MINUTES OF THE
SENATE COMMITTEE ON TAXATION

Seventy-fourth Session
March 8, 2007

The Senate Committee on Taxation was called to order by Chair Mike McGinness at 1:34 p.m. on Thursday, March 8, 2007, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412, 555 East Washington Avenue, Las Vegas, Nevada. Exhibit A is the Agenda. Exhibit B is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Mike McGinness, Chair
Senator Randolph J. Townsend, Vice Chair
Senator Dean A. Rhoads
Senator Mark E. Amodei
Senator Bob Coffin
Senator Michael A. Schneider
Senator Terry Care

GUEST LEGISLATORS PRESENT:

Senator Bob Beers, Clark County Senatorial District No. 6

STAFF MEMBERS PRESENT:

Tina Calilung, Deputy Fiscal Analyst
Russell J. Guindon, Senior Deputy Fiscal Analyst
Julie Birnberg, Committee Secretary

OTHERS PRESENT:

Dennis Colling, Chief, Administrative Services Division, Department of Motor Vehicles
David K. Schumann, Nevada Committee for Full Statehood
Jeffrey A. Fontaine, Nevada Association of Counties
Jay David Fraser, Nevada League of Cities and Municipalities
Ken Chambers, Operations Analyst, Nevada Department of Transportation

LeRoy Goodman, Board of Commissioners, Lyon County
Marvin A. Leavitt, Urban Consortium
Michael R. Alastuey, Clark County
Paul Enos, Nevada Motor Transport Association
Lisa Gianoli, Washoe County

CHAIR MCGINNESS:
We call this meeting of the Senate Committee on Taxation to order and begin with Bill Draft Request (BDR) S-137.

BILL DRAFT REQUEST S-137: Authorizes the Board of County Commissioners of Nye County to increase the sales tax to recruit, employ and equip additional deputy sheriffs. (Later introduced as Senate Bill 257.)

SENATOR TOWNSEND MOVED TO INTRODUCE BDR S-137.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATORS AMODEI, COFFIN AND SCHNEIDER WERE ABSENT FOR THE VOTE.)

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CHAIR MCGINNESS:
We will open the hearing on Senate Bill (S.B.) 96.

SENATE BILL 96: Reduces the rate and revises the distribution of the basic governmental services tax. (BDR 32-32)

SENATOR BOB BEERS (Clark County Senatorial District No. 6):
I am bringing you a bill with the intent of cutting the car tax in half in our two largest counties. The bill does not reflect two amendments that I fully support. The first amendment completely exempts the 15 smaller counties from this legislation. The governmental operation problem I seek to address is a phenomenon unique to Clark and Washoe Counties. Where driven by exorbitant increases in property value, local government is inundated with cash at every level of local government; we see it impact our state people because highway patrolmen are often hired away by local governments for significant increases in pay. The second amendment ensures that schools remain whole. The

Governmental Service Tax (GST) is earmarked so half of that collected in our larger counties goes to schools and the other half is the component of the Consolidated Tax Distribution which eventually ends up divided among all local government entities. On first read, this bill keeps schools whole to the extent a local government pledges GST proceeds for bonding purposes. Schools are concerned they would take that hit in order to achieve cutting the car tax in half. I would like an amendment so any GST revenue pledged for bonding stays in place until the bond is paid and that tax goes away. The half earmarked for schools is not diminished because a local government bonds this specific source of revenue.

Referring to 2004 U.S. Census Bureau data in the handout (Exhibit C), street and highway employees employed by local governments of Nevada ranked 14th of 51 states in compensation, not counting retirement. City and county employees ranked 1st of 51 states. No state employees are firemen, and local governments do not have university faculty or school teachers. We do not have a comparison there. Every category shows a significant disparity between state and local government and a startlingly high ranking for local government. In the 15 counties as well as at the state level, employees pay half their Public Employees' Retirement System (PERS) contribution out of their paychecks. In the larger counties, negotiation has resulted in elected officials paying both halves of PERS. Wherein a state employee loses 10 percent of their check to the PERS contribution, that is not true for local government employees, nor do they have social security taken out of their checks. That is also not true for other jurisdictions around the country. When you factor in benefits, it is quite likely the city and county employees actually rank first in every single category.

