

**MINUTES OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT**

**Seventy-Seventh Session
April 11, 2013**

The Senate Committee on Revenue and Economic Development was called to order by Chair Ruben J. Kihuen at 1:19 p.m. on Thursday, April 11, 2013, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Ruben J. Kihuen, Chair
Senator David R. Parks, Vice Chair
Senator Moises (Mo) Denis
Senator Debbie Smith
Senator Ben Kieckhefer
Senator Michael Roberson
Senator Greg Brower

GUEST LEGISLATORS PRESENT:

Senator Barbara K. Cegavske (Senatorial District No. 8)

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Bryan Fernley-Gonzalez, Counsel
Gayle Rankin, Committee Secretary

OTHERS PRESENT:

Ray Bacon, Nevada Manufacturers Association
Geoffrey Lawrence, Nevada Policy Research Institute
Janine Hansen, Nevada Families
John Wagner, Independent American Party
Michael D. Hillerby, Propel Financial Services

Chair Kihuen:

We are going to hear Senate Bill (S.B.) 241.

SENATE BILL 241: Establishes a tax credit for donations to a school tuition organization. (BDR 34-87)

Senator Barbara K. Cegavske (Senatorial District No. 8):

I have written testimony ([Exhibit C](#)). Senate Bill 241 establishes a tax credit for certain businesses and state gaming licensees for donations that allow parents to send at-risk children to the school of their choice.

Chair Kihuen:

Any questions or comments?

Senator Roberson:

Thank you, Senator Cegavske for bringing this wonderful piece of legislation. I am happy to cosponsor it.

Ray Bacon (Nevada Manufacturers Association):

We support this bill. It makes sense and focuses on solving summer school problems.

Geoffrey Lawrence (Nevada Policy Research Institute):

Ten empirical studies have used the random assignment—the gold standard of social science—to examine how school choice affects participants. Nine of those studies have found that school choice improves student outcomes. Six have found that all students benefit, and three have found that some students benefit while others were unaffected. One study found no visible impact, and none of these studies have found a negative impact.

Nineteen empirical studies have also examined how school choice affects outcomes for those who choose to remain in the public school system. Of these studies, 18 have found that vouchers or school choice improved public schools and one finds no visible impact. No empirical studies have found that school choice harms public schools. Private schools select which students may attend, and they select the best students. The data has shown us that for those left behind in the public school system, those students improve along with those who opt out. I submitted an analysis ([Exhibit D](#)) *Choosing to Save*. I will go through it briefly and tell you some of the key assumptions.

The executive summary on page 2 of [Exhibit D](#) shows we calculated the total per-pupil spending in Nevada public schools at roughly \$10,019. This study is 4 years old. These numbers are slightly higher today than they were then. The marginal cost of each student is \$8,576. This is how much it costs the school district to place one additional kid in the classroom or how much it saves if a child leaves the school system. This is about 85 percent of the average cost and is close to what we found in other states.

On page 9 of [Exhibit D](#) is a direct survey of private schools in Nevada which found the median private school tuition is \$5,965. That is \$2,500 less than the marginal cost of educating a child in the public school system. As a result, for every child who opts out of Nevada public schools and chooses to accept the scholarship amount to go to a private school, there is a cost savings for public school districts. Those are calculated on page 10 of [Exhibit D](#). The chart shows savings will accrue over the next 25 years, continuing to increase from year to year. Year 25 of the program shows \$550 million in annual savings. The first year shows \$9 million in savings.

The children will move into the private school system gradually. As the demand increases, more private schools will open up. We try to estimate how quickly students will move from public to private schools if the effective cost is zero. That analysis is based from the experience we have seen in the Netherlands, Chile and Sweden. These nations have public education systems delivered through private providers—publicly funded private education. It takes about 50 or 60 years for the students to move over. Not everyone will move out of the public schools because some people like them. At the most, between 75 percent to 90 percent of students after a period of 60 years would move into a private school system.

In Year 7 of the program, there is a one-time drop in savings from \$117 million in Year 6 to \$83 million in Year 7. That is the only year it drops because students who are currently enrolled in private schools would not immediately become eligible to receive the scholarship. That would be spread out over a period of 7 years. If students were to immediately become eligible, there would be a small negative savings—a cost associated with this—in the first 3 years. We spread that out over a period of 7 years. If it is spread out over a period of 3 years, then there is not an associated cost. That is how the metrics work. We have a calculator available so you can play with the assumptions.

