient information to make some of the bigger decisions that are being made now.

If you look at the State Engineer's water right application list every month, and if you have monitored it for the past 12 years as we have, you will find that the majority of the applications were for new appropriations for water. What we find today is that the majority of the applications are to change the manner and/or the place of use. There is not much new water to be had out there. There is, in some cases, the deep carbonate and what/would not. There is not that much alluvial fan, subsurface, and surface water to be had. What we are talking about is changing how we use water resources, changing it from one use to another. That is a very important issue. We need information to make those kinds of important decisions.

Chairman Parks:

This is kind of a plug for the Chairman of Natural Resources, who sits on this panel. Eight years ago, I hitched a ride with the Natural Resources Committee as they took a mine tour. I know that we tried doing that recently, but it did not quite materialize. In the process, I believe that we went to the Lone Tree Mine. The Lone Tree Mine has a dewatering program, and part of that dewatering is to put water into the Humboldt River, if I am not mistaken. It was just a really intriguing process and very enlightening. Hopefully we can get the Chairman of

Natural Resources to try and organize another one of those fact-finding tours.
Mr. Chairman?

Assemblyman Claborn:

Absolutely. Natural Resources is one interesting committee, and I really like it. We are going to have some tours this year, so maybe we can come up with something. It looks like right now, while I am going over these notes, that we have had some of these problems we have right now with some of the other committees. It is going to be like a new issue to me.

Chairman Parks:

I don't know if there are any other questions, but you obviously have a very interesting luncheon every two years, and I certainly look forward to being there tomorrow. I hope my colleagues will join me over there. Once again, thank you for testifying. This concludes our agenda items for today's meeting. We do have public comments, and if there is anyone that has a public comment they would like to put on the record, please come to the table and tell us. Once again, I want to thank Committee members and thank those of you in the audience for this morning's presentations and look forward to a very productive session in Government Affairs.

Meeting adjourned [at 9:44 a.m.].

RESPECTFULLY SUBMITTED:

Kiz Malin
Committee Attaché

APPROVED BY:

Assemblyman David Parks, Chairman

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Government Affairs

Date: February 8, 2005 Time of Meeting: 8:00 a.m.

Bill #	Exhibit ID	Witness	Dept.	Description
	A			Agenda
	B	Susan Scholley	LCB	Committee Policy Brief
	C	Andrew List Jenny Welsh, Nevada Association of Counties		NACO Economic Report
	D	David Fraser Nancy Howard, Nevada League of Cities		Nevada League of Cities Report
	E	Mike Baughman Matthew Baughman, Representing The Humboldt River Basin Water Authority		Humboldt River Basin Water Authority - Agenda