

**MINUTES OF THE JOINT MEETING OF THE
SENATE COMMITTEE ON TAXATION
AND THE ASSEMBLY COMMITTEE ON GROWTH AND INFRASTRUCTURE**

**Seventy-third Session
February 22, 2005**

The joint meeting of the Senate Committee on Taxation and the Assembly Committee on Growth and Infrastructure was called to order by Chair Mike McGinness at 1:37 p.m. on Tuesday, February 22, 2005, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4401, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

SENATE COMMITTEE MEMBERS PRESENT:

Senator Mike McGinness, Chair
Senator Randolph J. Townsend
Senator Dean A. Rhoads
Senator Bob Coffin
Senator Terry Care
Senator John Lee

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Mr. Richard Perkins, Chair
Ms. Chris Giunchigliani, Vice Chair
Ms. Francis Allen
Mr. Bernie Anderson
Mr. Tom Grady
Mr. Lynn Hettrick
Mrs. Marilyn Kirkpatrick
Ms. Sheila Leslie
Mr. Harry Mortenson
Mr. David Parks
Ms. Peggy Pierce
Mr. Scott Sibley
Ms. Valerie Weber

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SENATE COMMITTEE MEMBERS ABSENT:

Senator Sandra J. Tiffany, Vice Chair (Excused)

STAFF MEMBERS PRESENT:

Chris Janzen, Deputy Fiscal Analyst
Ardyss Johns, Committee Secretary

OTHERS PRESENT:

Jennifer Stern, Attorney, Swendseid & Stern
Steve Zimmermann, Managing Director, Western Region, Standard & Poor's
Patrick Ford, Assistant Vice President, Municipal Analyst, Moody's Investors
Service
Charles Chinnock, Executive Director, Department of Taxation
Terry Rubald, Chief, Division of Assessment Standards, Department of Taxation

CHAIR MCGINNESS:

We will call this joint meeting to order. As we work toward a way to provide some relief to the taxpayers of Nevada, today we will be addressing some of the possible bonding complications. We will hear from Jennifer Stern of Swendseid & Stern, Steve Zimmermann of Standard & Poor's and Patrick Ford of Moody's Investors Service, who will furnish information in regard to the bonding issues. You have received a handout, which gives you some background information on each of them ([Exhibit C](#)).

JENNIFER STERN (Attorney, Swendseid & Stern):

Swendseid & Stern serves as bond counsel for a majority of issuers in Nevada, including the State and its local governments. I will tell you a little about bonds in Nevada and those supported directly or indirectly by property taxes. You have handouts before you ([Exhibit D](#)), providing some background information on the different categories of bonds and the procedures to issue the bonds. Bonds can only be issued in Nevada for capital improvements and not for operating expenses, as is the case in many other states. Bonds are basically just a promise to pay over a long period of time.

General obligation bonds are bonds supported by the full faith and credit of an entity, whether it is the State or a local government. All general obligation bonds in Nevada, unlike other states, are limited tax bonds, which means the property tax is limited to the overlapping tax rate of \$3.64 per \$100 of assessed value. Debt service applied against assessed value that goes to pay the bonds has to fall within the \$3.64.

Another kind of bond we issue in Nevada is limited tax bonds, which are mainly the medium-term obligations and are still general obligations. Not only are they limited by the \$3.64 overlapping tax rate, but also limited by a 106-percent operating rate limit, which will be covered in today's meeting by the people from the Department of Taxation. The great majority of bonds issued in Nevada are the double-barrel bonds. Those are general obligation bonds additionally secured by pledged revenues, so although they are general obligations, there is a secondary source of repayment for the bonds. The primary source is whatever revenues are pledged to the bonds. The revenue source can differ, for instance, water bonds, sewer bonds and consolidated tax bonds. Clark County can pledge sales taxes for flood control bonds. The beauty of this kind of instrument is you have the revenue source for repayment, but you tack on the general obligation to make sure the people repaying can get a lower interest rate than they could with a straight revenue bond. In that way, the general obligation is important in the marketplace. This is an example of an indirect use of the property tax. The property tax would only be used if the revenue source was insufficient for repayment. Each entity covenants in its bond ordinance or bond resolution to keep the revenue source high enough for repayment.

