

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

**Seventy-Eighth Session
March 5, 2015**

The Senate Committee on Revenue and Economic Development was called to order by Chair Michael Roberson at 3:49 p.m. on Thursday, March 5, 2015, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Michael Roberson, Chair
Senator Greg Brower, Vice Chair
Senator Joe P. Hardy
Senator Ben Kieckhefer
Senator Ruben J. Kihuen
Senator Aaron D. Ford
Senator Pat Spearman

GUEST LEGISLATORS PRESENT:

Senator Kelvin D. Atkinson, Senatorial District No. 4
Senator Pete Goicoechea, Senatorial District No. 19
Senator David R. Parks, Senatorial District No. 7
Senator Assemblyman John C. Ellison, Assembly District No. 33

STAFF MEMBERS PRESENT:

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

OTHERS PRESENT:

Mark Gibbs, Airport Director, Elko Regional Airport
Curtis Calder, City Manager, City of Elko

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Paul Moradkhan, Las Vegas Metro Chamber of Commerce
Marilyn Mora, President/CEO, Reno-Tahoe International Airport
Jeff Fontaine, Executive Director, Nevada Association of Counties
Keith Lee, Southwest Airlines
Joanna Jacob, Associated General Contractors, Las Vegas Chapter; Nevada Contractors Association
Sean Stewart, Executive Director, Associated General Contractors, Las Vegas Chapter; Nevada Contractors Association
John Madole, Executive Director, Associated General Contractors, Nevada Chapter
Carole Vilardo, Nevada Taxpayers Association
Tray Abney, The Chamber
Nick Marano, City Manager, Carson City
Patrick Pittenger, Transportation Manager, Public Works Department, Carson City
Susan Fisher, NAIOP Southern Nevada Chapter
Gene Krametbauer, Nevada Economic Development Coalition
Larry Carroll, Nevada Economic Development Coalition
Mike Cathcart, City of Henderson
Brian McAnallen, City of Las Vegas
Lisa Gianoli, Washoe County
Buzz Harris, Tahoe Transportation District
John Fudenberg, Clark County
Jack Mallory, Southern Nevada Building and Construction Trades Council
Scott Leedom, Southern Nevada Water Authority; Las Vegas Valley Water District
Amy McKinney, Administrator, Administrative Services Division, Department of Motor Vehicles

Chair Roberson:

We will open the hearing with Senate Bill (S.B.) 125.

SENATE BILL 125: Makes various changes related to recruiting, retaining, stabilizing and expanding regional commercial air service in this State. (BDR 18-610)

Senator Pete Goicoechea (Senatorial District No. 10):

Senate Bill 125 creates the Nevada Air Service Development Commission and the Nevada Air Service Development Fund. The commission would be comprised

of the Executive Director of the Office of Economic Development and members from the Commission on Tourism of the Department of Tourism and Cultural Affairs. We want to reach out to small hub airports that are underserved.

The City of Elko lost its airline service in 2006. The area was serviced by SkyWest Airlines and its airplanes would fly from Salt Lake City, Utah, to Elko and to Reno. We no longer have a connection from Elko to Reno. This bill addresses small hub airports and would allow the Air Service Development Commission to recruit and expand regional air service to Reno and rural Nevada. The focus of the bill is to create a commission that gives us a mechanism to receive grant funds; we are requesting \$1 million a year for the commission.

The bill requires a 20 percent match be given by the airport, city or the sponsoring agency. Eighty percent of the fund could be used, and part of the 20 percent match could be waivers on reduction, carrier rentals, terminal or landing fees. We are looking at an airline that would fly from Elko to Reno to Oakland and Mammoth Lakes, California, and to Boise, Idaho. We need to look at enhanced airline service to Nevada. If I want to fly from Elko to Las Vegas, I have to fly out of state via Salt Lake City. We are looking for a subsidy so we can increase airline service for Nevada. This commission would not be completely focused on Elko or Ely; the commission will look at any small hub airport, and that includes Reno, which is a small hub.

Senator Ford:

Is there an appropriation in the budget for this now?

Senator Goicoechea:

No, we are seeking the appropriation to fund this.

Senator Ford:

Does the bill contain any apportionment of how the cost associated with the agreement would be apportioned between the county and city? Is there an allocation in the bill?

Senator Goicoechea:

Whatever funds airports receive would have to have a 20 percent match. As an example, if they received \$500,000, they would have to match at \$100,000.

