

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-fifth Session  
May 31, 2009**

The Senate Committee on Finance was called to order by Cochair Bernice Mathews at 9:24 a.m. on Sunday, May 31, 2009, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. There is no Exhibit B because no one signed in to testify at the hearing. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator Bernice Mathews, Cochair  
Senator Steven A. Horsford, Cochair  
Senator Bob Coffin  
Senator Joyce Woodhouse  
Senator William J. Raggio  
Senator Dean A. Rhoads  
Senator Warren B. Hardy II

**GUEST LEGISLATORS PRESENT:**

Assemblyman John Ocegüera, Assembly District No. 16

**STAFF MEMBERS PRESENT:**

Brian M. Burke, Principal Deputy Fiscal Analyst  
Gary L. Ghiggeri, Senate Fiscal Analyst  
Patricia O'Flinn, Committee Secretary

**OTHERS PRESENT:**

Russell M. Rowe, Representative, Nevada Development Authority

COCHAIR MATHEWS:

The Senate Committee on Finance will come to order. We will open the hearing on Assembly Bill (A.B.) 317.

[ASSEMBLY BILL 317 \(2nd Reprint\)](#): Provides for the disbursement of a portion of the proceeds of the state tax imposed on certain businesses to regional organizations for economic development. (BDR 32-616)

RUSSELL M. ROWE (Representative, Nevada Development Authority):

Assembly Bill 317 attempts to provide an alternative funding mechanism for the various development authorities in the State. The development authorities were created in 1983 as public and private partnerships to manage the economic development activities of the State. The private nonprofit organizations thus created have been financed through the General Fund with matching grants. The Nevada Development Authority (NDA) has membership dues and receives private donations. These funds are matched by allocations from the State General Fund up to a set amount. Over the years, the NDA and other development authorities have grown, but the ability to fund them has remained stagnant. Recruitment of businesses outside of Nevada has essentially been

capped. During the 73rd Legislative Session the Legislature approved an additional \$10 million for the NDA and the Economic Development Authority of Western Nevada (EDAWN) to recruit companies from outside of the State. In the 74th Legislative Session, the allocation was reduced to \$5 million. During this current Session, the funding has been reduced even further.

The goal of A.B. 317 is to create a stable alternative funding source to support long-term strategies to attract new businesses, such as renewable energy or biotechnology companies, to Nevada. The NDA, EDAWN and other Development Authorities, would receive a percentage of the Modified Business Tax (MBT) for a period of ten years from new companies opening businesses in Nevada. The effect on the budget is revenue neutral; if the development authorities did not recruit the companies, the revenue would not exist. In the short run, the amount of money generated from this program would be small. In the first year, the NDA would receive approximately \$100,000. But, the effect would be cumulative. By year five or six, both the NDA and EDAWN would receive approximately \$1 million a year in revenue. The revenue from the MBT allocated to the NDA and EDAWN is capped at \$1 million; the excess would become General Fund revenue.

ASSEMBLYMAN JOHN OCEGUERA (Assembly District No. 16):

The purpose of A.B. 317 is to get the development authorities out of the General Fund. In 2005, the State allocated \$10 million to these organizations; in 2007, the State allocated \$5 million. This biennium, the allocation is approximately \$1 million. It provides an incentive for the development authorities to bring new businesses to Nevada.

SENATOR COFFIN:

I would welcome removing the development authority from General Fund allocations. When the development authorities were created the plan was to fund them through sources other than the General Fund. If money is available through business efforts there is an incentive for the organizations. The cap prevents it from becoming an accidental get-rich-quick scheme. I would remind the Committee that the development authorities are charged with bringing in nongaming businesses. The idea has been to diversify the economy of the State.

MR. ROWE:

Originally, the Legislature dedicated a portion of the jet fuel tax, one cent, to funding for the development authorities. Those monies were moved to the counties for their airports due to federal requirements. Since then, the General Fund has been the source of revenue for the development authorities. The State funds them whether or not they are successful. The NDA will receive \$1 million each year of the upcoming biennium even if they bring no new companies or jobs into Nevada. Assembly Bill 317 not only provides a stable funding source for the development authorities, it makes them accountable for their success.

In the Assembly Committee on Ways and Means this bill was passed with an amendment ([Exhibit C](#)) that gives the Interim Finance Committee (IFC) greater oversight and reporting requirements. The IFC would have the authority to stop the program if there are any unforeseen consequences. This amendment is not in the second reprint of the bill.

COCHAIR HORSFORD:

The concept of having a stable funding source for the regional development boards parallels the Legislature's goal of having stable funding for the State of Nevada. I support the idea. I support replacing General Fund allocations with other revenue sources whenever possible. I am concerned because the MBT is not fair to all businesses in the same manner. There are three ways to tax a business: payroll; gross receipts; and net profits. The MBT taxes the payroll. Some businesses have large payrolls while others do not. Despite how A.B. 317 is written, how will it affect the types of companies the regional development authorities will recruit? If a company that does well for its owners but does not employ many people, will that count toward the 50 percent that goes to the regional development authorities? How does it benefit the State?