There are two components of this chart in Exhibit C. The first component consists of four lines for fiscal year (FY) 2003, FY 2004, FY 2005 and FY 2006 that represent the percentage of total resources of each local government entity provided by the GST. The second component is the large purple bar, which represents the average revenue growth over those four fiscal years. As you can see, North Las Vegas, which has undergone the largest residential building boom, averages a 25-percent increase in revenue. This is against an approximate 6-percent combined population growth in inflation figure. Even after processing and effecting this bill, this graph shows our local governments in Clark and Washoe Counties will continue to see healthy revenue increases.

SENATOR TOWNSEND:
With regard to the first component, you have applied it for five or ten years to find out the impact relative to potential for employees in any category.

SENATOR BEERS:
Do you mean the wage component?

SENATOR TOWNSEND:
Yes, the wage component.

SENATOR BEERS:
No, I have not. The Census Bureau mails out a survey to government jurisdictions in April. It is voluntary but strongly encouraged that recipients respond. Another data set now available is the 2005 survey. I have yet to compile that and turn it into similar data. We saw in the paper this week that local government in Clark County is to have a slightly larger cost-of-living adjustment than currently contemplated in the state budget.

SENATOR TOWNSEND:
Using this chart, the first component of the bars of Clark County looks like 1 percent or less of the budget; GST, as a percentage of resources, averages around 1 percent or 1.5 percent. Their average revenue growth for that same period FY 2003-2006 was about 12 percent. Is that correct?

SENATOR BEERS:
Yes, that is correct.

SENATOR TOWNSEND:
Is that just the average?

SENATOR BEERS:
It is the average annual growth in total resources.

SENATOR SCHNEIDER:
You are comparing two levels of government. At the local level of government, you are paying too much compared to the state. Maybe the comparison should be more toward the private sector. We start teachers at $28,000 to $30,000 in this state, and they have four or five years of college. We see private industry hiring people way above state pay or teacher pay.

SENATOR BEERS:
The economy and brief from the Employment Security Division shows what has not varied in many months for Nevada as a whole, broken down into jurisdictions. For FY 2006 average wages by industry, the government line at $23.83 is higher than any other sector of economic activity in Nevada; natural resources and mining comes close at $23.31. When you go through the breakdown into regions, the disparity in Clark and Washoe Counties is more than 10 percent higher average pay for the government sector than for any private sector industry. In the rural counties, mining wages exceed those in government. You have crystallized the policy decision this bill presents.

SENATOR TOWNSEND:
Do we have statistics to show other states where government is the highest-paid group?

SENATOR BEERS:
I have not asked to see that analysis; we would have the Research Division check that.

SENATOR TOWNSEND:
Mr. Chair, that is an important component for this debate. This may require some analysis for the Committee to process the bill with the amendments requested. It would take that bar graph and a look at the potential for slowing the growth of government wages. Clark County's 1 percent of the GST and its total revenue average 12 percent. In terms of cutting that in half, you figure what that does to the potential for slowing that growth of government. That can be done; it might take an outside source to do that.

SENATOR BEERS:
Before I became a Legislator, the Legislature engaged the tax shift. It appears we inadvertently set a scenario where a disproportionate amount of government funding went to local governments in Clark and Washoe Counties and not to the state. Consequently, salary rankings of state versus local government officials are a symptom. If that had not happened, we would rank higher in teacher pay, for example. The Governor is requesting an interim study by the Senate Committee on Legislative Operations and Elections on the distribution of tax proceeds across the different levels of state. What you are suggesting is within the bounds of that committee's agenda.

SENATOR TOWNSEND:
The purpose of my question for Senator Beers is, when we look at what is done in the media to our colleagues in Congress—and when they talk about a cut as opposed to slowing the growth, that makes a big impression on the public. This might be a cut in revenue, but it does not cut the total expense; it just slows the expense. In 1979 and 1981, the state kept all the expense, and we gave a tremendous amount of revenue to local government. The state keeps 17 cents of property tax and nothing more. Our system is complex with ramifications across the board.