Chair Roberson:

Are you looking for \$2 million over the biennium?

Senator Goicoechea:

Yes.

Senator Hardy:

How is the local government going to come up with the 20 percent?

Senator Goicoechea:

As the bill indicates, they can do in-kind such as a waiver or reduction in favor of the air carrier, rent for use of the terminal, landing fees or cash max. This is critical to the City of Elko. The bill allows this commission to accept money from anywhere to make the match.

Senator Kieckhefer:

Is the 20 percent spelled out in the bill?

Mark Gibbs (Airport Director, Elko Regional Airport):

Yes, it is spelled out in the bill language.

Senator Goicoechea:

It is in the second to last page. In accordance with Federal Aviation Administration (FAA) statutes, a designated airport can use in-kind incentives as approved by the FAA toward the 20 percent grant-award-matching amount. We have incorporated this FAA requirement into the bill.

Senator Kieckhefer:

One of the other primary changes is that the grant is made directly to the airline instead of the airport.

Mr. Gibbs:

That is correct. By FAA regulations, the airport is precluded from giving a direct subsidy to an airline. We worded the language so the commission would be providing the grant to the airline.

Senator Kieckhefer:

Does the airport apply to the commission?

Mr. Gibbs:

It is not the airport. Airports are precluded from doing that. It is the entity sponsoring the air service. The entity will provide the 20 percent match to the Commission so the commission would have 100 percent of the grant before making an offer to a particular airline.

Senator Goicoechea:

Does the FAA preclude the airport from making the offer?

Mr. Gibbs:

Yes. An airport cannot give a cash subsidy to an airline.

I am going to share some facts about the Elko area ([Exhibit C](#)). Page 2 of [Exhibit C](#) shows we have an underutilized airport that is an asset to Nevada. Our demographic area in northeastern Nevada outperforms the State in household income, unemployment and population growth. We are serviced with two daily flights by SkyWest Airlines to Salt Lake City. In 2014, we completed an air study which found that six out of the top ten air destinations for people living in northeastern Nevada were west of Elko; meanwhile, we are flying east of where we have service now. We are geographically isolated by vast distances to other metropolitan centers.

Page 3 shows our catchment area has a population of 40,000 people. Two-thirds of the people who live in northeastern Nevada communities travel outside the State to fly. The table in the bottom left-hand corner shows that costs to travel to other airports are substantial. It is less economical to travel into and outside Elko.

Page 4 shows the trend across the Country is smaller airports with less than 250 nautical miles stage length losing air service. The communities on the right-hand side lost air service entirely in 2014. Elko has one airline providing one destination.

Page 5 shows the 2014 Air Leakage Study which found that Elko could support between 15,000 and 20,000 passengers within the first year of service. In 2014, 80 percent of our travelers traveled on business, which tells us we are a business-centric destination. This bill is directed to all rural airports and small hub airports in Nevada. Reno-Tahoe International Airport lost 10 percent of its airline departures, and Nevada is looking to restore that lost service.

I received an email last week from Ann Silver. She is the Executive Director of JOIN, Inc. in Reno. She said:

I recently read your article about the possible resumption of flights between Reno and Elko. You have my full support of this effort, and I regularly travel to and from Elko to visit my branch office staff. Driving is laborious, it takes a full day round-trip, and I cannot get consistent radio. If there is anything else I can do besides reserving 12 round-trip flights each year for the next 5 years, please let me know. Thank you for your efforts to resume air service between our communities.

I have 57 emails and letters from businesses in Reno and northeastern Nevada requesting us to restore air service. It is a top priority of our local constituency.

Page 6 of [Exhibit C](#) is an example regarding Nevada mining and air service, Kevin Kinsella, Manager of Land and Water, General Moly, Inc., Elko, laments about the significant travel time and costs associated with the permitting processes handled in Carson City, while his operations and mining are located in northeastern Nevada. It is costing him much time and aggravation.

Page 7 shows the private sector, among them Catherine Wines, Ian Weight and David Stanton. These people are an architect, a heavy machinery company CFO and a lawyer. They travel frequently to Reno and back to Elko. Not having air service is costing them money and is an inconvenience.

Page 8 shows the concerns of Nevada health care providers. In rural Nevada, there are significant health care shortfalls. When we lost air service in 2006, we lost some of our doctors who are based in Reno and also had operating practices in Elko. The only reason they could have two practices is because the air service provided same day round-trip travel. Because of the long driving distances, we have lost orthopedic surgeons, dentists and mental health professionals in a region of the State that leads in suicide. This impacts many fields, including medicine.

