

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-Sixth Session
May 25, 2011**

The Committee on Ways and Means was called to order by Chairwoman Debbie Smith at 2:13 p.m. on Wednesday, May 25, 2011, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/76th2011/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Debbie Smith, Chairwoman
Assemblyman Marcus Conklin, Vice Chair
Assemblyman Paul Aizley
Assemblyman Kelvin Atkinson
Assemblyman David P. Bobzien
Assemblywoman Maggie Carlton
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Crescent Hardy
Assemblyman Pat Hickey
Assemblyman Joseph M. Hogan
Assemblyman Randy Kirner
Assemblywoman April Mastroluca
Assemblyman John Ocegüera

STAFF MEMBERS PRESENT:

Rick Combs, Assembly Fiscal Analyst
Mike Chapman, Principal Fiscal Analyst
Anne Bowen, Committee Secretary
Cynthia Wyett, Committee Assistant

Minutes ID: 1346

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Chairwoman Smith opened the work session.

Senate Bill 97 (1st Reprint): Extends the prospective expiration of certain provisions governing the list of preferred prescription drugs to be used for the Medicaid program. (BDR S-940)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), explained that Senate Bill 97 (R1) was heard in committee on May 20, 2011. Senator Valerie Wiener presented the bill to extend the prospective expiration of the provisions governing the list of preferred prescription drugs to be used for the Medicaid program. The bill was amended in the Senate to extend rather than remove the sunset that was put in place during the 26th Special Session. The bill would extend the sunset until 2015. Mr. Combs noted that the bill was a necessary provision to implement the budget because the savings was being accounted for in the Medicaid account. He said the bill just extended those provisions on the antipsychotic, anticonvulsant, antidiabetic medications from the restrictions that were imposed on drugs which were on the preferred prescription drug list for Medicaid.

ASSEMBLYMAN CONKLIN MOVED TO DO PASS
SENATE BILL 97 (R1).

ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.

THE MOTION PASSED.

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Senate Bill 430: Revises provisions governing certain child care facilities. (BDR 38-1162)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), said Senate Bill 430 was heard on May 24, 2011. Mr. Combs explained that the Division of Child and Family Services (DCFS) testified on the bill, which was presented on behalf of the Budget Division and was necessary to implement The Executive Budget. The bill transferred authority to oversee child care facilities from the DCFS to the Health Division. According to Mr. Combs, the passage of S.B. 430 would be consistent with the Committee's actions in closing the budgets for both the Health Division and DCFS.

ASSEMBLYMAN CONKLIN MOVED TO DO PASS
SENATE BILL 430.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

THE MOTION PASSED.

Senate Bill 444: Eliminates the Administrative Services Division of the Department of Public Safety. (BDR 43-1183)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), stated Senate Bill 444 was heard in committee on May 20, 2011. The bill was also introduced on behalf of the Budget Division and was necessary to implement The Executive Budget. This bill eliminated the Administrative Services Division of the Department of Public Safety. Mr. Combs said that was consistent with the actions the Committee took in closing the budgets for the Department of Public Safety.

ASSEMBLYMAN GOICOECHEA MOVED TO DO PASS
SENATE BILL 444.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

THE MOTION PASSED.

Senate Bill 450: Makes an appropriation to the Interim Finance Committee for allocation to the State Treasurer for a consultant to assist with the development of a request for proposals for the E-payment and Merchant Services contracts. (BDR S-1249)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), explained that Senate Bill 450 was also heard in committee on May 20, 2011, introduced on behalf of the Department of Administration, and was necessary to implement The Executive Budget. Mr. Combs said the bill called for an appropriation of \$25,000 from the State Highway Fund to the Interim Finance Committee (IFC) for an allocation to the State Treasurer to hire a consultant to assist with the development of a request for proposal (RFP) for e-payment and merchant services contract. Mr. Combs said the next bill that the Committee would address was connected to S.B. 450 and was a \$75,000 appropriation from the General Fund for the same purpose. Mr. Combs asked whether the Chairwoman wanted to take motions separately

or together for \$25,000 from the Highway Fund in S.B. 450 and \$75,000 from the General Fund in S.B. 481.

Chairwoman Smith said she would entertain a motion on both bills.

ASSEMBLYWOMAN CARLTON MOVED TO DO PASS
SENATE BILL 450.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

THE MOTION PASSED.

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Senate Bill 481: Makes an appropriation to the Interim Finance Committee for allocation to the State Treasurer. (BDR S-1237)

ASSEMBLYWOMAN CARLTON MOVED TO DO PASS
SENATE BILL 481.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

THE MOTION PASSED.

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Chairwoman Smith announced that the next bill to be heard during the work session was A.B. 561, which was to be amended to lift the sunsets on taxes that were implemented in the 2009 legislative session. Chairwoman Smith said Rick Combs would take the Committee through the amendment to the bill and then testimony would be heard on A.B. 561.

Assembly Bill 561: Makes various changes concerning governmental financial administration. (BDR 31-1166)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), said A.B. 561 was presented by the Budget Division. The bill, in its original form, did a number of things. Mr. Combs explained that last session the Legislature enacted a bill to require that 1 percent of the total anticipated revenue by the Economic Forum, as well as any additional revenue that was anticipated from legislation that was enacted by the Legislature prior to the close of session, be set aside at the beginning of the fiscal year in a

Rainy Day Fund. The Governor's recommendation was not to eliminate that provision, but to delay the commencement of that provision until July 1, 2013.

The bill also included provisions to implement the administration's recommendation to transfer funds from the school debt service reserves and to allow those funds to be used as local government revenues for the Distributive School Account in each year of the next biennium.

Mr. Combs related that the bill also changed provisions relating to the Modified Business Tax (MBT). He said the current bifurcated system for the MBT would expire on June 30, 2011, according to current law. The Governor's recommendation was when those provisions expired, to recreate a bifurcated rate but to put businesses with the larger number of employees at the \$62,500 per quarter level, and businesses with smaller numbers of employees would remain at the current level of 0.5 percent per quarter going forward. There was also a provision in the bill regarding MBT that affected the manner in which employee leasing companies were treated.

The next provision in the bill had to do with the fee that was currently in place for short-term leases of passenger cars. For car rentals, current law provided that a governmental services fee of 10 percent of the total amount of each lease was remitted to the Department of Taxation, and of that fee 90 percent was deposited to the state General Fund and 10 percent was deposited to the Highway Fund. The Governor's recommendation as set forth in the bill was to take the 10 percent currently deposited to the Highway Fund and instead deposit it into the General Fund.

The bill also addressed the Net Proceeds of Minerals Tax. Under current law, the advanced payment was required on the Net Proceeds of Minerals Tax based on estimated net proceeds and royalties of a mining operation for the current calendar year. That provision was set to expire on June 30, 2011. The Governor recommended delaying expiration of that requirement until June 30, 2013. Mr. Combs said that delay would enable the state to pick up an additional \$69 million in Net Proceeds of Minerals Tax revenue in fiscal year (FY) 2012.

Finally, section 12 of A.B. 561 authorized the State Treasurer to securitize a portion of the proceeds of the tax on insurance premiums. The bill was structured to securitize the proceeds over the next ten fiscal years, but the proposal from the administration was for five fiscal years. The proposal would generate \$190 million in FY 2012 and would be paid off over a period of four years after the end of the biennium.

Mr. Combs said that was the bill as it was presented to the Committee at the original hearing. The Fiscal Analysis Division had been requested to determine what proposed amendments would be necessary to the bill if the decision were made to remove the sunsets from revenues that were approved by the 2009 Legislature. A one page handout ([Exhibit C](#), "Proposed Amendment to A.B. 561") was provided to the Committee members. The amendment would retain sections 1 and 10, to delay the effective date to July 1, 2013, for the 1 percent Rainy Day Fund holdback provision that was enacted in the 2009 session. Mr. Combs said that provision would allow those funds to become part of the unrestricted General Fund revenue for FY 2012 and FY 2013. He further said the provision was consistent with the Governor's recommendation for those funds.

Item number 2 would retain sections 5 and 6 which required that 10 percent of the short-term car rental tax that was currently dedicated to the Highway Fund to instead be deposited to the General Fund. Mr. Combs noted that although this was not a sunset, it was consistent with the recommendation of the Governor.

According to Mr. Combs, item number 3 would repeal sections 2, 3, 4, 7, 8, 9, and 11 through 15 of the bill. This action would remove the provisions regarding the Modified Business Tax (MBT), remove the provisions regarding the transfer of the School Debt Service Reserves, and remove the provisions that would have allowed the securitization of a portion of the Insurance Premium Tax.