SENATOR COFFIN:
Your handout with job classifications shows the pay of state and local government employees. Are these base wages or do they include overtime?

SENATOR BEERS:
It includes overtime. It does not include benefits.

SENATOR COFFIN:
This problem is fueled by news that people in the Department of Public Safety are highly paid. Someone from local government should explain how people are paid so much overtime versus hiring the proper amount of people to do the job. If you took out overtime pay, many positions would fall considerably in the ranks of the 51 states; the trouble is I do not know how far.

SENATOR BEERS:
You cannot tell from the census data that basically consists of the entity, job classification, number of full-time hours, gross wages, number of part-time hours and gross wages. The overtime breakout is buried in raw data at the Census Bureau.

SENATOR COFFIN:
I need to filter out what I consider as outrageous numbers for local government earnings if this is not necessary overtime but a way to avoid hiring people. The numbers I saw were incredible. It gives public employees a bad name if they are making that type of money. The public might think those are their salaries, but they are not, and I am not reading that in your handout. The salaries are probably not outrageous, but the overtime generates the dollars you have used in your data. I cannot totally rely on your data. I want to know more truth. This could be a symptom of poor management of the labor force at the local level.

SENATOR BEERS:
While fairly high up on the list of compensation for government employees, we rank low in the number of employees per 100,000 residents.

SENATOR COFFIN:
I am trying to get at that. We have a bill that tries to address a problem from a different direction.

SENATOR BEERS:
You are right. That is a perceptive analysis. In my limited experience, trying to identify this symptom leads to great contention and disagreement. I am taking a more global approach. The one common skill across all divisions of government is the ability to spend almost all dollars authorized in the budget. This approach attempts to reduce the overall dollars in the budget and force local government managers and elected officials to correct some problems. This problem makes it hard to point a finger of blame, excepting at the federal government. It is hard to justify revenue growth that consistently and significantly outpaces population growth and inflation when driven by the run-up of land values in those two counties, which is caused by the federal government not releasing land for sale.

SENATOR SCHNEIDER:
Real estate prices went up across the country; some markets were white hot. San Antonio is on fire at this time. I do not think that has anything to do with it.

CHAIR MCGINNESS:
A formula provides for the debt or operating funds for the school district. The portion you took out on page 2 would affect that. Did you mean that?

SENATOR BEERS:
I mean to leave the school funding component as a whole, so amend accordingly.

SENATOR TOWNSEND:
Do you continue to see the challenge of the disproportionate salaries between common state and local government employees, whether it is the Attorney General's Office versus the district attorney's office or firefighters and law enforcement officers versus the Nevada Highway Patrol? Do you continue to see that as a disproportionate relationship?

SENATOR BEERS:
We have made some ground, but not all.

DENNIS COLLING (Chief, Administrative Services Division, Department of Motor Vehicles):
If you go forward and amend S.B. 96, I ask that you request another fiscal note because this will affect the fiscal note. The one we have prepared and submitted is based upon the current bill.

CHAIR MCGINNESS:
If we take the 15 counties out, that makes a big difference.

MR. COLLING:
It will drop it by the population of the 15 counties versus the other counties. Figures I have today will be reduced by that amount. Senate Bill 96 proposes to reduce GST on vehicles by 50 percent. As the bill is written, the proposed reduction also applies to interstate carriers apportioned for travel in Nevada, in addition to regular vehicles. As the Department of Motor Vehicles (DMV) receives a 6-percent commission for collecting the Basic Government Services Tax (BGST) used to offset the need for highway funds, the DMV needs additional highway funds to meet current needs in the amount of $4,678,238 in the first year of the biennium. Those figures are based on an assumption that the bill does not take effect until January 1, 2008, and the DMV is unable to program this through our process until then. For the motor carrier portion, a contractor has given us a cost associated with changing their programming and indicated they are unable to complete this until the end of the calendar year.