Janine Hansen (Nevada Families):

Milton Friedman is a Nobel Prize-winning economist and the father of School Choice. He made a wonderful statement in his book title *Tyranny of the Status Quo* that leads us to take for granted that in schooling, government monopoly is the best way for government to achieve its objectives. The Friedman Foundation for Educational Choice has a new booklet out, *The ABC's of School Choice*. The booklet shows all the states that have programs and indicates how those are working. There is a variety of ways to do it, including tax credits.

Wisconsin has had the longest and the largest school choice program, especially for low-income and middle-income families. In March of this year, Marquette University Law School released a poll that showed a majority of the registered voters in Wisconsin support the private school choice programs. School choice was focused on Milwaukee where the schools were failing. The Milwaukee Parental Choice Program was given to low-income children so they could have the opportunity to go to a school where they could succeed academically. It has been successful.

In Florida, the McKay Scholarship Program for students with disabilities provided scholarships for 24,000 Florida students with special needs, focusing on the success of those who need the help the most, as in S.B. 241. It is wonderful that we can believe in freedom in America, and people can make choices everyday about what they do. They choose where they buy things, and whatever decisions they make—parents would finally be given the opportunity to decide what is best for their child. It would also save the State a lot of money.

When Dick Cervi from Faith Baptist School in Silver Springs testified in this Committee, he stated all the children at his school were at-risk children and had learning problems. The children were in his private school because they were not being served by the public schools. They are succeeding because of the individual programs.

John Wagner (Independent American Party):

I used to be on the school board at Capital Christian Center in Carson City. We had many parents who had to withdraw their children from our school simply because of the financial hardship it was creating. We had money donated to the scholarship fund and distributed it as needed, but we had parents who could not

afford to keep their children in school. It was hard for the children. They did not want to leave; they had all their friends at school.

Senator Cegavske:

Thank you very much for hearing this bill today. I appreciate your attention and the people who were here in support.

Chair Kihuen:

We will close the hearing on S.B. 241. We will start our work session by rereferring Senate Bill 50, Senate Bill 67, Senate Bill 171 and Senate Bill 445. These are all eligible for exemption and need to be rereferred.

Mr. Reel:

You do not have work session documents for the referenced bills. The following is a brief description of each bill.

SENATE BILL 50: Revises provisions governing the annual determination of population of towns, townships, cities and counties. (BDR 32-257)

SENATE BILL 67: Revises provisions relating to tobacco. (BDR 32-404)

SENATE BILL 171: Provides for a program of matching grants to local governments for the maintenance and repair of public works. (BDR 43-621)

SENATE BILL 445: Establishes the Nevada Educational Choice Scholarship Program. (BDR 34-907)

SENATOR DENIS MOVED WITHOUT RECOMMENDATION TO REREFER S.B. 50, S.B. 67, S.B. 171 AND S.B. 445 TO THE SENATE COMMITTEE ON FINANCE.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Kihuen:

We will consider Senate Bill 84.

SENATE BILL 84: Revises provisions governing the compensation of members of the State Board of Equalization. (BDR 32-547)

Joe Reel (Deputy Fiscal Analyst, Fiscal Analyst Division):

Senate Bill 84 revises provisions regarding compensation for members of the State Board of Equalization. This bill was heard in this Committee on February 28 and brought forward by Senator Parks on behalf of the Committee on Government Affairs. This bill provides the annual salary to the Board of Equalization of \$27,000 per year for the Chair and \$20,000 per year for each of the other members. The current statute allows for payment of \$80 per day.

Chair Kihuen:

Senator Parks has done research on how other boards are compensated. There was reluctance in this Committee to increase the pay. We are sympathetic and understand the Board members have to spend additional time preparing for their meetings.

Senator Parks:

I reviewed the other boards, commissions and counsels to see what salary structure is provided to them. For the most part, \$80 per day is standard pay, and that is what the Board of Equalization receives. Many of the other boards have brief agendas and members easily handle the requirements of their appointment. They do not always have full-day agendas as well as the requirement for substantial preparation work. It is my recommendation, based on several other boards and commissions that have similar duties, to increase the board members' salary to \$150 per day.

Senator Roberson:

I appreciate the concession on this bill. I will be opposing this bill.

Senator Smith:

I was not supportive of the salary increase for members of the Board of Equalization. Taking into consideration the information about what other similar boards are paid, this recommendation seems like a reasonable effort to put them in line with similar boards. Going from \$80 per day to \$150 per day is not much considering the volume of work they do. I will be in support.

Chair Kihuen:

For clarification, this payment of \$150 will be per meeting or for the entire day?