Item number 4 would require the transfer of \$41,321,014 from the Fund to Stabilize the Operation of State Government (Rainy Day Fund) to the General Fund effective July 1, 2011. Mr. Combs explained that the Governor's recommended budget also recommended that the current balance of the Rainy Day Fund be tapped, but that would have been done in FY 2011. Mr. Combs said Fiscal staff's recommendation was to delay the transfer that was recommended by the Governor until the start of the upcoming biennium. If the transfer were made at the beginning of the fiscal year, it should support the cash flow necessary to support state government, but would prevent the necessity of another Rainy Day Fund transfer when the books for FY 2011 were closed.

Mr. Combs related that item number 5 would repeal the sunset on the 0.35 percent increase in the Local School Support Tax (LSST), effective July 1, 2011. Prior to the current biennium, the LSST rate was 2.25 percent, and in the 2009 legislative session, that rate was increased temporarily to

2.60 percent. Mr. Combs said the proposal would repeal the sunset on that portion of the LSST.

Item number 6 would repeal the sunset on the Modified Business Tax (MBT) on nonfinancial businesses effective July 1, 2011, which would maintain the current two-tiered rate structure based on taxable wages paid by an employer to an employee. The two-tiered structure was currently 0.5 percent on quarterly taxable wages up to \$62,500 per quarter, and 1.17 percent on taxable wages over \$62,500 per quarter.

Mr. Combs said item number 7 would repeal the sunset on the \$100 increase in the Business License Fee effective July 1, 2011, that prior to last session was a flat fee of \$100. He noted that in the 2009 legislative session it was temporarily increased to \$200.

Item number 8 would repeal the sunset on the Net Proceeds of Minerals Tax effective July 1, 2011. The amendment was similar to the Governor's recommendation, but the Governor's recommendation in the bill was to extend the sunset on that provision. Mr. Combs said the proposal in the amendment ([Exhibit C](#)) would repeal the sunset requiring the advance payment of the tax on those proceeds going forward.

Mr. Combs presented the estimated amounts of revenue the proposed amendment ([Exhibit C](#)) would provide.

The largest revenue producer, according to Mr. Combs, was the LSST. The estimated amount that would fund K-12 education would be \$139.3 million in FY 2012 and \$143.5 million in FY 2013. The General Fund would also receive a small amount based on the commission it received on the collection of sales tax, approximately \$1.1 million in each year of the upcoming biennium.

The repeal of the sunset on the MBT would result in increased revenue to the General Fund of approximately \$148.3 million in FY 2012 and \$149.8 million in FY 2013.

The repeal of the sunset on the Business License Fee increase would generate approximately \$30 million in FY 2012 and \$30.1 million in FY 2013. As Mr. Combs indicated earlier, the repeal of the Net Proceeds on Minerals Tax in current law was projected to generate the \$69 million that both the Fiscal Analysis Division and the Budget Division were using as a projection for FY 2012.

Assemblyman Conklin asked whether the largest companies that had payrolls in excess of \$250,000 [\$62,500 per quarter] would pay 47 percent less if the sunsets on the MBT were not repealed.

Mr. Combs said that while he did not have the percentage figures Assemblyman Conklin referred to, he could say that if the sunset was not extended, large employers would receive a rate change from the current 1.17 percent to 0.63 percent. He further stated that if the sunset from last session was allowed, all businesses would pay 0.63 percent. The Governor had recommended allowing smaller employers currently at the 0.5 percent rate to maintain that rate going forward. Mr. Combs reiterated that if the sunset kicked in, it would put employers, large and small, at the 0.63 percent rate.

Assemblyman Conklin remarked that roughly 25 percent of businesses in Nevada represented the largest businesses in the state, and those were the ones that would be affected by the tax break.

Mr. Combs commented that he did not recall the percentage of largest businesses, but keeping the 0.5 percent rate would reduce revenues by approximately \$8 million per year.

Chairwoman Smith stated that she had researched this question before session started and found that 73 percent of the state's businesses had received the tax break.

Assemblyman Conklin said if the sunset was not repealed, 73 percent of businesses would pay more, but those were all small businesses and the largest businesses, which represented the other 27 percent, would receive a 46 percent tax break.

Assemblyman Conklin also pointed out that if the sunset was not repealed on the LSST, the local school districts would be minus \$139.3 million in each year of the biennium, and obviously the state was going to have to make that up somewhere.

Mr. Combs agreed that was correct and explained that if the sunset was extended, that amount of money went to funding for K-12 and could offset the amount of General Fund needed.

Assemblyman Conklin said the numbers were unique for item number 8, which was the sunset on Net Proceeds of Minerals Tax paid by mining. If that tax was allowed to sunset, mining would not pay approximately \$70 million in taxes in the first year of the upcoming biennium.

Mr. Combs agreed Assemblyman Conklin was correct and there would be no Net Proceeds of Minerals Tax revenue received by the state in FY 2012 if the provision was allowed to sunset.

Chairwoman Smith announced there were many persons who had signed in to testify regarding A.B. 561, and she began by calling those who wanted to testify in support of the bill.

Billy Vassiliadis, representing the Nevada Resort Association, testified in support of A.B. 561. Mr. Vassiliadis commented that he had not heard of many businesses appearing before the Legislature this session requesting a tax cut. While he said he had hoped for a new broad-based tax package, he felt there was no business in Nevada that cared about this state that would want taxes reduced while the state was laying off teachers, reducing their salaries, furloughing state employees, reducing nursing home support, reducing public safety, potentially closing community colleges, increasing tuition, eliminating professors, and eliminating degrees from universities. Mr. Vassiliadis maintained that a tax cut was just not necessary.

Chairwoman Smith said lately there had been quite a bit of good news, both through the Economic Forum and through the recent sales tax revenue reports, that the economy appeared to be in "recovery mode" in Nevada. She wondered if Mr. Vassiliadis would comment on a possible recovery.

Mr. Vassiliadis said he had a couple of thoughts about economic recovery. He said, clearly, the southern Nevada tourism industry had begun to see better days. But, when debate began approximately two years ago, southern Nevada was operating at about 2003 levels. While the tourism industry was probably moving closer to 2005 or 2006 levels, it was still operating at significantly reduced revenue levels. He said according to quarterly reports, not many Nevada companies were making money, and in fact, much of the economic growth had come from overseas. However, Mr. Vassiliadis said the tourism economy in southern Nevada was recovering, but that was not yet the case for the north. There was still a major project on hold in southern Nevada, and another property that was about 75 percent finished and lacking the financing to continue. He noted there were no major projects on the horizon, so construction jobs and sales tax revenue should not be planned for any time in the near future. He reiterated that the economy was getting better, but growth was slow.

Phil Satre, Chairman of the Board for NV Energy, Inc. and International Gaming Technology (IGT), testified in support of A.B. 561. Mr. Satre stated that prior to his role with NV Energy and IGT he spent 25 years at Harrah's, now

Caesars Entertainment. He said his perspective today was as someone who had lived and worked in both northern and southern Nevada for the better part of the last 36 years. He said he was by nature a fiscal conservative and for most of his business career had fought to prevent excessive and highly specific taxes on the businesses that he had been associated with. Mr. Satre said he had supported many of the reform measures that had been articulated by the Governor and that were being debated in the Legislature. Additionally, Mr. Satre authored the preface to Frank Partlow's book, "SAGE Nevada: Bipartisan Directions for Nevada's Future," in which he supported the Nevada Spending and Government Efficiency (SAGE) Commission's recommendations for changing the way money was spent in state government. He maintained that government must become more efficient and fix the systemic problems of the state.

Mr. Satre said he found himself in the unusual position of encouraging the Committee to extend the Sales and Use Tax, the Modified Business Tax (MBT), and the Business License Fee that were set to expire in June, 2011. Extending these taxes would cost NV Energy and IGT millions of dollars, but Mr. Satre firmly believed that extending those sunsets would not compound, prolong, or exacerbate Nevada's economic problems. On the contrary, Mr. Satre said the revenue generated by extending the sunsets would serve Nevada's future, growing jobs, preserving and improving K-12 education, continuing the growth of excellence in the Nevada System of Higher Education (NSHE), and providing a safety net for Nevada's most vulnerable citizens. Extending the sunsets would generate approximately \$626 million in revenue for the upcoming biennium. Mr. Satre said extending the sunsets could offset significant cuts to the areas he had articulated and avoid the need to use funds from school capital construction accounts for operations.

According to Mr. Satre, both now and in the future, Nevada businesses and businesses considering a move to Nevada needed an education system that provided a trained, well-educated workforce. Those businesses needed to know they could expand and meet their workforce demands or move here without importing their workers. Nevada could not decrease investment in K-12 and higher education and expect businesses to have confidence in the state. He said if the state wanted economic growth, it would have to invest in it.