The installment purchase agreements, lease purchase agreements and so forth, are not used in Nevada as much as in other states because we can issue the general obligations. Installment purchase agreements are typically payable from an operating rate property tax source. They do not constitute debt because included in their terms is a clause saying in each fiscal year, an entity can choose not to budget or appropriate money for it. Then, the holder of the bonds can take over whatever asset is financed. It is sometimes used to finance things like school buses, computers or copy machines.

Special assessment obligations are securities payable from special assessments levied against particular pieces of property. Normally, what is being financed with these does not benefit the entire county or city, but only a particular

neighborhood. For instance, it might be used to finance sidewalks, curbs, gutters or streetlights. I included special assessment obligations as obligations having an indirect property tax impact, because special assessments can be additionally secured by a promise from the local government to pay the bonds from its general funds, or from ad valorem taxes levied throughout that entity.

MS. STERN:

Probably the most risky investment in Nevada is the tax increment or redevelopment bonds because they are solely payable from a property tax allocated to the redevelopment area. As you are probably aware, after a redevelopment area is created, there is a base for assessed valuation. In each subsequent year, any increase in assessed valuation and the tax rate applied to it would accrue to the redevelopment agency, which is how it would pay its bonds. If there was no increase in assessed valuation, the redevelopment area then could not pay the bonds or issue new bonds for additional redevelopment. However, any voter-approved bonds or tax overrides and the taxes associated with them, voted upon on or after November 4, 1996, would be exempt. Whatever taxes apply to those voter-approved overrides or bonds, go directly to what the voters approved and not to the redevelopment agency.

Your handout also includes procedures for issuing securities. I provided those procedures to show the State issues bonds through your authority. The Legislature authorizes the bonds in a capital improvement bill and appropriates money for them.

The constitutional debt limit for the State is 2 percent of the assessed valuation of the State. If you decrease assessed valuation, then the 2-percent limit will mean the State can issue fewer bonds. There are statutory limitations for most all of the other entities. I have listed a lot of them in the handout, starting on page 7. As you can see, the county's debt limit is 10 percent of assessed valuation of the taxable property of the county, while the school district is limited to 15 percent. A city's limit ranges anywhere from 15 percent to 30 percent. A general improvement district's debt limit is 50 percent of assessed valuation.

You have heard how putting limits on assessed valuation affects other things, and you have heard about the \$3.64 overlapping tax rate limit. The constitutional limit is \$5 per \$100 of assessed value, but the Legislature has

limited it even further to \$3.64. A constitutional issue you need to be concerned with is impairment of the contract, which is not only in the *Constitution of the State of Nevada* but the *Constitution of the United States of America*, as well. According to the *Nevada Revised Statutes* (NRS), once bonds are issued, the State cannot change its laws so as to materially impair the contract. When we issue bonds, it becomes a contract with the bondholders who have purchased those bonds based upon a certain security. The Legislature would not be allowed to materially alter the security. It could change the security to give something else, as long as it was adequate, but it could not impair the contract with the bondholders.

Another constitutional limit requires rates of taxation to be uniform and equal. Recently, the *Constitution of the State of Nevada* has been amended, through a vote of the people, to allow abatement of taxes on residential property to the extent necessary to avoid an economic hardship. If this body wanted, it could be amended even further through two votes of the Legislature and one vote of the people.

CHAIR MCGINNESS:

You indicated there was some material altering. Page 9 of your handout, says, "the State cannot change the laws in a manner that will 'impair' the contract with the bondholders." Those words are both materially altering and impairing. Do you have a definition for that, or is it just to the point where the local government is not able to pay back these bonds?

MS. STERN:

I wish there was something in black and white I could give you as a definition. Unfortunately, we have to rely upon case law, so courts interpret what is material to a reasonable investor. We would have to look at the black and white of any bill being proposed, and then point out any potential problem that might constitute material impairment.

ASSEMBLYMAN HETTRICK:

If a county had a bond secured by its assessed value and we kept increases to 6 percent, and if the bond is already being secured by the existing assessed value, in the following years, you would have 6 percent more plus any new assessed value that came onto the books. Would that, on its face, impair the contract with the bondholder?