Senator Parks:

The payment of \$150 would be for each day. I presume the Board of Equalization has a specific agenda for each of the days to review the appeals.

Senator Kieckhefer:

When we give raises to elected officials, it is usually upon the appointment of the next term or the election of the term. Is this effective July 1?

Senator Smith:

That is often the case when board members grant themselves pay increases or have the ability to do so. It does not apply to the current members. I am not sure if when we legislate such increases, the increases are effective with the current board members at other places.

Senator Parks:

It is when somebody new enters a position and determines his or her own salary. This is a case where we determine the salary. An effective date of July 1 is appropriate.

Senator Brower:

I appreciate the sponsor's intent. I do not find it compelling to raise the salary at this time. I will not support the bill.

Chair Kihuen:

I will entertain a motion.

SENATOR PARKS MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 84.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATORS BROWER AND ROBERSON VOTED NO.)

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Chair Kihuen:

We will consider Senate Bill 165.

SENATE BILL 165: Provides for transferable tax credits to attract film and other productions to Nevada. (BDR 32-781)

Mr. Reel:

Please refer to the work session document ([Exhibit E](#)) and the mock-up of proposed Amendment 8185.

Senator Kieckhefer:

Under the amendment, the taxes enumerated in section 8 are all state taxes; there would be no potential tax at the local governments under the revision?

Mr. Reel:

That is correct.

Senator Smith:

I sat in on the work group meetings on this bill because I am interested. I always have the fiscal side in mind. A lot of work and effort has been put into this policy, and it has been cleaned up.

Chair Kihuen:

Thank you for working so hard. We have cleaned up a lot of the concerns that were addressed when we heard the bill.

Senator Kieckhefer:

I concur with Senator Smith. This is a significantly cleaner piece of legislation than we originally saw. Do we have an estimated cost per job we are looking at creating with a budget of \$35 million per year?

Mr. Reel:

No. I do not have any information provided regarding that.

Senator Denis:

I know there were a lot of questions and issues. It is a fine line here. You do not want to give away too much, but at the same time you want to bring movie business to Nevada. I appreciate all the hard work.

Chair Kihuen:

I will entertain a motion for S.B. 165.

SENATOR SMITH MOVED TO AMEND AND DO PASS AS AMENDED
AND REREFER S.B. 165 TO THE SENATE COMMITTEE ON FINANCE.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chair Kihuen:

We will consider Senate Bill 301.

SENATE BILL 301: Provides for assignment of property tax liens. (BDR 32-969)

Mr. Reel:

Under certain circumstances, S.B. 301 would require the county treasurer to assign a tax lien against the property to a third-party assignee if the property taxes are delinquent. This would be done in lieu of selling the tax lien, which is in the law. Our Legal Division has prepared proposed Amendment 8210 to the bill. Michael Hillerby will explain the amendment.

Michael D. Hillerby (Propel Financial Services):

You can refer to proposed Amendment 8210 ([Exhibit F](#)).

Chair Kihuen:

Are you okay with this amendment, Senator Smith?

Senator Smith:

Yes, I am. This amendment addresses the concerns that were expressed.

Senator Denis:

In section 4, subsection 2, paragraph (b) changes from "may" to "shall." Can you address that?

Mr. Hillerby:

That refers to the provision "shall provide for payment by the owner to the assignee" of the payment. If you engage in a financial transaction with someone, there needs to be a requirement that he or she pays you the amount owed, not a "maybe."

Chair Kihuen:

I will entertain a motion.

SENATOR KIECKHEFER MOVED TO AMEND AND DO PASS AS
AMENDED S.B. 301.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Kihuen:

We will consider Senate Bill 377.

[SENATE BILL 377](#): Revises provisions relating to taxes on fuel. (BDR 32-930)

Mr. Reel:

You can refer to the work session document ([Exhibit G](#)).

Senator Brower:

There has been some confusion about the only exempted fuel. Is it aviation or gasoline? Did I just hear you say gasoline is exempted?

Mr. Reel:

The type of fuels subject to the 2 cents per year is motor vehicle fuel, excepting aviation fuel.

Senator Brower:

Aviation fuel is the only exemption?

Mr. Reel:

Correct.

Senator Smith:

I support this bill. I have a lot of concern about what we are going to do to maintain our highways. I know we also have another gas tax bill in the Assembly. I would rerefer this to the Senate Committee on Finance so we can keep working on this bill and take the other bill into consideration.

SENATOR SMITH MOVED WITHOUT RECOMMENDATION TO
REREFER S.B. 377 TO THE SENATE COMMITTEE ON FINANCE.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR ROBERSON VOTED NO.)