Mr. Satre said the businesses he had been associated with were admittedly large with thousands of employees and had been in the state for a long time. These large businesses purchased goods and services from hundreds of small businesses throughout Nevada, ranging from parts and equipment, construction, landscaping, vehicles, and even lawyers and accountants. Just in 2010, NV Energy spent more than \$120 million on those types of goods and services

with over 2,000 Nevada suppliers. Mr. Satre said NV Energy's employees supported many other small businesses with their purchases of goods and services that it takes to live here: going out to restaurants, buying furniture, buying a home, buying a car, and buying appliances. He said Nevada was an integrated economic system, and everyone had a significant stake in the state's future.

Assemblyman Hickey asked Mr. Satre what his personal position was regarding reforms as they related to the sunsets.

Mr. Satre replied that he was supportive of the reforms and the ones that he was most specifically familiar with were the ones in education, whether K-12 or NSHE. He said he had seen both of those institutions step up with those reforms, and regarding the restructuring of state government, he supported the recommendations of the SAGE Commission and also supported reforming government to make Nevada more efficient and effective.

Susan Brager, Chairman, Clark County Board of Commissioners, testified in support of A.B. 561. Ms. Brager said that while she understood that for some extending the sunsets were not necessarily a favored solution; the consequences of not extending the sunsets were extremely dire for Clark County. Already Clark County had made significant budget cuts in five separate rounds of reductions. Ms. Brager said the County had lost 1,726 positions which represented 20 percent of its workforce. Speaking from experience, Ms. Brager said she knew how heart wrenching it was to make the decision to layoff employees, as in the last round of layoffs when 82 people lost their jobs. Clark County had been able to reduce its \$100 million structural imbalance to \$50 million going into the next fiscal year, which meant that more cuts would have to be made. She said, unfortunately, faced with additional reductions from the Legislature, Clark County had no further areas to cut, except for employees. Should the Legislature revert to the Governor's recommended budget, Clark County had estimated that upwards of 600 positions would have to be eliminated, representing another 13 percent of its General Fund workforce. Ms. Brager said those cuts would be made in areas that touched the lives of those in the most need, including social services, the criminal justice agencies, juvenile justice, and child welfare. She noted that economic recovery could not be aided by citizens losing important social services and safety net programs, nor could it be aided by adding additional people to the unemployment rolls. Ms. Brager urged the Committee to support extending the sunsets.

Ms. Brager said Clark County Commissioner Chris Giunchigliani was not able to appear before the Committee today, but wanted the members to know she was in favor of lifting the sunsets and was supporting A.B. 561.

Scott Sibley, private citizen, Henderson, Nevada, testified in support of A.B. 561. Mr. Sibley stated he was a small business owner and wanted to speak in support of the proposed amendment ([Exhibit C](#)) to A.B. 561 to repeal the sunset of the MBT. He said that if the sunset was not lifted, the MBT rate for small businesses would increase and could mean the difference in hiring additional employees. Small businesses provided 70 percent of American jobs and were the backbone of the community. He believed there would be no solid economic recovery until employment numbers increased. Without the amendment, Mr. Sibley said small businesses would suffer a tax increase, and that would not reduce unemployment.

Keith Lynam, Realtor, Windermere Real Estate, testified in support of A.B. 561. Mr. Lynam said he shared the same opinions that Billy Vassiliadis had stated so well. While he was supporting the extensions, it was his desire that at some point in time the state stopped “kicking the can down the road” and someday actually picked up the can to find out what was in it. Mr. Lynam said that in the future he hoped there could be a discussion about how to pay for education, what the state should get out of education, serious reforms to collective bargaining, and, most importantly, how Nevada’s businesses and their residents were taxed. He commented that he was in favor of extending the sunsets, and he appreciated the efforts of all the Legislators.

Dan Musgrove, representing the Valley Health System, testified in support of A.B. 561. Mr. Musgrove said the Valley Health System had five hospitals in southern Nevada and one in northern Nevada and represented over 5,000 employees. The Valley Health System was a large taxpayer, submitting over \$14 million in taxes to the state every year. Mr. Musgrove said the hospital industry was facing tremendous cuts in the Governor’s recommended budget that would severely and dramatically hamper the healthcare delivery system in the State of Nevada. He noted, for those who planned on voting for the Governor’s recommended budget, there was a tax increase in that budget in the form of additional cuts to Medicaid. Presently acute care hospitals only received 58 percent of actual costs when the state reimbursed hospitals for services to patients that were the most needy and vulnerable. Mr. Musgrove said that discrepancy was absorbed by hospitals to take care of those citizens.

Chris Bayer, local artist, Carson City, testified in support of A.B. 561 and read his statement into the record ([Exhibit D](#), “Testimony of Chris Bayer”): Mr. Bayer

stated support for the arts required resources and extension of the sunsets was critical.

Betty Hicks, private citizen and small business owner, testified in support of A.B. 561. Ms. Hicks said she had been a small business owner in Nevada since 1994. She said she had been paying the business tax that was implemented in the last legislative session and had survived, but she was not sure Nevada was going to survive unless different choices were made and changes implemented. Ms. Hicks commented that she had also been an educator and had watched Nevada's education system go downhill with the lack of funding. She said it was time to do what was right for all of Nevada, not for a specific party and not for a specific Governor.

Marybeth Scow, Clark County Commissioner, testified in support of A.B. 561. Ms. Scow said a continuing negative effect on the economy would occur as more people lost jobs, which would happen if the sunsets were not lifted, but a greater effect would occur from not investing in education.

Douglas C. Gillespie, Clark County Sheriff, testified in support of A.B. 561. Sheriff Gillespie said the reason he was testifying was similar to the reason many people had already testified. He said from his standpoint it was about revenue, and revenue used to run the largest police organization in the State of Nevada, as well as the largest county jail facility. Based on his interactions with members of Clark County government, if the sunsets were not continued, it would negatively affect the funding stream, and the County would be asking the sheriff to further reduce the expenditures of the Las Vegas Metropolitan Police Department (Metro) and the Clark County Detention Center. Sheriff Gillespie said Metro had eliminated 465 positions over the last two years, and 238 of those positions had been police officers.

Dr. Sondra Cosgrove, Ph.D., College of Southern Nevada (CSN), testified in support of A.B. 561. Dr. Cosgrove stated she was before the Committee to speak in favor of the bill because she had a vested interest, not because she was a public employee, but because she had lived in Las Vegas for 25 years, it was her home, and she planned to live there until she died. She said she also had a vested interest in her students. Students came to the community college and did what Americans had been told to do; they set goals, they worked hard, and they wanted to become middle class taxpayers and take care of their families. She said if the Legislature did not help the students they might be driven to the welfare roles, so she asked for help for students who were trying to do what they had been told to do.

Andrea Hughs-Baird, representing Parent Leaders for Education, testified in support of A.B. 561 and read the following statement into the record:

My name is Andrea Hughs-Baird and I am with Parent Leaders for Education. During this session our group has grown to 750 on our email list and over 150 "likes" on our Facebook page. We have hosted six Stand Up for Education events with over 1,200 in combined attendance, we have delivered over 2,000 constituent postcards to Washoe County legislators and the Governor, and this is the 27th day we have had two to ten volunteers in Carson City attending meetings, giving public comment, delivering postcards, and having individual meetings with legislators and the administration.

From our very first testimony on January 26, 2011, to the Ways and Means Senate Finance Joint Subcommittee, Parent Leaders for Education has advocated for education funding.

We have shared the reality of funding education at one of the lowest levels in the nation. Parents at my children's school are left to fundraise for basic needs like leveled readers, copy paper, and copiers. They are also funding much more important needs like a kindergarten aide to reduce class size, an RTI (Reading Teachers in Response to Education) teacher to offer specialized help to the students struggling with reading and math and technology to bring the classrooms into the 21st century. I can assure you that cutting education funding is not going to make my kids' school better. Pushing out the date on the sunseting taxes is the easiest way to reduce the cuts to education funding. As Senator Raggio said at the Washoe County School District (WCSD) press conference announcing the first round of proposed budget cuts, he wrote the sunseting taxes bill and the intent was for the taxes to be extended again if the economy had not improved enough to prevent devastating programs like K-12 education.

At our Stand Up for Education events, the over 1,200 people in attendance were very clear that they would be more than willing to pay more taxes, or at the very least keep the sunseting taxes that we are already paying and will not feel if they are lifted, so that education funding can be maintained at the level of the last biennium. Some were practically begging to pay taxes and the best line was "I can either move to California and pay more taxes

there, or stay in Nevada and pay more taxes here. I would rather pay more taxes in Nevada."

This is by far not enough reform, but WCSD has a new strategic plan that is a reform plan. We have heard in this session that the Clark County School District (CCSD) is not far behind us. The current K-12 system has been broken, but we believe the strategic plan is a first step in fixing the system, and as such it needs to be supported with no cuts. It is hard to believe that after 10 to 20 years of so many people, some of whom are in this Legislature, working so hard to improve education in Nevada, that now when there finally are leaders in the two largest school districts in the state that are determined to deliver reform, whether or not it is legislated, that this Legislature is considering not doing everything in its power to enable those leaders and that reform. More reform is better and will enable them to do more, but drastically cutting funding will hinder reforms that are already planned.