In the second full year of the biennium, the impact to highway funds will be $9,286,351. Some programming costs are associated with this, along with loss in revenue to the various county assessors who assist the Department registering vehicles. Based upon a January 1, 2008, implementation date, which is different from the bill, the impact to the BGST collection and distribution to cities, counties and school districts will be $73,292,400 the first year and $152,557,902 the second year of the biennium.

SENATOR TOWNSEND:
How long does it take to get a fiscal note based on the two amendments this sponsor has recommended?

MR. COLLING:
Our standard turnaround is five days.

DAVID K. SCHUMANN (Nevada Committee for Full Statehood):
It is a well-known fact in economics that the private sector creates wealth. The government sector absorbs wealth and redistributes it. Whenever you take resources from the public sector and give them to the private sector, you increase the state's ability to create more wealth. That will happen immediately. Douglas County is capable of paying this, and you can be generous to rural counties. If you ask the people, they probably want a cut in their tax. This will be good for the economy.

JEFFREY A. FONTAINE (Nevada Association of Counties):
Based on the original version of S.B. 96, the Nevada Association of Counties and the Nevada League of Cities and Municipalities cosigned a letter (Exhibit D) wherein we have expressed our concerns and opposition to the bill as written. We appreciate Senator Beers acknowledging the importance of the GST to rural counties and exempting out those counties. With respect to Clark County and Washoe County, I urge this Committee give serious consideration to budgetary impacts and continue to ask questions regarding not only revenue growths but expenses increasing costs those two counties are incurring.

JAY DAVID FRASER (Nevada League of Cities and Municipalities):
As Mr. Fontaine indicated, some examples prepared for the Committee in our letter would no longer be relevant if that amendment is adopted. However, testimony will be provided as to the effect of the entities still included in the bill. I echo Mr. Fontaine in saying not to overlook a community such as Boulder City. If you look at your handout, they are neither a high-growth area nor are they experiencing the same type growth as some of the larger communities; yet, they are within Clark County and would be affected by this bill. According to discussion with the finance director in Boulder City, their loss would equate to about 30 percent of their parks budget or more than their total capital improvement budget, which includes not only building improvements but vehicle replacements. Eighty percent of their police fleet odometers have over 100,000 miles, and this far eclipses the total of their annual replacement on those vehicles.

KEN CHAMBERS (Operations Analyst, Nevada Department of Transportation):
The Nevada Department of Transportation (NDOT) opposes this bill. As Mr. Colling presented, the 6-percent commission is retained by the DMV. Without significant cuts in services, that money would have to come from the State Highway Fund, which impacts the NDOT.

SENATOR TOWNSEND:
If you retain your 6 percent and are held harmless, what is your position then?

MR. CHAMBERS:
Our interest is in the State Highway Fund; that 6 percent is paid directly to the DMV for administering that tax and pays for the services they provide. Without significant cuts in their services, that $9.3 million in the first year would most likely come from the Highway Fund to keep those services intact. We would like to see neither a cut in services nor a loss of $9.3 million to the State Highway Fund. Is that clear?

SENATOR TOWNSEND:
No, I just asked how you feel about the bill if I return your 6 percent.

MR. CHAMBERS:
I would be perfectly happy.

LEROY GOODMAN (Board of Commissioners, Lyon County):
Lyon County's share is now 2.4 percent, which is the percentage share of the GST. I want to make clear that the percentage will stay the same; however, the amount will go down if you take the rural counties out of the bill and Clark and Washoe Counties do not participate. That 2.4 percent of $200 million now becomes 2.4 percent of whatever it is. We would suffer an impact. With the original part of the bill, we would suffer about $2.8 million in Lyon County alone, which is about 9 percent of our total revenues. We need to clarify the actual impact on rural counties, even with the amendment as proposed, to keep the 15 rural counties whole. Is that whole with the 2.4 percent—in Lyon County's case—of the existing amount of money or the new amount of money collected without Washoe and Clark Counties?