Page 9 points to the public sector. The Elko County District Attorney said the office is not able to prosecute many DUI cases because of the cost and time constraints of getting drivers from the Reno-Carson City area to Elko to appear in court.

Page 10 of [Exhibit C](#) quotes Nevada tourism and convention professionals, including the owner of a private tour company and the executive director of the Elko Convention and Visitors Authority. They both request air service to help develop tourism and small convention business in the region.

Page 11 shows air service target markets. The airline we want to bring in is called Mauiva Airlines based on the East Coast. The company would like to relocate two of its aircraft to the West Coast and be based in Reno. If you pass this bill, Nevada would gain four new air destinations—Elko being one of them. The remaining three are Boise, Idaho, and Oakland and Mammoth Lakes, California. This would be a win for northern Nevada and the State as a whole.

Page 12 shows what the bill contains. For the Elko portion, we will request a \$750,000 minimum revenue guarantee. It is modeled after the Wyoming Air Service bill and provides an 80 percent matching grant. After 1 year, the airline will be economical, but it may be economical within the first year of operation. From 1999 to 2001, our passengers traveling between Elko and Reno were averaging 17,800 passengers per year. To break even on this type of aircraft, we need 16,100 passengers.

A decade ago, we had enough passengers to make this a profitable business for a private company. We need the first-year costs to be put up front in a 1-year contract. This will cover the first-year risk involving the costs for the airline to enter into the market. We may not use the entire minimum revenue guarantee. It depends on how many passengers we have. The more passengers we have, the less likely we will be dipping into the minimum revenue guarantee. It would provide a 5 percent profit margin to the airline to start the operations. The average fare will be \$276 round-trip. We are price-pointing this at the low end of the market scale to induce travel and to market the airline service for folks who are driving.

Page 13 shows that 80 percent of our traffic is business travel. We expect to see between 15,000 and 20,000 passengers within the first year. Each of the 19,800 passengers who fly versus drive saves Nevada businesses \$1.6 million per year.

Chair Roberson:

It is clear this is an important bill for rural Nevada and all of Nevada. I hope we can figure out a way to pay for this.

Curtis Calder (City Manager, City of Elko):

I support S.B. 125 and Mr. Gibbs. I have been the City Manager in Elko for 12 years, and I have been around long enough to know the previous air service to Reno and the demand. I can attest to everything in Mr. Gibbs' presentation as the truth. There is a significant demand in excess of the 17,000 passengers who were flying 10 years ago.

Assemblyman John C. Ellison (Assembly District No. 33):

I support S.B. 125. This is an important bill to help the growth of Elko. The drive between Reno and Elko and Salt Lake City is long and desolate. I drive home every Friday and drive back on Sunday, and I have to drive over two mountain passes. We have not had snow this year, but in the past it has been a dangerous drive in bad weather. If there were an available direct flight, I would fly home each week. When I fly from Elko to Salt Lake City and then to Reno and get a car and drive to Carson City, it takes me several hours longer than when I drive. This is an important bill and important for rural Nevada.

Paul Moradkhan (Las Vegas Metro Chamber of Commerce):

We are Nevada's largest business organization. It is important to support this type of economic development bill. When businesses look at Nevada, they want to ensure connectivity by roads and air transportation. As we support economic development for smaller communities, we believe air travel and connectivity is important and will benefit local residents as well as businesses that wish to expand to Nevada.

Marilyn Mora (President/CEO, Reno-Tahoe International Airport):

Please refer to my prepared testimony supporting S.B. 125 ([Exhibit D](#)).

Senator Kieckhefer:

Can you explain the difference between a small hub airport and a medium hub airport?

Ms. Mora:

I do not have the numbers in front of me. It is a changing equation. The FAA designates small, medium and large hub airports based on a percentage of the total volume of travelers. It is always changing. A calculation is done, and every 2 years the FAA looks at it and numbers it. The designation is based on the number of enplanements. It is complicated. Reno became a small hub 2 years ago. We are not going to be a medium hub anytime soon.

Jeff Fontaine (Executive Director, Nevada Association of Counties):

I support S.B. 125. Prior to my position with NACO, I served as the Director of the Nevada Department of Transportation. One of my duties was the oversight of plans and economic development analysis related to aviation and commercial air service. I recognize the importance of commercial air service to connect our State. It is an economic driver in our communities. This is a great bill and a great benefit to our counties.