Please do not make the hundreds, if not thousands, of hours Parent Leaders for Education has put into our efforts be for nothing. Our group has planned to put a report card on this legislative session on our website. It has been very difficult to determine exactly what bills and votes should be included. From our vantage point, as a nonpartisan organization, this session's elected officials will all succeed together or will all fail together. If you fail, the whole state suffers, the quality of education will suffer, and our state's economic recovery will suffer. Letting these taxes sunset will not cause our state to recover economically, but other states have proven that investing in education will. If you will support funding education at the level of the last biennium, if you will support reforms that will enable our strategic plan to be more effective, if you will make the decisions, compromises, and votes that are required to adequately fund and enable our strategic plan, then we will support you like we are supporting our district and our superintendent.

Thank you all for the hard work and dedication you have put into this session. Please let the outcome reflect all your efforts.

Chairwoman Smith said she would like to take a moment of personal privilege and thanked the Parent Leaders for Education for its hard work.

Carolyn Edwards, President, Clark County School District Board of Trustees testified in support of A.B. 561. Ms. Edwards said the Governor had indicated that the extension of these taxes would impede economic recovery, but she believed it was important to note that these taxes were currently in place and the state was seeing the beginnings of an economic recovery. Clearly, extending these taxes would not impede economic recovery because it had already begun. Ms. Edwards explained that to address the Clark County School District's budget shortfall of approximately \$400 million, one of the things that had been done was increase class size in elementary school by three students and in secondary school by two students. The Board had directed that any money that came back to the District would be used to reduce that increase in class size, which would result in fewer teachers being laid off. She said it was important to know that extending the sunset would allow the Clark County School District to layoff fewer persons and to keep more employed.

Jan Crandy, private citizen, testified in support of A.B. 561. Ms. Crandy stated she was a parent, former business owner, and an advocate for 15 years, serving on Nevada's Strategic Plan for People with Disabilities for six years, the Special Education Advisory Committee, and currently as a commissioner on the Autism Spectrum Disorders Commission. She remarked that the money being pulled out of Mental Health Developmental Services would disrupt services and hurt individuals. The children served would receive less, or be exited and, as a result, in most cases would regress. Ms. Crandy said she supported extending the sunsets because Nevada citizens were used to the current taxes and eliminating them would only hurt children and the neediest individuals in Nevada.

Glenn Christenson, Managing Director, Velstand Investments, testified in support of A.B. 561. Mr. Christenson said that in addition to his business, he was very active in supporting economic development in Nevada through the Nevada Development Authority and higher education through the Nevada State College, UNLV, and interaction with the Nevada System of Higher Education (NSHE).

Mr. Christenson said to return to the economic prosperity Nevada enjoyed just a few years ago, it would take leadership, shared sacrifice, and a willingness to pull together unlike any time in the past years. He said he supported Governor Sandoval in his efforts to expand economic development and diversification and as a business man he appreciated the Governor's efforts to keep taxes low in order to encourage job growth, and to attract, expand, diversify, and retain businesses. He also believed the Governor understood the importance of education to Nevada's future, and at the same time he supported Majority Leader Horsford and Speaker Ocegüera in their emphasis on education

and the funding required to bring education to the level that would allow Nevada to reach its exceptional potential. Mr. Christenson also believed they understood the importance to our state's economic health in an attractive tax environment.

Bob Fulkerson, representing Progressive Leadership Alliance of Nevada (PLAN), testified in support of A.B. 561. Mr. Fulkerson made the following statement for the record:

Yesterday it was a funeral atmosphere around here. I do not think I have seen or heard as many tears over the painful choices that many of you had to make about these bone splintering cuts that the state is facing. I was incredibly dismayed to hear that there were some smiles in the building because of that. Yet, today because of the sunset tax, the state that we love so much is not quite dead yet. We have a reprieve; we have a way to breathe some life back into this state. Some people talk a really good game about how much they just love those small businesses, so if you vote against this sunset tax, remember it is a 26 percent increase in the MBT for these small businesses and it is a tax break for our biggest, most highly profitable corporations: \$50 million for gaming, \$9 million for mining, and they do not even want these tax breaks. It will also mean that you support leaving our communities defenseless. We heard from Sheriff Gillespie of Las Vegas Metro today, and in the Reno Gazette-Journal yesterday, Washoe County Sheriff Mike Haley was quoted as saying these are draconian cuts that will leave our communities defenseless. It will mean that you support four-day school weeks, it will mean that you support having a shell of a university system and locked doors for our kids, which also means you are locking the door for further economic opportunity for our kids. It will mean that you support a state where the sick, the mentally ill, the elderly, and the vulnerable are basically told "too bad," you are on your own. You can go ahead and get sick and die and the government is not going to be on the side of the street of the Good Samaritan anymore and it is too bad. Already, without these cuts, and I have said this before, but I think it a very painful statistic that we are 53rd in free and reduced-price school lunches. We are behind Guam and Puerto Rico for sending hungry kids to school. That is even without these cuts. If you are not at least going to lift these sunsets then you have to own what you are doing to Nevada, and you are going to be held responsible for leaving our communities defenseless, for leaving our kids defenseless. Our state deserves better. Unfortunately the margin

tax is off the table now; it is probably headed for the ballot. We are just outraged that mining is not part of this deal, but at least this sunset tax is the last gasp, last ditch effort; it is Nevada's last stand. You have to stand with Nevada and support this. If you do not and you support "Gov wreck" it is simply a vote to destroy the future of this state.

Marlene Lockard, representing the Nevada Women's Lobby, testified in support of A.B. 561. Ms. Lockard said the Nevada Women's Lobby and its members felt strongly that now was not the time for a tax cut for the State of Nevada. She related that her sister-in-law, a third grade teacher, had called her recently and said, "You know Marlene, in third grade we are required to teach our students curriculum for compromising, how does that not reach the Legislature."

Gigi Chisel, Vice President, Lewis Operating Corporation, testified in support of A.B. 561. Ms. Chisel stated that the Lewis Operating Corporation was a large real estate development company which had been in business for over 56 years, with 40 years in Nevada. She stated that to continue efforts toward economic diversification and to put the state back on a path to recovery, Nevada's system of higher education must not be dismantled, and funding must be provided to K-12 to prepare the workforce of the future.

Michael Behm, owner of Tutor Doctor, testified in support of A.B. 561. Mr. Behm said as a small business owner he did not see the current tax levels as onerous to running a business. He urged the Committee to extend the sunsets.

Joe Hardin, private citizen and parent of an elementary school student and a high school student, testified in support of A.B. 561. Mr. Hardin said that Nevada needed to keep every program and every teacher in place, and if lifting the sunsets would make that possible, it should be done.

Bob Linden, owner of Shred-It Las Vegas, testified in support of A.B. 561. Mr. Linden said he was appearing before the Committee to encourage the extension of the sunset and continue with the existing tax rates. He said normally, as a business owner, he would say, "let's lower those taxes," but in good conscience he could not do that because of the need to support education in Nevada. Mr. Linden implored the Committee to extend the current tax rates and continue to support education and to address, between now and the next session, issues related to reforms.

Steve Hamilton, Hamilton Solar, Reno, testified in support of A.B. 561. Mr. Hamilton said his company was a solar installation company with 50 employees which had been in business for 2 years. He noted that his small business had been paying the taxes and had assimilated them into their budgets and forecasts. Considering the condition of the state, Mr. Hamilton did not believe the taxes were onerous and wanted the sunset lifted for the good of the state and its citizens. He said looking at the big picture, there was nothing better than living in a state that was prosperous with good community spirit, a strong educational system, and a good solid work environment. Mr. Hamilton strongly endorsed lifting the sunset.

Chad Dickason, Hamilton Solar, testified in support of A.B. 561. Mr. Dickason said that the current tax on the business had cost Hamilton Solar less than \$7,000 on more than \$10 million in revenue over the last five quarters. He added that he did not consider that to be a significant tax on his business.

Josh Griffin, Griffin Communications Group, testified in support of A.B. 561. Mr. Griffin said he was representing Frias Transportation Management and the Nevada Subcontractors Association, both of which supported a strong education system and were in favor of removing the sunsets on taxes.

Robin Renshaw testified in support of A.B. 561. Mr. Renshaw stated he was a native of Las Vegas, Nevada and had had cerebral palsy (CP) all of his life. He said that growing up with CP he had not needed services from the state; however, children with autism now needed Nevada services, and he asked the Committee to lift the sunsets and extend taxes.

Terri Kirby, private citizen and parent, testified in support of A.B. 561. Ms. Kirby stated her children had a lot of mental and emotional disturbances and the system had already failed one of them. She asked the Committee not to fail any more children.