MR. ROWE:

Any business brought into the State by a regional development authority, employing 5 or 50 people, would count. In order to obtain abatements, companies have to meet minimum requirements including paying median wages and providing benefits as well as creating a minimum of 75 new jobs in Nevada. Even the companies that do not earn abatements would be subject to the provisions of A.B. 317 regarding the MBT, provided the revenues are still within the cap.

COCHAIR HORSFORD:

Is the cap \$1 million a year?

MR. ROWE:

Yes. The bill was originally drafted with a straight \$1-million cap to apply only for NDA and EDAWN. Those are the only two development authorities that bring enough businesses into the State to generate enough revenue under this program to fund their recruitment efforts. The rural development authorities do not bring in enough companies to generate enough revenue to sustain them. The bill was amended to allow the rural development authorities to participate in this program with the understanding they would still need to receive some General Funds to sustain their efforts. The cap has been changed in the amendment to \$1 million for the NDA and EDAWN and \$1 million for all other development authorities. The difference is that any General Fund revenues the rural development authorities would receive would not be counted as part of their cap. Any General Fund revenues allocated to the NDA and EDAWN would be counted as part of their cap. We do not want the rural development authorities to be impacted negatively because they receive General Fund revenue. The NDA and EDAWN should be able to generate enough revenue from this program that they will ultimately not need General Fund revenues. But, if it is allocated to them, it will be counted toward the cap.

COCHAIR HORSFORD:

One other consideration is the long-term, stable revenue structure for Nevada. That is the work we will be undertaking as we adjourn this Session. There is one sunset I may be able to support this Session. That would be a sunset on the provision of the MBT to the extent that a new alternative tax is proposed. The MBT is not equitable for every business in place. What do you think of the idea of a sunset on the provisions of A.B. 317 based on the recommendations of the IFC study?

ASSEMBLYMAN OCEGUERA:

I agree with you, but we worked with what we had for this Session. The NDA would be agreeable to an alternate system.

MR. ROWE:

We would have to do that by default. If there were a change and we could not rely on the MBT, a long-term fund could not be built on a revenue source that has been replaced or is no longer in existence.

ASSEMBLYMAN OCEGUERA:

The amendment that was inadvertently left out of this reprint has a sunset in 2013.

COCHAIR HORSFORD:

Is the cap \$1 million per regional authority, per year? The revenue could total \$4 million each year?

MR. ROWE:

The cap is \$1 million per year for the NDA and EDAWN and \$1 million total cap for the other development authorities.

COCHAIR HORSFORD:

What are the other development authorities?

MR. ROWE:

There are 13 total development authorities. The other 11 would be subject to the aggregate \$1 million cap.

COCHAIR HORSFORD:

Is the Valley Community Opportunity Zone (VCOZ) included with those other 11 development authorities?

MR. ROWE:

The VCOZ would not be included in this program, but they have been included in the budget. The main impetus for A.B. 317 is to get the major development authorities, the NDA and EDAWN, out of the General Fund and free money up for the rural development authorities, the VCOZ and other inner-city development organizations and for development authorities in general.

COCHAIR HORSFORD:

The allocation for the Commission on Economic Development was \$10 million in 2005. This Session, the allocation was a fraction of that amount. How are the smaller entities going to sustain themselves? What happens if a rural development authority recruits a major solar energy or wind energy producing business to their community? Why should they not have the same benefits that the NDA and EDAWN have?

MR. ROWE:

All of the development authorities do participate in this program. The rural development authorities are unlikely to recruit enough business to exceed the \$1 million cap of revenues from the MBT. The MBT is very small. The VCOZ would not participate in this program because they are not a development authority. They are a community business development organization that works

with the NDA and small and local businesses. The VCOZ does not recruit out-of-state businesses to come to Nevada.

COCHAIR HORSFORD:

I support the additional reporting to the IFC that is in this amendment to A.B. 317. My concern is the types of businesses that will be recruited to the State. If the development authorities will receive 50 percent of the MBT, but the businesses recruited do not have a net benefit to the State, it becomes a drain on the State's resources. I am frustrated every time I get off the plane in Las Vegas and see a billboard that says, "Bring your business to Nevada we have no corporate income tax, we have no personal income tax." As the minority leader said on the floor of the Senate last night, Nevada is the best tax environment for businesses. But Nevada needs businesses that care about the sustainability of our communities and schools. We do not want to attract businesses which are not contributing its fair share. I do not want to support a program that allows the regional development authorities to abate a portion of our business tax to recruit businesses that do not want to pay its share. I would like the types of businesses being recruited added to the oversight of this program.

ASSEMBLYMAN OCEGUERA:

Section 1, subsection 4 of the amendment to A.B. 317 details the reporting required for quarterly submission to the IFC. These requirements can be expanded if necessary.

COCHAIR HORSFORD:

I appreciate the bill and the purpose of the bill. We need to ensure we coordinate these efforts so the end results match what we are trying to achieve.

COCHAIR MATHEWS:

Are there any other questions from the Committee? Is there anyone else to testify on A.B. 317? Seeing none, this meeting is adjourned at 9:57 a.m.

RESPECTFULLY SUBMITTED:

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Patricia O'Flinn,  
Committee Secretary

APPROVED BY:

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Senator Bernice Mathews, Cochair

DATE: \_\_\_\_\_