MARVIN A. LEAVITT (Urban Consortium):
We would like to indicate our opposition to the bill. The bill has about a $52.2-million annual effect on the cities of the Consortium. The $100-million

effect in Clark County, based on current growth, amounts to about $1 billion in 8 years. When you look at the provisions—especially the amended version, since it applies only to the two counties—in the 1960s, the *Constitution of the United States of America* was changed so tax rates on motor vehicles became uniform throughout the state. If one county has a $2 rate and another county has a $5 rate, you go to the county with the $2 rate and save money. We are going back to that situation again. If it does not apply to the rural counties, the actual rate is higher there. The rural counties will pay twice as much in taxes as Washoe and Clark Counties. There should be a differential, since this is essentially a substitute for property tax on vehicles. Is there some policy reason why that tax should be different based on where you happen to live?

Local government salaries are determined differently than state salaries. There is a slight movement to bring those into line, but there is still a difference. Local government salaries are determined differently than state salaries. We go through a collective bargaining process which can end up in arbitration. State salaries are determined by the Legislature. Revenue adjustments do not change salaries; all that essentially does is change how many people receive them. To do something about salaries, you do something with the way they are determined.

It has also been said that there is a large amount of cash in local governments. For example, the government in Nevada most represented in one government is the State of Nevada. You have 63 Legislators elected from all parts of the state, and that group of Legislators votes on a budget biennium. I created a chart (Exhibit E) for the last five years in revenues from the cities that belong to this Urban Consortium I represent: the city of Henderson, city of Las Vegas, city of North Las Vegas, city of Reno and the city of Sparks. I took the General Fund operating revenue and compared that revenue from FY 2001-2002 to FY 2005-2006 to see the percentage increase. You can see it varies; for instance, the greatest increase is in the city of North Las Vegas, which grew by 78 percent during this time. The State of Nevada for FY 2001-2002 General Fund revenue and FY 2005-2006 grew by 65 percent. The next two columns show population growths from FY 2001-2002 to FY 2005-2006. North Las Vegas growth has been 41 percent in this period; state growth in that same period has been 18 percent. The final column shows how fast your revenues have grown in relation to population growth. The state has grown faster than any of these local governments. If the state's budget and the revenue have grown proportionally at the same rate as the city of North Las Vegas in FY 2005-2006, the state General Fund would have had $941 million less revenue. They had grown proportionally in relation to population at the same rate as North Las Vegas. Las Vegas is the highest one among those local governments in that proportion, with a factor of 3.35 as opposed to 3.58 for the state; if you translated that into the state budget, the revenue would be $140 million less. Despite complaints about local government, in relation to population, the state budget has been growing appreciably faster than these local government budgets over the same period.

In the last four or five years, the economy throughout the state has been good. Our revenues have grown rapidly. Sales tax receipts have been good throughout this period—maybe one of the best periods. The fourth column on page 2 of Exhibit E shows the increasing growth in what we call the consolidated tax. Composed of five separate taxes, the consolidated tax is the largest revenue source for local governments. In most cases, consolidated tax makes up more than 50 percent of the total general funds of most local governments. It is a combination of the sales tax, real property transfer tax, GST, and cigarette and liquor tax. They are all in that tax. Last year, we grew in double digits, with Reno the lowest at 6.3 percent. Going to the bottom column, those percentage gross numbers are what that tax, including the GST for this year, takes us through the month of December. That is the percentage gross or decrease in that tax in actual dollars received when compared to a year ago. The City of Las Vegas grew 0.40 percent; Henderson had a decrease of 2.38 percent etc.

The far right column shows if this bill had been implemented July 1, 2006, we have double-digit losses when compared to the prior year. This revenue source makes up more then 50 percent of our total revenues. When sales tax does not perform well, motor vehicle tax—the GST—still performs and is what we live on in this downturn period. Although the tax might not make up a huge percentage of the total, in a time of economic problems, the effect goes beyond what you think it would based on the total from this tax for any one single local government. It essentially becomes what we are living on right now.