Ralph Toddre, Commissioner, Nevada Commission on Autism Spectrum Disorders, testified in support of A.B. 561. Mr. Toddre stated he was the parent of two children with autism, and there were thousands of children in this state with mental and physical disabilities that should not be forgotten. Without state services, these children and adults would have little chance at a productive, happy life. He said cuts to mental health, Medicaid, K-12, and higher education would only hurt Nevada's most vulnerable citizens. A recent CDC (Centers for Disease Control and Prevention) study showed that one in seven children suffered from a developmental disorder, whether it was autism, ADHD (Attention Deficit Hyperactivity Disorder), or one of the many other disorders. He noted that all of those children had one thing they relied upon and

that was state services, Medicaid, and public education. He requested that the Committee repeal the sunsets.

Chris Miller, Storey County School Board member, testified in support of A.B. 561, and read the following statement into the record:

For the record, my name is Chris Miller. I am a school board member in Storey County and currently the President of the Nevada Association of School Boards.

You have heard the board members from Clark County, Nye County, and Lincoln County are in Las Vegas. Here in Carson City we also have board members from Carson City, Douglas County, Storey County, and Washoe County. Others are also listening online.

I am here on behalf of the Nevada Association of School Boards and its 17 board members to communicate the Association's support for the Legislature's moving forward with a proposal that will reduce the need for some of the proposed drastic cuts to K-12 public education. We also encourage your repeal of section 2 of A.B. 561, regarding the sweeping of debt service reserve funds. As you may have read in iNVEST '11, we can never forget "that our students are more than numbers." I know that you are keeping our state's 437,444 boys and girls in your minds as you debate and consider this proposal.

Thank you for your service during the current, challenging circumstances and for the opportunity to go on record in support of the Legislature's moving forward with extending existing revenue streams in support of public education and other needed services for Nevada's children and their families.

Jim Richardson, Nevada Faculty Alliance, testified in support of A.B. 561. Mr. Richardson said last session Nevada's education system experienced a 20 percent cut in General Fund support, resulting in a number of serious ramifications and dramatically increased tuition. Over 700 positions were lost systemwide along with several degree programs no longer being offered and classes cut. He testified that if the Governor's budget was approved as submitted, at the end of the next biennium NSHE institutions would have closed 38 colleges, schools, departments, or centers; eliminated or suspended 23 more academic programs; eliminated 46 degree programs; and cut 2,073 course sections. Mr. Richardson did not call those cuts making progress in trying to

improve the educational level of Nevada's citizens and, further, cuts did not help to diversify the economy.

Robin Williamson, member of the Western Nevada College (WNC) Foundation, testified in support of A.B. 561. Ms. Williamson read the following statement into the record:

On Monday I had the opportunity to attend the graduation of Western Nevada College here in Carson City. It is the 40th year in existence. They graduated their highest amount of students: 463 students, bright, young, and old. A lot of returning people for retraining, getting new skills, young people from the military who have gone back to WNC to get new skills, along with high school students, single moms. It is a variety of student body and they were all happy and excited. The next day in Churchill County they also had a graduation ceremony, again with a diverse student population, all doing what they think they are supposed to do, get an education so they can get a better job and support themselves. Unfortunately, with the proposed budget of cutting 31.7 percent out of WNC's budget over the next two years, that will probably be our largest class for some time. Many of the programs that those students were involved with will not be available again.

Please extend the sunset taxes for the next two years. We always have a saying that you get what you pay for, but I say you don't get what you don't pay for. If we really want good quality education in our state, we need to pay for it. These sunset taxes are not the answer, but it certainly gives our economy some breathing room so we can regroup and go forward in the future.

Wade Poulsen, Trustee, Lincoln County School District, testified in support of A.B. 561. Mr. Poulsen said he was a fiscal conservative, a landowner, and he believed the taxes were needed to move forward so that education could be funded. Lincoln County School District had reduced its budget by 36 percent over the last two years, and further cuts could be detrimental to rural children who deserved education as much as any child in Nevada. Mr. Poulsen said Lincoln County tried to be fiscally active and had moved two high schools and all of its grade schools to a four-day school week for the past three years. The four-day school week had been very successful, and the School District had tried to be proactive in reducing expenditures. He said, as a trustee, he encouraged the Committee to allow the taxes to go forward and not to allow them to sunset.

Brian Fadie, private citizen, testified in support of A.B. 561. Mr. Fadie made the following statement for the record:

I am a young professional. I am 24 years old, have a college degree; I have a job in a field of high technology. I think I represent a demographic that every Committee member here would like to have in their district; would like to have grown up in their district; or would like to move into their district. I briefly wanted to tell you as representing a young professional demographic what needs to happen for me to want to stay in Nevada and what needs to happen for me to want to encourage my friends who live in other parts of the country to move to Nevada. There needs to be some semblance of investment in our communities. That means education, health services, and helping the weakest among us live decent lives and everyone in our community live better lives. The Governor's budget does not represent that to me—it goes the opposite. It signals to me that Nevada is not a place that values its communities or looks to invest in its future. I am here just to represent a different faction. I have been to a number of these meetings now and I guess I haven't heard this perspective, so I thought this might be a little bit different. I want to stay in Nevada. I want to raise a family in Nevada. I like Nevada and I want to stay here, but each of you needs to demonstrate a willingness to invest in this community. These sunset taxes are a small, but helpful step in that direction, and I plead with you to please vote for their passage.

Alison Turner, President, Nevada Parent Teachers Association (PTA), testified in support of A.B. 561 and read the following statement into the record:

It is unusual for the PTA to advocate on a specific tax action; however, "desperate times call for desperate measures." Nevada PTA supports the amendments to A.B. 561 primarily because the rainy day that prompted these changes has not yet dawned sunny in the State of Nevada. Our understanding of the proposed amendments ([Exhibit C](#)) is that they would simply extend the current tax structure already in place including the tax break for smaller businesses. A rough calculation of the estimated revenue from these amendments is almost \$700 million over the biennium. I have reviewed Nevada PTA's resolutions and position statements over the past 25 years to formulate this position. It is deeply disturbing that for more than just the last 25 years Nevada still cannot recognize that we must make significant changes to the

way revenue is generated to provide services that Nevadans want and need.

Nevada PTA believes that there are three components to excellence in our public education system and that they are parental and community involvement, competent and caring educators, and adequate funding. Nevada PTA supports education reform, specifically ending social promotion, and including pay for performance, while replicating what works and cleaning up what needs improvement. Cutting still further some of the lowest per pupil funding in the nation will not improve student outcomes. We would also like to briefly note the following: K-12 enrollment has been stable during this economic downturn. Nevada still has 436,000 K-12 students who come to school each day and who cannot wait a couple of years until Nevada thinks it can afford to educate its students again. Higher education enrollment has actually increased during this economic downturn, as some students enroll for the first time, and more return for additional training to get a better job or just to get any job. Almost all agree that a robust preschool through graduate school public education system is the key to diversify and strengthen Nevada's economy. Continuing with the seventh round of cuts to this vital part of the health of this state would demonstrate reckless disregard for the future of Nevada. The states with the best business climates in the nation provide significantly greater support to public education, and all function very well with greater tax burdens than Nevada has in place.

Finally, the greatest barrier to successful student outcomes is poverty. The proposed budget takes our most at-risk students and our most at-risk families and puts them further at risk with cuts to social services, health services, and public safety. At the same time we are demanding better student outcomes and education reform, while Nevada implements common core state standards and the bar jumps significantly in the coming school year for schools to achieve adequate yearly progress under No Child Left Behind. This equation does not balance. The proposed amendments to A.B. 561 would help to rebalance the equation. Nevada PTA urges you to support these amendments and the long-term future of our state. Thank you all for your very hard work during a most challenging session.

Warren Hardy, representing HTR Engineering, testified in support of A.B. 561. Mr. Hardy stated that his client wanted to go on record that if the Legislature felt it was necessary to advance a revenue package, the removal of the sunsets was the preferable method. It carried the least impact for small businesses.

Hugh Dudley Evans, Jr., private citizen, testified in support of A.B. 561 as amended. Mr. Evans said he was appearing before the Committee to speak as a businessman, and as was noted before, those taxes were intended as a bridge to a time when revenues from other sources would be sufficient to fund necessary government services. Mr. Evans said he believed those taxes were even more essential now than they were when enacted. From a business perspective, Mr. Evans said he believed the tax burden from those taxes being extended was minor and even inconsequential and to his knowledge had not caused a single business to close or leave the state or to block consideration of coming to Nevada.