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Chair Kihuen:

Next we have S.B. 385.

SENATE BILL 385: Authorizes certain businesses to apply to the Office of Economic Development for a partial abatement from certain taxes. (BDR 32-822)

Mr. Reel:

I will read from the work session document ([Exhibit H](#)).

Senator Denis:

The aircraft maintenance needs to be done. We are giving an abatement, and the benefits are going to outweigh it and maybe attract more business to Nevada.

Chair Kihuen:

I want to commend Senator Roberson for his work on this bill. I met with the sponsors several times, and we agree. We do not want to lose business to other states. This is one more way to keep money in Nevada and create jobs. I will take a motion.

SENATOR DENIS MOVED TO DO PASS AND REREFER S.B. 385 TO THE
SENATE COMMITTEE ON FINANCE.

SENATOR BROWER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Kihuen:

The last bill today is S.B. 400.

SENATE BILL 400: Revises provisions governing the taxation of mines and mining claims and provides for the taxation of certain items relating to mines, mining claims, mineral deposits and extracted minerals. (BDR 32-620)

Mr. Reel:

The work session document ([Exhibit I](#)) explains S.B. 400 and the views of those who do and do not support it. There are two amendments.

Senator Denis:

When we heard the testimony, I recognized the concern from Lesley Pittman about the mineral exploration. I questioned how we would find out the amount of minerals in the ground and how we tax the minerals. I worked with the Legal Division, and my amendment adds a new section adding mining claims to the list, amends other sections and deletes some sections. The amendment takes out the part that impacted the Nevada mineral exploration people.

Senator Kieckhefer:

When Senator Tick Segerblom presented the bill, he said it was his intent to tax the minerals underneath the ground in order to generate revenue. Does this continue that policy, or does this reverse that policy?

Senator Denis:

It reverses it. It was unclear to me how we were going to tax that. The important part concerned the referendum; if it passed, we needed to put something in place. That piece was not going to work.

Senator Roberson:

The members of this Committee know that a lot of work has been done on this issue with regard to Senate Bill 401 that will not be going forward. I have not

had the chance to look at the details of Senator Denis's amendment to S.B. 400, although I am sure the bill is much better than the original version that we heard from Senator Segerblom. This subject is fairly complicated and technical. We have to make sure we address unintended consequences of this bill and work in a bipartisan manner to make sure we get the policy right. I am happy to make a motion to rerefer this to the Senate Committee on Finance and continue to work on it. I am not prepared to support the bill in its current state because we have not had enough time to look at the amendment and to have all issues addressed.

SENATE BILL 401: Revises provisions governing the taxation of mines and mining claims and excludes the value of certain mineral deposits from the taxable value of property. (BDR 32-910)

Senator Smith:

We could amend and rerefer S.B. 400 to get it cleaned up. Can we do that?

Senator Roberson:

That is fine. I would make a motion to amend and rerefer.

Chair Kihuen:

We have a motion by Senator Roberson. Thank you so much for your willingness to work with the majority. We look forward to working with you and putting together a bill that is right and bipartisan.

Senator Denis:

I agree. This is an important piece of policy, and we need to make sure we get it right. Working together is important. This will clean it up and have a good starting point.

Senator Kieckhefer:

Are we adopting both amendments or just one?

Mr. Reel:

I want to clarify for the Committee that I made an error in putting together the work session document. Under Amendment No. 2, subsection 2 should say amend subsection 5 of section 4—rather than section 5—of the bill.

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SENATOR ROBERSON MOVED TO AMEND AND REREFER
S.B. 400 TO THE SENATE COMMITTEE ON FINANCE.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Kihuen:

The meeting is adjourned at 2:42 p.m.

RESPECTFULLY SUBMITTED:

Gayle Rankin,
Committee Secretary

APPROVED BY:

Senator Ruben J. Kihuen, Chair

DATE: _____

EXHIBITS

Bill	Exhibit		Witness / Agency	Description
	A	2		Agenda
	B	2		Attendance Roster
S.B. 241	C	4	Senator Barbara K. Cegavske	Written Testimony
S.B. 241	D	25	Geoffrey Lawrence	Presentation: Choosing to Save
S.B. 165	E	15	Joe Reel	Work Session Document
S.B. 301	F	15	Joe Reel	Proposed Amendment 8210
S.B. 377	G	2	Joe Reel	Work Session Document
S.B. 385	H	2	Joe Reel	Work Session Document
S.B. 400	I	2	Joe Reel	Work Session Document