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MS. STERN:

I would like to see any proposed legislation in writing before I render an opinion. I would feel uncomfortable answering your question off-the-cuff.

ASSEMBLYMAN HETTRICK:

My point is simply if you had at least as much assessed value as the year before and the assessed value rose 6 percent, it would not impair the bondholders' contract, because you would have more value.

MS. STERN:

That would be an argument. When we issue bonds, we do an official statement and it describes property taxation in Nevada, how property taxes are levied and what happens if they fail to be paid. It looks historically at property taxes in the past, and a reasonable investor would be able to rely on the fact the property tax law would continue.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Can you go back to the tax increment or redevelopment obligations? What, exactly, is the difference?

MS. STERN:

They are the same. Redevelopment obligations are tax-increment obligations. There might be other instances whereby tax-increment obligations could be issued. Redevelopment is one example.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Give me another example of who would utilize tax increment.

MS. STERN:

In an area where no sales tax is being levied, but then new businesses come in and generate sales tax, we are able to issue bonds based on that increment. Those are called star bonds.

ASSEMBLYWOMAN GIUNCHIGLIANI:

You talked about "roll last equalized before the effective date of the ordinance approving the development plan."

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MS. STERN:

It is the roll setting the base for the redevelopment area from there on. Any increase in assessed value times whatever overlapping tax rate is being levied in the redevelopment area, minus the tax rate for any voter-approved bonds and voter-approved tax overrides, accrues to redevelopment.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Do you track the various redevelopment agencies to make sure their revenue streams are still adequate for whatever bonds or tax increments they have allocated?

MS. STERN:

The financial people do. I am on the legal end.

SENATOR CARE:

Have you had the opportunity to do any research of the impact in other jurisdictions? A glaring example is California in 1978 and the Proposition 13.

MS. STERN:

No, I have not, which is one reason why the rating agencies' representatives were invited here today.

ASSEMBLYMAN ANDERSON:

Star bonds were created here in the Legislature in the last Session. I was under the impression those bonds had a particular restriction on them, relative to the fact they had to be in undeveloped areas. They were really narrow, unlike a redevelopment agency which was keyed to turning older property into new and more productive things, and putting it back on the tax roll. Star bonds were aimed at the development of newer pieces of property where you had undeveloped land. Is that a misconception?

MS. STERN:

No, which is why I was saying star bonds would be utilized in an area where no taxes are being levied, but then new businesses come in and generate sales tax. It was also an example of what a tax-increment bond could be other than a redevelopment bond. To my knowledge, property taxes would not be involved in the star bonds.

ASSEMBLYMAN ANDERSON:

Am I following logic here? The 1996 carve-out really presented a unique concept. I was under the impression that with redevelopment districts, all the tax increments stayed within the redevelopment district forever. Apparently, those passed and approved by the voters after 1996 do not come back to school districts and other governmental service programs being provided. The star bonds, on the other hand, still remain outside the link to the governmental structure other than to repay the infrastructure used in their development. Do I perceive this correctly?

MS. STERN:

I have not worked directly on those, so I hesitate to give you an answer.

With me today are representatives from the rating agencies. They will give this Committee some insight into how credit ratings are achieved by the rating agencies on the bonds. Rating agencies are important to Nevada because they rate the credit of the State and its local governments.

STEVE ZIMMERMANN (Managing Director, Western Region, Standard & Poor's):

The passage of Proposition 13 in California in 1978 limited the ability of local governments and the state to tap into the assessed value of property. Overall, there were a few immediate rating changes, though there is no question that, over time, the credit quality did weaken in some cases. Passing Proposition 13 quelled the furor of voters; however, initiatives have a tendency to spawn additional initiatives. Usually, the first initiative is the harshest and the brunt is felt quite quickly. As far as initiatives limiting revenue growth, we have seen Colorado's Taxpayer's Bill of Rights (TABOR), California's Gann Amendment and Oregon's Measure 50. These all limit revenue growth while they also sometimes limit ratings growth. In downturns, they can sometimes provide you with somewhat of a cushion. For any entity subject to these, they do have a limitation on the upward rating potential. Obviously, initiative activity is not always successful. As we have seen, they are sometimes defeated at the polls, and on a number of occasions, they have been held invalid by the court. We have seen invalidations of major tax initiatives in Florida, Montana and Washington, among others. There was an amendment similar to Proposition 13 in Alaska in 2000, which was actually defeated.