Mark Fiorentino, Kaempfer Crowell Renshaw Gronauer & Fiorentino, testified in support of A.B. 561. Mr. Fiorentino made the following statement for the record:

My name is Mark Fiorentino and I am with the law firm of Kaempfer, Crowell, and I am here before you today representing the Focus Property Group and Mr. John Ritter, who is one of the founders of that company and its current chairman. Those of you who know John Ritter know that he would have preferred to talk to you in person today, and he regrets that he could not because he is out of the state. He asked us to speak on his behalf. Focus Property Group was, at one time, one of the largest property owners and master developers of property in southern Nevada. I think their story is probably typical of many of the small businesses that have grown, prospered, and then struggled in the last few years in our state. The company started with only 4 or 5 employees and, over a period of years, grew to over 150 employees and now is down to less than 10 employees again. Said simply—the last couple of years they have been struggling to survive. The company is here, however, to support your lifting the sunsets on these taxes. The lifting of the sunsets will not significantly impact the company's ability to continue to recover and, in fact, to resume its growth and to prosper again. Like others who have testified, they have budgeted for those taxes, and they are prepared to pay, as well as willing to pay. Like others who have spoken, they think it is critical to the long-term economic growth of our state to continue to fund and improve things that are

essential to our quality of life in Nevada, in particular, education. And so, we would join the others in support of extending the sunsets.

Jennifer Lazovich was going to speak from our firm on behalf of Pardee Homes. Pardee Homes is a very successful home builder in southern Nevada. Ms. Lazovich would have had very similar testimony. Pardee Homes is ready and willing to pay these taxes and support extending the sunsets for the purposes that you have discussed. Both of those two companies, Pardee Homes, and Focus Property Group support the efforts you are making in reform and support a continued discussion in those areas and trust that collectively you all can come together on something that makes sense and everybody can feel comfortable with.

Andrea Woods, private citizen, testified in support of A.B. 561. Ms. Woods said she wanted to go on record to say that she supported the extension of the current taxes that would sunset on June 30, 2011. She hoped that revenue would be used for education as well as health and human services programs.

Stephanie Vrsnik, private citizen, testified in support of A.B. 561. Ms. Vrsnik said she supported extending the taxes; however, she was specifically before the Committee as a concerned member of the community. She said she was very upset about the cuts that were made yesterday because those cuts would affect her family and everyone in the state for years to come.

Harold Tokerud, President, Nye County Board of Trustees, Nye County School District, testified in support of A.B. 561. Mr. Tokerud stated he was before the Committee to provide information about what was happening in Nye County. He said the Board was not really concerned about how many kids were in classes, because it was more concerned about whether it would be necessary to close a school. There were seven towns in Nye County with schools the size of Duckwater, with 15 children, and Gabbs, with 61 children, and the rest at different sizes. Mr. Tokerud said that in 2010 approximately \$5 million and 40 employees were cut, and if the MBT and other taxes were allowed to sunset, the County would be looking at cutting \$7 million more.

Geoffrey Lawrence, Deputy Director of Policy, Nevada Policy Research Institute (NPRI), testified as neutral to A.B. 561. Mr. Lawrence made the following statement for the record:

I am testifying as a neutral party today because NPRI does not advocate for or against specific legislation. However, I do have

some concerns I would like to convey regarding the specific components of this bill. As I am sure you are aware, every tax instrument impacts economic behavior in unique ways. These distortions are generally wealth-reducing because they alter human action away from the welfare maximizing behaviors that occur within open markets. However, since governments are compelled to levy taxes in order to provide for certain public goods, sober consideration should be given to the relative merits and drawbacks of alternative taxing mechanisms. The Modified Business Tax (MBT) is ultimately a tax on labor, which artificially increases labor costs, suppressing the demand for labor. As a result, the tax is a negative incentive for employers to retain existing workers or to hire new ones. It also can lead to an overmechanization of industry beyond the point of optimal production, because the cost of capital relative to labor is artificially skewed. Taxes on labor, as with taxes that specifically target capital, distort the delicate balance between these two categories and lead to suboptimal levels of production. The Local School Support Tax (LSST) as you know is a tax on consumption. Consumption taxes artificially elevate the final price facing consumers, and therefore, suppress consumer demand for the taxed goods. This means that while consumer welfare is injured, retailers see fewer revenues as a result of the decline in consumer demand. This fall in business revenue is generally translated backwards to factor inputs like labor and capital further exerting downward pressure on wages. As I often say, business is like a jelly donut, if you squeeze it the jelly has to come out somewhere. Consumption taxes are generally some combination of higher prices on consumers or reduced wages for workers.

I bring up these points because the adverse impacts of taxation are directly proportional to the size of the tax burden imposed. Since an extension of the MBT and LSST increases from 2009 would effectively increase the total tax burden beyond what is scheduled to exist. This bill would only magnify the distortions caused by these particular tax instruments.

I have heard a lot today about the ability to fund public education with the implication that currently revenues would be insufficient to accomplish this task. But far more important than how much money is spent is how effectively the money is spent. I believe that the educational system in Nevada is not structured to deliver cost-effective results in terms of student performance. The body

of evidence is immense and irrefutable regarding the effectiveness of specific and substantive education reforms on improving student performance and, consequently, those students' chance of success in life. These reforms include alternative teacher certification, open enrollment, evaluating grades in public schools and teachers based on student achievement and, most importantly, expanding the universe of school choice. School choice does not have to mean vouchers, it can mean the expansion of charter schools, including virtual schools, and a tuition tax credit program along the lines of one modeled by NPRI. These truths have been known for a long time, and yet the Nevada Legislature has failed for years to implement meaningful reform in the interests of our children.

I apologize for letting emotion enter into my testimony at all, but I find it personally problematic that some observers are using children as political leverage for tax increases at a time when the Legislature has remained hostile to meaningful education reform for a period of years. I believe that if this body was serious about improving our children's chance at success in life, we would have had two or three sessions ago, at least, a meaningful discussion on how to expand school choice options, alternative teacher certification, and the other reforms that I have mentioned.

Chairwoman Smith said she would take a moment of personal privilege to indicate that she had personally worked on education reform for the past year brought forward through both the Blue Ribbon Taskforce and other groups that had been meeting for a long time to bring meaningful reform to this body.

Assemblyman Conklin said that what bothered him about Mr. Lawrence's testimony was the litany of vacuumed nuggets in economic theory and business theory, but Mr. Lawrence did not accept the picture in totality. He said the Legislature was a policy-making body which had to deal with reality, not the little things that came out in theory.

Assemblyman Conklin said the comment that caught his attention, however, was Mr. Lawrence's statement about the adverse effects related to taxes imposed and that people were going to somehow make different choices. Assemblyman Conklin acknowledged that people would make different choices and in fact, if literature for the last 80 years was surveyed, there was a standard tax elasticity associated with money taken out. He said it roughly worked like this: If you took a dollar from somebody, the gross domestic product, or the state domestic product, declined by 60 cents, because of multiplication. He realized that if someone is taxed, they would no longer have

it to spend, but what was left out of the equation was how the state spent that tax dollar because the state did not save money, it also spent money. Assemblyman Conklin said the multiplier effect on the money the state spent outweighed the reduction effect of the money in taxes, at least in small amounts.

According to Assemblyman Conklin, every report demonstrated that Nevada was consistently in the top five in aggregate taxes collected in spite of the fact that approximately half of the taxes that were paid, according to the National Tax Association, were paid by someone who did not live here, because most of the state's tax burden was exported.

Assemblyman Conklin said Nevada had an obligation to create a better future for its citizens, but just because the state could do better did not mean that it should not be funded in the first place. Those funds had an economic effect, not only today, but on the future. He said if money was spent on roads, more businesses could get their goods and services to market. If more businesses could get their goods and services to market, they would locate here. However, if Nevada did not have the kind of infrastructure that was necessary for them to produce, then they would mechanize if Nevada did not have the talent necessary to produce those goods and services. Those businesses would go somewhere else. Assemblyman Conklin said there was a balancing effect that took place, and he wished Mr. Lawrence would recognize that effect because all he was hearing was one side.

Mr. Lawrence agreed that governments must levy taxes to provide public goods. He said, however, that the multiplier for government spending from higher taxes was offset by a negative multiplier for private sector activity. He believed that higher taxes provide, at best, zero-sum economic effects.

Assemblyman Conklin responded by noting that there were positive investments to be made from public spending, and that Nevada had a relatively small public sector that, if increased, would provide positive economic benefits. He also pointed out that the private sector also preferred stability in the services that government provides, and that the lack of stability had a negative multiplier effect on business activity.

Mr. Lawrence said he was not arguing against funding for public education and that he might support increased per pupil support if reforms were made that improved educational results.

Assemblywoman Carlton admonished Mr. Lawrence for his comment about using children as “political leverage” and said she believed he owed many people an apology.