MICHAEL R. ALASTUEY (Clark County):
I could turn to the State Controller's *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006*, point to non-General Funds and say the state has roughly $2.6 billion in balances that might be applied to transportation needs. That is not the case; that is not the way you do your budget, because you focus on General Fund balances and Rainy Day Fund balances, as you

should. Other governmental funds are typically allocated for legally earmarked purposes according to federal law, laws the state passes or pledges for approved capital projects, or laws local governing boards approve or pledge for debt service or other nonproprietary purposes. We all need to focus, as you do in your budget, on the amount of money available for general use. With respect to Clark County on the chart presented earlier, the bar chart could be interpreted to say roughly 1 percent of Clark County resources comes from the GST. In actuality, a little over $50 million on a budget of $1.2 billion to $1.3 billion constitutes about 4 percent. Some non-General Fund resources were included or other issues occurred that make the bar chart a bit of apples and oranges.

As to state balances, the state operates its budget differently than local governments. Spending out from under the balance, those allocations in effect in the second year of the biennium are typically referred to in this building as one-shots. On the other hand, local governments generally close their books with any excess revenues, balance those revenues forward to the subsequent year and then make their one-shot allocations. On an apples-to-apples basis, we can clearly show the state's current balance is before one-shots that actually exceed—as a percent of expenditures and transfers for governmental purposes—those of Clark County, for example; I cannot speak for other counties.

I was privileged to be here for the 1983, 1991 and 2003 Legislative Sessions that were characterized by some level of economic recession. To their credit, the state saw the need to continue or expand public services with the anguish involved in adjusting taxes upward at a statewide level. If you look back through your *Appropriations Report* from the Fiscal Analysis Division on those occasions, there were not similar increases in either the property tax cap or sales tax, which is the main driver of local government budgets. Local governments were asked to manage as best they could within their level of resources, and they generally accomplished that.

Senate Bill 96 comes not to roll back any of the main taxes that have increased over the years but to reduce a tax that has been on the books at the same rate since the 1960s. It is basic revenue. It is not revenue dreamed up to supplement need or meet the effect of an economic recession. It is basic revenue to local government resources that is applied to those needs. A number of misconceptions can be demonstrated not true. First of all, local governments are in a position to absorb revenue cuts more readily than the state. Any analysis shows both local governments and state government in Nevada—probably more so than other states—are highly sales-tax sensitive, whether that sales tax comes directly into your General Fund unblended with other revenues or to local government as the major component of consolidated tax. That sales tax sensitivity puts us both in the same bucket. Clark County was very conservative in budgeting their consolidated tax, knowing that the year-over-year increases through last year were substantial and unlikely to be duplicated. The news is not only moderate growth; the news is actually worse than we thought. The money committees have already told executive agencies appealing for augmentations to the Governor's recommended expenditure levels that they should exercise caution because, when the Economic Forum meets, sales tax-driven revenues are likely to be less than anticipated. With respect to available balances, we did analyze Clark County's recent balance and the state's most recent balances; the state balances are more than Clark County's. The level of abundance is not largely differential, state to local.

MR. ALASTUEY:
There was a statement that S.B. 96 in both its original version and the proposed amended version is structured to single out public schools for protection. The actual work papers behind the school account presented to the Senate Committee on Finance and the Assembly Committee on Ways and Means clearly show the one getting protected is the state. If the GST is jerked from under the school fund and out of the school budgets, the state's constitutional, statutory and political obligation is to make those schools whole. The state funds the bottom line, subtracts local revenues and then only provides the residue in state appropriations. That would mean an immediate appeal on the day following the effective date or introduction of this bill if the schools were included in the cut.

Other local revenues relate to property tax. The direct receipt of property tax by the state is the 17-cent levy now applied to debt. The indirect receipt is 75 cents off the top of the state's obligation. The state is responsible for services it provides, and we respect the state's prerogative and decisions in the past to tax accordingly. Likewise, local governments are also responsible. If Clark County were to sustain the amount of cut expected on an annualized basis, this bill would roughly result in a $50 million, or 4-percent, cut. I have not seen a bill introduced in this session or a previous session that went anywhere towards giving the state the necessity to sustain a 4-percent cut in services. That would be a $130-million cut in proportion to the state.

Many occasions, the Clark County voters have clearly spoken to not only continue existing revenues, but add to them. On two significant occasions, our voters said there was not enough local revenue, so we have mass transportation plans through our Regional Transportation Commission and the local public works departments—including sales tax, developer fees, resort room tax, jet fuel tax etc.—to tax a number of economic sectors and provide money for local roads.