Tax initiatives generally appear in times like you are now facing, times of rapid growth when the general voting populace feels the municipal coffers are quite full and fund balances are rich. This happened in California, as it has in a number of states. Certainly, infrastructure and the need for infrastructure is always there, especially in rapidly growing environments, but it is generally unpopular. Fortunately, over time, high economic growth has helped some municipalities grow their way out of budget problems. Typically, when state and local governments are affected by these initiatives, they are unable to totally recover immediately. In some states, we have seen the state step in to help over time, which can be short-lived. In California in 1978, the state stepped in to help local municipalities under the burden of Proposition 13 when the growth and the tax rolls were limited. Then, in the early 1990s, when tough economic times came to California, the state withdrew the help. The brunt of Proposition 13 actually took quite a number of years to be truly felt at the local level. It was eventually felt in the early 1990s. Slow growth and then boom times in the later 1990s helped some of the local municipalities grow out of it. When you have very rigid limitations, it limits the ability to raise revenue, and it limits the ability of municipalities to increase their ratings over time.

Though we have not seen any bankruptcies, we did see certain high-service environments negatively affected in the 1990s in California due to the withdrawal of the state's support. Even though California did not see any bankruptcies due to Proposition 13, upward rating potential was limited. During economic boom times, there is less ability to tap into the tax rolls. State revenue-raising flexibility is limited over time. It also limits budget cutting during sessions and creates problems for the state with regard to local government, because they start competing for capped revenues. When revenues are not growing, everyone is competing for the same slice of the pie.

If I may offer some advice, a good defense is a good offense. The State may find that writing legislation is better than subjecting itself to the vagaries of the initiative process. As we have seen with the initiative process, what passes as an initiative to win votes, may not have the intended consequences in the long run. You subject yourself to the risk it could have particular twists nobody really sees at the time it passes. There is a positive side to limiting assessed-value growth. In bad times, things are under-assessed and so you tend to have a continuous, gradual increase of assessed value, which is not to be construed as an endorsement of Proposition 13. In California, it has not been a success.

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CHAIR MCGINNESS:

You said there were no bankruptcies and upward rating potential is limited. What about downward ratings? Did some of the entities see ratings fall?

MR. ZIMMERMANN:

If we look at California, which is the most egregious example, when it first passed, the state stepped in and bailed out local government. For a number of years, you did not see rating changes. Ultimately, however, they did see downgrades when the revenue given to local municipalities, in place of the revenue they would have normally raised had they been able to increase property taxes, was taken away. Downgrades tended to fall on those localities requiring the highest level of services because they had the most difficulty managing the budgets.

ASSEMBLYMAN PERKINS:

How do we fix our problem?

MR. ZIMMERMANN:

I do not have an answer for you. I will say budgeting by initiative is not a good process. Anything done by the initiative process is the luck of the draw. They can be knocked down and declared unconstitutional, but at the same time, they can have unintended consequences and spawn even more restrictive bills.

ASSEMBLYMAN PERKINS:

This Legislature is very committed to finding a solution. We seem to keep hitting roadblocks, whether it is the uniform and equal clause of our Constitution or the disparity existing between counties. Such roadblocks limit factors we can use, whether it is a capping mechanism, an exemption mechanism or a smoothing technique. Whatever it is does not seem to work equally throughout our State. Any lack of action would be because we did not have the tools to do it. We will probably end up with something none of us will appreciate two or three years from now.

SENATOR CARE:

You talked about Alaska, where a measure failed. Could you expand on it? Was it a case where the legislature did take the initiative, or was there some way the question was presented to the voters the other states did not have?

MR. ZIMMERMANN:

I do not follow Alaska very closely, but I can tell you my sense of it. Sometimes, California can be the shining beacon for what not to do. People look at the impact Proposition 13 has had on educational funding, for example. I cannot say if it was because of a very strong campaign against the measure, but there is no question, it was fairly stiff. Perhaps, there was enough push on the other side where people looked at California and decided they did not want to take a chance on making the same mistake. I do not know exactly why it failed.