Helen Foley, representing Employee Leasing Companies, testified in opposition to A.B. 561. Ms. Foley said while she strongly supported the effort to find more funding, the reason she was appearing concerned employee leasing companies, which participated in arrangements to outsource the management of human resources, employee benefits, payroll, and to take advantage of economies of scale so those companies could have greater purchasing power for health and workers’ compensation and focus on their core competencies. Ms. Foley said that before the last session of the Legislature the Modified Business Tax (MBT) was 0.63 percent, so every business paid the same amount. The way that employee leasing companies and their clients paid that tax was that they all paid into the employee leasing company and then the employee leasing company wrote one check. Ms. Foley said when every company paid 0.63 percent, there was no problem. That percentage was changed in the final days of the 2009 session to 0.5 percent for the first \$62,500 per quarter for every business in Nevada, and then if a business had a payroll of more than \$62,500 per quarter, it paid at the higher 1.17 percent level. Ms. Foley explained that currently every single business, whether it was the largest casino, the power companies, or the smallest business in town received the advantage of the 0.5 percent for the first \$62,500 quarterly, except those companies that participated in employee leasing companies. Those businesses paid \$1,200 more per year than any other business in Nevada on \$62,500 per quarter because of the bifurcated system.

On behalf of the 267 businesses in Nevada using employee leasing companies, Ms. Foley asked the Committee to not eliminate section 3 of this bill. Section 3 allowed each individual business to be considered separately and then pay that amount of tax instead of being treated differently from any other business in Nevada.

Chairwoman Smith asked Ms. Foley whether the inequity would go away if the bill was amended, because then every business would be paying the same rate.

Ms. Foley replied that if the tax sunsetted, every business would pay 0.63 percent, but if the sunsets were lifted to gain more money, the employees leasing companies and their clients would be in the same situation. Ms. Foley said she supported the sunsets for the good of the state, but requested some consideration for the inequity.

Kiara Estill, private citizen, testified in support of A.B. 561. Ms. Estill said she was a single mother who spent three years on public assistance because of untreated mental illness. In 2006, she was told that if she did not get the necessary support for her now 15-year-old daughter, that her daughter would probably spend the rest of her life in and out of jails and institutions. Ms. Estill said the fact that her daughter was now a straight A student and present today to speak was nothing less than a miracle, largely due to the supports that she had already received in Nevada. She said her daughter had dreams of someday being a doctor, and she was asking the Committee not to remove the mental, emotional, and physical health supports that were needed before her daughter had an opportunity to make her dream come true.

Destiny Estill, private citizen, testified in support of A.B. 561. Ms. Estill made the following statement for the record:

My name is Destiny Estill, I am 15 years old and I have been diagnosed with Asperger's syndrome. I will start by saying you guys are doing a great job given the circumstances. They have cut many of my services over the time I have been here, and I remember the first time they started to do that I ended up in Spring Mountain—a place I do not like very much—the mental hospital here. Because of that I worried and began to have panic attacks when I think about them getting cut again. It is very frightening to me. I want to be a doctor someday, and I would hate for my job to be cut before I even get the chance, because we cannot support health care anymore. Where our schools are concerned, I have heard horror stories at my school about how the teachers have had to pay for the supplies for the gym or for the books for us. Or how they do not have the money to keep the school up anymore, or how, when the tree fell, they were worried about how they were going to pay for it because money was being cut. I wonder what needs to be done and I do not know how much the taxes are, but I am willing to try to find a job and pay for them myself because I do not want my education and my future job to be cut before I get the chance to even have it.

Justin McAfee, President of the Capitol Club at the College of Southern Nevada (CSN), testified in support of A.B. 561. Mr. McAfee said his testimony was that the state government's size needed to be maintained at the very least, because it was the smallest in the country. He said no other state had lower taxes, but if anything the state was in need of further revenues to support the programs that were in place at more adequate levels.

Kyle Davis, Nevada Conservation League, testified in support of A.B. 561. Mr. Davis said he wanted to make it clear that the Nevada Conservation League was supporting A.B. 561 and was in favor of extending the current sunsets. He noted that Nevada had never funded the protection and management of natural resources all that well from the General Fund. Certainly when times got tough, it was one of the first budgets that was cut and usually it was cut significantly. A lot of state agencies such as the Department of Conservation and Natural Resources and the Department of Wildlife were facing steep cuts which were having a large effect on the programs and services they provided to the state. Mr. Davis said the Nevada Conservation League could see some dire consequences, including the possible listing of endangered species, because of the cuts. He said that was the reason the Nevada Conservation League was supporting removal of the sunsets to maintain at least the funding levels Nevada had for the last few years.

George Ross, representing Sunrise Health, testified in support of A.B. 561. Mr. Ross said Sunrise Health had four hospitals in Las Vegas: Sunrise Hospital, Sunrise Children's Hospital, MountainView Hospital, and Southern Hills Hospital, with a total of over \$800 million of invested capital, 1,064 beds, and over 4,600 employees earning an average salary of \$68,000. He said he would like to make it very clear that Sunrise Health supported lifting the sunsets and supported the proposed amendment to A.B. 561.

Mr. Ross made the following statement for the record:

Sunrise Health is a private institution, and as such it paid \$13.9 million in taxes. A very large portion of its revenue is provided by government sources. Medicaid rates in the Governor's budget were reduced by another 5 percent beyond the 5 percent cut in the previous special session. The amount of money that you read that you save at the state when you cut Medicaid does not begin to count the amount of money it costs the hospital industry, because that is leveraged significantly through matching funds from the federal government, as well as dictating the rates the hospitals receive from county money and Medicaid managed care. It is very highly leveraged. I would like to point out that hospitals take everyone who shows up at the emergency room with an emergent condition, whether they have insurance or not. Whether they have Medicaid or not, the hospitals treat them and give them the same level of care everybody else gets. What this means is that Sunrise Hospital had in the past two years \$2 million in uncompensated care. That money had to be covered somewhere, and it will now be added to. Sunrise Children's Hospital is a state

of the art, outstanding children's facility. Sixty-nine percent of the patients in Sunrise Children's Hospital are either on Medicaid or are uninsured. No company, no county, can continue to have that kind of bleeding without making changes. Obviously, we are still a going concern, we are losing money and being carried by the corporate parent, but what happens is this gets shifted over to those people who have insurance, and they pay significantly higher insurance rates as individuals and as companies and as union trust funds. At some point they reach a limit as to what they can pay as well, or they simply drop insurance and become part of the uninsured pool that everybody else has to pay for. When you cut Medicaid, it is not the same as just cutting anything you can cut in the government spending realm, because it has a lot of implications. It actually hits the bottom line like a tax increase.

The mentally ill in our state really do not have adequate representation as hard as people try, and we would urge very strongly that you also try to take care of the mentally ill in our state as well. For those of you who worry about the hospitals, if we do not adequately fund the mental health issues, those folks will end up in emergency rooms and the hospitals will try to treat them, and they will wait there for days and days until a spot opens up. Then they will go back on the street and return again to the hospital.

In summary, we know you are facing a tremendous problem. I do not envy any of you for the task you face, and I know that nobody wants to stick more taxes on this economy than you have to. I know it is a real problem. We all have to face it. In this particular case, we feel there is really a very strong reason to lift those sunsets and keep those taxes on.

Bill Welch, Nevada Hospital Association, testified in support of A.B. 561. Mr. Welch said it should be noted that more than half of Nevada's hospitals were affected by many of the taxes that were talked about today and would be paying those taxes as well. Nevada's hospitals were in a very serious condition. Twenty of the 33 hospitals that provided short-term acute care, or the full service medical care that Nevadans required and needed, were operating at a loss. As a result of this, many services had been closed over the last 12 to 18 months. He said those services were focused around women, children, the elderly, and those who had chronic illnesses. Mr. Welch said hospitals were part of the fifth largest industry in the state, employing more than 29,000 persons. In the last 12 to 18 months, hospitals had laid off

1,300 employees and were projected to layoff that many or more if the recommended cuts were implemented. Nevada's hospitals were very important to the economy of the state. Mr. Welch pointed out that healthcare was one of the largest employers in Nevada, and in any economic study, healthcare ranked in the top three. He asked what industry would come to Nevada if it could not assure their employees that they would have access to appropriate and necessary medical care when needed.