MR. ALASTUEY:
Two significant property tax questions augmented the ability for the Metropolitan Police Department to put officers on the street and protect our public from crime. Another question passed more recently for sales tax. Our voters also approved a 0.25-cent tax for water and sewer, 0.50-cent tax for transit and 0.25-cent tax for flood. I submit to you that the record of communication, service and good faith on the part of local government is a good one. We therefore oppose S.B. 96. The final thing is the public policy message this bill might set: that public officials in one government take credit for a tax cut that would be suffered at another government level while not standing directly responsible for the consequences. In any organization, the authority should rest with the same place.

SENATOR COFFIN:
This bill has no attraction if not for the news stories about salaries paid to public employees. My question to Senator Beers, "You are really more concerned about salaries than about taxes, is that correct?" He admitted yes, that is true. He is using the wrong implement to solve the problem by bringing attention to the other problem. Why do stories appear about Public Safety making so much money working overtime; why does that merit a news story? If they are paid more than the state, that is our problem, not a local government problem. However, if manpower is so badly managed that you have overtime to the extent that people make almost $200,000 a year, it makes everyone look at the issue. I want to cut through the pro-tax and antitax material. That is not the purpose of this bill. I am more interested in finding out if we have a management problem. Why do we sit and listen to all this when it is about salaries and not about taxes?

CHAIR MCGINNESS:
We do not want to get too far afield here and move into the salary issue, unless either of you gentlemen wants to respond briefly.

MR. LEAVITT:
For instance, the fire department has to have a certain number of people available at any moment. As a necessity, you have more people available at any one time because some personnel might be sick, on vacation or for whatever reason not available to work. Where the cut comes, there are advantages to both overtime and having additional people. For example, health insurance on employees does not change because they have overtime. Overtime it is not subject to PERS. There are certain advantages to overtime if you pay them more than the base rate; of course, that is a negative. How many people you have on overtime and how large your staff is, is an administrative decision. As Senator Coffin just said, it makes for a news article saying so-and-so earned $200,000 this year. Is that more than two or three people as full-time employees? That is an administrative decision. It takes an analysis to fully understand the overtime situation versus hiring another employee.

PAUL ENOS (Nevada Motor Transport Association):
We signed in as neutral prior to testimony that S.B. 96 means a $9.3-million hit to the State Highway Fund; based on that, we oppose the bill as written. I was a member of the Blue Ribbon Task Force, which met last year to fix issues with the Highway Fund, and we spent a lot of time looking at the GST. During discussions, we came up with an idea to keep local governments whole by giving them an automatic 6-percent increase every year and everything generated above that to the Highway Fund. It was important to not affect local people too much but generate incremental revenue without raising taxes from a source that has a substantial nexus to the Highway Fund.

LISA GIANOLI (Washoe County):
Washoe County does not support S.B. 96. Based on estimated revenues the County would receive in the upcoming fiscal year, it is about a $26.9-million loss countywide to all entities. The entities that receive a portion of this GST and would be impacted are the County, city governments, numerous small districts that provide fire protection—Sierra Fire Protection District, Truckee Meadows Fire Protection District, North Lake Tahoe Fire Protection District, small water provider Sun Valley General Improvement District and other small districts. To Washoe County government, it is about a $14-million loss, and that represents about 4.5 percent of our General Fund revenue. It is a significant impact to a lot of different entities within the County.

CHAIR MCGINNESS:
I want to add that opposing letters from Eureka County (Exhibit F), White Pine County (Exhibit G), Reno Fire Department (Exhibit H) and North Lake Tahoe Fire Protection District (Exhibit I) will be part of the record.

SENATOR RHOADS:
I have a letter from the City of Elko opposing S.B. 96 (Exhibit J).

CHAIR MCGINNESS:
We are adjourned at 2:57 p.m.

RESPECTFULLY SUBMITTED:

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Julie Birnberg,
Committee Secretary

APPROVED BY:

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Senator Mike McGinness, Chair

DATE:______________________________________