PATRICK FORD (Assistant Vice President, Municipal Analyst, Moody's Investors Service):

If you are asking us what the rating outcome could be for whatever sort of new legislation you end up passing, it depends on the severity of the cap and whether it only applies to the operating rate, or if it also applies to the bond rate. This is particularly important since in Nevada, you have limited tax bonds. One of the criteria of our ratings includes financial flexibility. For the most part, especially in the growing parts of Nevada, local governments have a fair amount of financial flexibility because, with the consolidated and property taxes in some cities, they have a diverse revenue stream. Clark County is not overly dependent upon property tax, which is not necessarily true about other parts of the State. We would pay attention to how local governments would manage any kind of change in their ability to collect property tax.

We do not rate many tax-increment financings, but I could see where those could create some problems. Oftentimes, existing bonds are structured with escalating debt service because you go into it with some sort of assumed tax-rate growth going forward. If you passed a law impairing the ability of the assessor to increase the tax levy to keep up with whatever the structure of those were, it could create serious problems with the repayment of those bonds.

I want to add to what Mr. Zimmermann said about rating pressure over time, which is what happened in California. You started seeing depressed ratings, particularly in the counties. Not only do they have the least amount of financial flexibility, but when the state implements budget cuts, they often do so on the backs of counties.

ASSEMBLYMAN HETTRICK:

You said with Proposition 13, the bond ratings in some places fell slowly over time. You said it was caused, in part, because of the state's role in budget cutting and dumping things back on the counties left them with more of the burden of the expense and less of the money to do it. Was that a part of the drive? It was not just because they capped the revenue stream, but they also were seeing the budget being pushed down onto them by the state.

MR. FORD:

I think that is what Mr. Zimmermann alluded to earlier, and it was especially true in the 1990s when the state was having budgetary issues.

ASSEMBLYMAN HETTRICK:

Given it took time for the bond ratings to go down, would you attribute a larger percentage of the reduction to the fact they were given the burden of statewide budget cuts, or would you attribute their ability to expand beyond the 1 or 2 percent to what caused it ultimately to go down?

MR. FORD:

It would be a combination of the two. Mr. Zimmermann mentioned Colorado's TABOR. What Colorado is also facing is the voter's approved Amendment 23, which mandated certain increases in education funding. Now, we have these two amendments meeting head-on; the lines are crossing and they are facing a very serious issue. Do they want to relax TABOR, or do they want Amendment 23, neither of which is an easy choice.

CHARLES CHINNOCK (Executive Director, Department of Taxation):

In a prior meeting, I made reference to our Division of Assessment Standards as having oversight of locally assessed property. They also have responsibility for valuation of centrally assessed property as well as responsibility for the local government section, which has oversight of more than 260 local governments. This oversight includes review and approval of annual budgets to ensure they comply with statute. It also includes the approval of median long-term financing and debt. Finally, this Division ensures that local governments, from an auditing standpoint, comply with both statutory and other accounting standards. Mrs. Rubald is going to specifically cover the portion of the budgetary process having to do with establishing a final property tax rate and the steps necessary

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to get an approved rate. She will also cover how the revenue limitation of 106 percent, and its associated property tax rate, fits into the complex equation.

TERRY RUBALD (Chief, Division of Assessment Standards, Department of Taxation):

I will read from my prepared testimony ([Exhibit E](#), original is on file at the Research Library), which includes copies of each of the slides contained in my PowerPoint presentation. As part of your packets today, I have included an excerpt from our publication called *Property Tax Rates for Nevada Local Governments*, commonly known as the Redbook ([Exhibit F](#)). I have also included an excerpt from our *Final Revenue Projections Report*, published in March of 2004 ([Exhibit G](#)).

ASSEMBLYMAN PERKINS:

In reference to one of your first slides referencing NRS 354.59811, we received testimony earlier from Marvin Leavitt about the 6-percent rule. Has this been eroded over time to the point where we have virtually no limitation on government growth and expenditures? If so, how do we fix it?