Aimee Riley, President, Student Government, College of Southern Nevada (CSN), testified in support of A.B. 561. Ms. Riley made the following statement for the record:

We are the largest institute of higher education in Nevada with 44,100 students. To tell you a little bit about myself, I am an honor student maintaining a 4.0 GPA. I am an invited member of every honor society available at the college, and I am a single, unemployed mother, or at least I was until I became president of the Student Government. I was laid off from my construction job and immediately went back to school. Like so many other displaced Nevadans I sought educational opportunities so I could retool my skill set and build a better life for myself. This becomes harder and harder as student fees keep increasing, tuitions increase, and classes get harder to obtain as the college is forced to cut sections. Great professors have decided to leave the state for other opportunities, and we see the effect of these changes every day at the college. It keeps getting more and more challenging to pull ourselves up by our bootstraps to create a better future for all of us. We see the best and brightest leaving Nevada for better educational and job opportunities. Nevada has little to offer. How can we turn this trend around. Education is an investment in the future, and it is the solution to our economic woes. According to a recent study conducted, assessing the value of CSN to Nevada, it found that for every dollar that was invested at CSN, it elicited \$8.64 that was infused into the economy. Education is the way to create a Nevada that is not susceptible to the peaks and valleys we continually suffer. We must diversify our economy, and we cannot do that if we sacrifice our education system. We support taking a balanced approach where we all share in the sacrifices, and as a student, a student leader, and as a voting citizen of Nevada, I support the amendment to the bill. We must look at all options so that we can provide a future for our state and all of our children. I support lifting the sunset to the

taxes and ask that the money, at least a portion, go toward higher education.

Natalie Filpic, parent and grandparent in Las Vegas testified in support of A.B. 561. Ms. Filpic stated she had five generations in her family living in Nevada, and she wanted to say that the cuts that had already been made, particularly yesterday, would affect every single one of those generations, from the grandmother to the grandchildren. She said she did not understand how we could be here today wondering whether we should continue a tiny little trickle of tax coming in when such drastic cuts were being made to education and human services. She said she wanted to know where the shared sacrifice was that she kept hearing about. Taxes were needed to fund Nevada's services to families and children. Ms. Filpic stated that she was just one voice among many, and as one person she might not be able to make a difference, but she was here because regardless of the outcome; she needed to know that she had done everything she could.

Robin Kincaid, private citizen, testified in support of A.B. 561. Ms. Kincaid said the cuts that occurred yesterday were not a compromise, and if the sunsets were not extended, Nevada would see further chaos in our communities. She said children, persons with disabilities, the elderly, and other vulnerable populations could be forgotten or become caught in the politics.

Ron Dreher, Peace Officer's Research Association (PORAN), testified in support of A.B. 561. Mr. Dreher asked the Committee to support the amendments to A.B. 561. He said if the sunsets were not extended, the public would receive a message of fear, and communities throughout the state would become victims of crime.

Tim Crowley, President, Nevada Mining Association, testified in support of A.B. 561. Mr. Crowley said he wanted to express that the members of the Association had not anticipated that the sunsets would be enacted. The Association had not anticipated a roll back in the tax rates, and it supported the temporary taxes going on into the future.

Dan Carne, Washoe County School Board, testified in support of A.B. 561. Mr. Carne said he believed it came down to one question, "How good a school system do you want us to have?" That was the context for all taxes. He said the state had to pick the goal and then determine how to get there and what it would cost. He said extending the sunsets prevented Nevada's schools from going any lower than they already were, but Nevada had to consider the goal: where did we want the schools to be and then determine what taxes were needed.

Vicenta Montoya, representing the Si Se Puede Latino Democratic Caucus, testified in support of A.B. 561. Ms. Montoya said she wanted to say that the taxes should not sunset. It was the right thing to do, and it was a necessary thing to do. She said not only should that message be for this body, but also for the Governor.

T. J. Rosenberg, private citizen, testified in support of A.B. 561. Mr. Rosenberg said he was very involved with mental illness treatment and prevention and was willing to help in any way he could. He was in favor of repealing the sunsets.

Santiago De La Torre, private citizen, testified in support of A.B. 561. Mr. De La Torre stated he was the parent of a child with autism, and his son had benefited from many of the services that were going to be cut because of the budget crisis. He also maintained that if the state did not pay now, it would pay later.

Dan Klaich, Chancellor, Nevada System of Higher Education (NSHE) testified in support of A.B. 561. Mr. Klaich said he had a list of the top 50 companies in Nevada that would benefit if the MBT was allowed to sunset. He said names on the list included every major casino, public utilities, hospitals, a gold mining company, Wal-Mart, and Southwest Airlines. He noted that virtually every one of those companies, except Wal-Mart and Southwest Airlines, had said not to reduce their taxes. Mr. Klaich was puzzled as to why the taxes were not being extended by acclamation, when there were obvious needs being expressed by the people of Nevada.

Misty Grimmer, representing North Vista Hospital, testified in support of A.B. 561. Ms. Grimmer made the following statement for the record:

I will not repeat the comments of the previous people who testified on behalf of the hospital industry. They made it pretty clear already that Medicaid cuts are quite clearly a tax increase on the hospital industry because we have no option but to serve the people who present to our emergency rooms. I am sad to report that my hospital is one of the hospitals that did service cuts as a result of the last round of Medicaid cuts that were imposed. My parent company, several years ago, invested over \$10 million in a women's center and an obstetrics ward at North Vista Hospital. After the last round of Medicaid cuts, we had to close that ward because there was no way to keep it open. That is not just a service that is provided to the indigent, that is anybody in North Las Vegas who needed to have a baby, now they have to go somewhere other than my hospital to have that baby.

Let me switch gears a little bit. I am also on the board of the Community Counseling Center in Las Vegas, which is a free and nonprofit counseling center that has been providing services in Las Vegas for over 20 years. One of the programs that has been slated for cuts in the Governor's budget is the Co-Occurring Disorders program. This is an example; this along with the Medicaid cuts is an example of how we sometimes have a history in Nevada of stepping over a dollar to save a dime. The Co-Occurring Disorders program serves four times as many people as it is budgeted to serve, so for people who are looking for efficiency in the use of government money, this is a prime example of that.

I wanted to encourage the Committee to reconsider these sunseting taxes. This is money that is already being put on the table, and it can be easily used to save these services. I want to reiterate the comments of Assemblywoman Carlton earlier. I was equally annoyed with the comments that individual made, because if he thinks it is political leverage for us to come up here and fight to be able to continue to provide services to the people who present to my emergency room and to the people who come to my counseling center who are on the verge of suicide, then I extend an invitation to that person to come tour my hospital and tour the counseling center that I represent because they could not be more wrong.

Amber Joiner, Director of Governmental Relations, Nevada State Medical Association, testified in support of A.B. 561. Ms. Joiner said her organization supported the amendment to repeal the sunsets with the understanding that doing so would maintain the status quo and that these were not new taxes. She further stated that two of its main concerns were the Medicaid program and mental health services in Nevada, and she believed the additional revenue would aid both of those programs.

Jon Sasser, representing Washoe Legal Services, testified in support of A.B. 561. Mr. Sasser commented that the Governor kept saying "the worst thing I can do in these times is raise your taxes." Mr. Sasser said he thought the worst thing the Legislature could do was pass the Governor's budget. He urged support of the amendment.

Robert Potter, private citizen, testified in support of A.B. 561. Mr. Potter made the following statement for the record:

Seven generations of my family has called Nevada home. Last year both my mother and father passed away, and I became the trustee of very large trust, which includes a lot of property in Nevada and right here in Carson City. I think we own one of the largest pieces of continuous property zoned for houses in town. I would like to say that what you all do here is helping us all create an environment where we can stay here and our grandchildren will stay here. I was a member of the vision committee and the big reason I was on the committee was one word: grandchildren. I agree with everything everybody has said in support of A.B. 561, and I encourage you all to do that too. I would just like to leave you with something. My family is involved with mining, ranching, and casinos. We have Republicans and Democrats on both sides of the family, but there was this one little phrase that used to go around relating to the casino industry that I think we all need to remember, and that is, you have to put out winners to get players. And that is what it is all about.

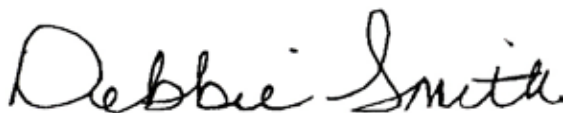
The following persons were not able to attend today's hearing, but submitted written testimony to the Committee: Greta Jensen ([Exhibit E](#)); Autumn Tampa ([Exhibit F](#)); Karla Perez ([Exhibit G](#)); and Wendy J. Mueller ([Exhibit H](#)).

Chairwoman Smith adjourned the meeting at 5:38 p.m.

RESPECTFULLY SUBMITTED:

Anne Bowen
Committee Secretary

APPROVED BY:



Assemblywoman Debbie Smith, Chairwoman

DATE: _____

EXHIBITS

Committee Name: Committee on Ways and Means

Date: May 25, 2011

Time of Meeting: 2:13 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Guest sign-in sheets
A.B. 561	C	Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division	Proposed amendment to A.B. 561.
A.B. 561	D	Chris Bayer	Testimony of Chris Bayer
A.B. 561	E	Greta Jensen, Parent Leaders for Education	Written testimony
A.B. 561	F	Autumn Tampa	Written testimony
A.B. 561	G	Karla Perez, Vice President, Acute Division Group, Valley Health System	Written testimony
A.B. 561	H	Wendy J. Mueller, Mueller and Company, Inc.	Written testimony