MRS. RUBALD:

We have not reached that point, in my opinion. About 30 percent of the jurisdictions in the State reached the maximum-allowed tax rate. There are many jurisdictions not yet limited in terms of their revenue. The more important limitation is the \$3.64 cap, in which case there is a lot of difficulty for some of the jurisdictions to meet what they need.

ASSEMBLYMAN PERKINS:

In 1981 when the tax shift occurred and the 106-percent rule came in, there was an intention to try to limit growth and expenditures. In reference to this exercise on how we build a rate, it seems we throw so many things in here that, realistically, there is no cap. How do we go back to the original principle?

MRS. RUBALD:

We have been fortunate in this State to have the assessed valuation grow. The revenue limitations have been applied in at least 30 percent of the jurisdictions, so I do not think it is ineffective. There are a lot of conservative jurisdictions out there otherwise limited by specific tax rates or the \$3.64 cap.

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ASSEMBLYMAN PERKINS:

If I am following the math, it is not truly a 106-percent rule because, by the time you start adding everything in, it is not 106 percent on the revenue base from last year, which is where we started. However, we then added in a lot more factors. It seems to me there is little constraint.

MRS. RUBALD:

There are certainly several exceptions, and we did go into some depth on what those exceptions are. Such things as net proceeds of minerals or the limitation of the actual 106-percent rate limitation do not apply for various reasons. For instance, the school district tax rate is limited to \$0.75 per \$100. It was a policy decision to take it out of the limitation because it is already limited by a rate.

ASSEMBLYMAN MORTENSON:

As you were going through the formula, it appeared that in the 6-percent cap, the growth was actually within the cap. It was not excluded from the cap. In other words, if you grew 3 percent in revenue and grew 3 percent in population, which brought in 3 more percent, you would hit the cap.

MRS. RUBALD:

The growth was recognized in the tax base to which the maximum allowed rate was applied, so when we are calculating the 106-percent revenue limitation, it is contained within the maximum allowed rate. That is based on actual existing property, so there is no growth component as we are calculating the maximum rate. We apply the maximum rate to an assessed value, which does contain the growth.

ASSEMBLYMAN MORTENSON:

It seems odd to put the growth in there. In my opinion, it ought to be outside the cap. If you have wildly expanding growth, you need the extra money to take care of the extra services with which expanding growth is associated.

ASSEMBLYMAN PERKINS:

In column 2 of [Exhibit G](#), \$99,759,561 is shown as the ad valorem revenue base for Las Vegas. Was that the actual amount of money received, or is it just a calculation based upon 106 percent and all the kitchen-sink stuff we threw in from the year before?

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MRS. RUBALD:

It is a projected number from the previous year, not the actual revenue received.

ASSEMBLYMAN PERKINS:

Do we know if the actual number is higher or lower?

MRS. RUBALD:

It is probably higher because the assessed value has gone up.

ASSEMBLYMAN PERKINS:

Would it subsequently drive the rate down?

MRS. RUBALD:

Yes.

ASSEMBLYMAN PERKINS:

In column 6, you show \$110,157,933. Is it also a projected number based upon the \$99 million plus all the mathematical computations?

MRS. RUBALD:

Yes, the \$99 million times 1.06 gets you to that figure. Then, after you have gone through the "hold harmless," whichever rate is the greater, over on the next page in column 12, you see we actually wind up with \$110,514,019, which is the final, maximum allowed revenue. We have three places to look. We start with the \$99 million, go to the \$110.1 million and we end up with the \$110.5 million.

ASSEMBLYMAN PERKINS:

Is that the amount then carried forward for 2006 instead of the actual amount received?

MRS. RUBALD:

Yes, it is.

ASSEMBLYMAN PERKINS:

We do not rebase it based upon reality, we just keep rebasing based upon a calculation?

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MRS. RUBALD:
Yes.

ASSEMBLYMAN PERKINS:
There have been a lot of discussions about various limiting measures. One thrown out by Clark County Assessor Mark Schofield was a 6-percent revenue cap. It seems we already have something in the law intended to do such a thing, but because of the various iterations, it blows this calculation much higher than intended.

MRS. RUBALD:
The 6-percent limitation Mr. Schofield talked about is really a limitation on the tax base, separate and apart from this particular limitation on the revenue.

ASSEMBLYMAN PERKINS:
I understand one is on the value of property and one is on the revenues coming in an aggregate, but in essence, they could accomplish the same thing. It just depends on which side you are trying to manage. I am not sure we have a 6-percent factor when we just keep working forward off of a calculation that could be higher than what actually comes in.

MRS. RUBALD:
One of the slides showed rate is equal to income divided by value. What we currently have is a limitation on the rate side. What is being proposed by Mr. Schofield is a limitation on the total assessed value, so you would have limitations on two of the three parts of the formula.

ASSEMBLYMAN HETTRICK:
The calculations are based each year on the previous year's calculation and not on the actual revenue generated or the actual income generated by property tax revenue. Can someone tell us what the actual revenue was?

MRS. RUBALD:
That information is generally in the audits we receive from each of the jurisdictions. I do not have it with me today, but I can provide it.

ASSEMBLYMAN HETTRICK:
What would be the last year for which you would have that information?

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MRS. RUBALD:
It would be 2004.

ASSEMBLYMAN HETTRICK:
Is the \$99 million shown here the 2004 figure?

MRS. RUBALD:
No, it is the 2003-2004 figure.

ASSEMBLYMAN HETTRICK:
When you provide those figures, could you tell us the calculated amount for the last year in which you have an audited number?

MRS. RUBALD:
Do you want it just for Las Vegas or for all of the jurisdictions?

ASSEMBLYMAN HETTRICK:
I would like to see several. Do what you have done here, as I think your examples were excellent. I would like to see the figures for Mineral, Eureka, Douglas and Clark Counties. As Assemblyman Perkins said, part of the problem we are trying to deal with is the variation between our counties. Eureka County falls off the face of the earth with the revenue they have, while other counties could go to \$8 and still not be at the calculated limit. It is something we need to look at, so we get some idea of how we would work to adjust this appropriately.

ASSEMBLYMAN ANDERSON:
The caveat was relative to the projected growth rate, which would have to be factored in. When you are figuring last year's budget with the projected growth rate of a particular district, how do you weight that as part of your overall discussion? In your slide on page 12, you talked about how you weigh in the basic adjustment of projected new properties.

MRS. RUBALD:
You are looking at the adjusted tax base after we have already calculated the maximum allowed rate. The existing secured rolls are shown on the slide on page 10. The one part projected is the unsecured roll, which is only a timing issue because the unsecured roll has not been closed yet. It runs from May 1 of

a given year until April 30 of the next, so it is a partial projection for whatever might occur after January. The "V" is the tax base, which is the \$12 billion figure you see there. It is the V component as you are calculating the maximum allowed rate. Then, you go to the slide on page 12 and you are adding the projections of growth.

ASSEMBLYMAN ANDERSON:

What is so important to rapidly growing communities is the projection of growth. Is your projection based upon hookups or on our State of Nevada demographer, who seems to consistently underestimate what the growth will be?

MRS. RUBALD:

For an example, look at the unsecured 12-month construction work in progress (CWIP) on the slide. That number comes from the centrally assessed section of the division and is the result of reporting. We send out reporting forms to the centrally assessed taxpayers and request them to estimate for us what the CWIP will be for the coming year. As for the projected new property at the locally assessed level, typically, an assessor will take an average of the three-year prior history. However, if they do not believe the growth of the last few years is going to be sustained in the coming year, they might offer a different number, based on their experience and what their building permits are doing.

ASSEMBLYMAN ANDERSON:

I am worried this issue may cause people to be terribly concerned. If the assessor makes the projection relatively high, the potential for raising those property rates goes up significantly because of the infrastructure cost to the cities and the counties. Is that a fair statement?

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MRS. RUBALD:

You will find the assessors are quite conservative in that regard. They do not want to misrepresent, to the people building those budgets, a revenue source that is not going to be there.

CHAIR MCGINNESS:

We are adjourned at 3:08 p.m.

RESPECTFULLY SUBMITTED:

Ardyss Johns,
Committee Secretary

APPROVED BY:

Senator Mike McGinness, Chair

DATE: _____

Assemblyman Richard Perkins, Chair

DATE: _____