Keith Lee (Southwest Airlines):

Southwest Airlines is the largest single carrier in Nevada. I also speak on behalf of Airlines for America (A4A), which is the trade organization for major passenger airlines and several cargo airlines. We appreciate Senator Goicoechea and Assemblyman Ellison for their work on this bill. We worked with them on a few changes that we thought would make this a better bill. The changes are in the mock-up. Because of the dynamic in change of air service in the Country and the business plans of the various members of A4A, service was no longer provided to small Nevada communities such as Elko. This helps communities find airlines that can work with this plan. Many airlines fit in the category. The airlines consider themselves to be partners with Nevada in the travel and tourism sectors. We support S.B. 125. We appreciate the changes made by Senator Goicoechea.

Chair Roberson:

We will put S.B. 125 on work session for next Tuesday with some other bills. If anyone has any issues with the bill, this gives them time to let us know. The hearing on S.B. 125 is closed. I will open the hearing on Senate Bill 149.

SENATE BILL 149: Provides for a program of matching grants to local governments for the maintenance and repair of public works. (BDR 43-669)

Senator Kelvin D. Atkinson (Senatorial District No. 4):

Senate Bill 149 provides a program to help local government. My prepared testimony ([Exhibit E](#)) gives my reasons for bringing S.B. 149.

In fiscal year (FY) 2009, the Governmental Services Tax (GST) was increased with S.B. No. 429 of the 75th Session. As you know, the depreciation rate was changed to depreciate the value of vehicles sooner. We attempted to slow down the depreciation rate in 2011 in the 76th Session. Until 2009, the funds

generated were put in the GST. These funds were moved to the General Fund. Our constituents complain about the amount they pay in vehicle registration fees. Nevada is one of the highest in the Nation for vehicle registration fees.

We do not have mechanisms other states have to fund road repair, such as State income tax. Ours comes out of the GST. The citizens understand the GST funds were rolled. This money is now dedicated to the General Fund. We will have a General Fund issue if we implement S.B. 149 because \$32 million per year will leave the General Fund and go to the Highway Fund. But we need to keep the promise we have given our constituents. This money has always been dedicated to the Highway Fund for road maintenance.

Numerous studies and data suggest maintaining our roads costs much more than building them. The citizens expect this money to maintain our roads.

A study showing the numbers after S.B. No. 429 of the 75th Session suggests that in FY 2010, we would have generated \$51 million; in FY 2011, we would have generated \$61.5 million; FY 2012, \$62.3 million; FY 2013, \$63.5 million; FY 2014, \$62.3 million. That is a total of \$301 million. In this bill, we will bond and get \$325 million. Look at the last 5 years and see where our money is going. We should be paying for our roads.

I can read you snippets from an article written by the Associated Press on February 21 that says: "Per-capita federal highway funding going to Nevada which had been climbing, fell 6 percent from 2008 to 2013."

The numbers I just read to you indicate why that happened. According to a Department of Transportation spokesperson, Nevada faces an uncertain future as the State population grows and the infrastructure ages. More and more states are not counting on federal allocations. The article goes on to say:

At the same time, needs in Nevada are mounting. Current funding levels only provide 60 percent to 70 percent of what's needed to maintain state highways, according to a recent report card from the American Society of Civil Engineers. States around the country have tried to devise ways to fill in the gaps. Governors and lawmakers in several states are proposing new taxes, tolls and fees to repair a road system whose historical reliance on fuel taxes no longer is providing enough money to cover its costs.

This idea of moving GST to the Highway Fund came up last Session, and we are delving into it again. If we are going to have an honest discussion about revenue and new forms of revenue, taxes and new ways to fund our State, we should include this in our discussion. We should include the discussion to fund the highways and roadways that our constituents deserve.

Chair Roberson:

I appreciate you bringing this bill forward. This is an important part of the discussion.

Joanna Jacob (Associated General Contractors, Las Vegas Chapter; Nevada Contractors Association):

I am here on behalf of the Associated General Contractors (AGC) Las Vegas Chapter and the Nevada Contractors Association (NCA). Sean Stewart is with me in Las Vegas. We have submitted a conceptual proposed amendment together with Senator Atkinson ([Exhibit F](#)).

We at AGC and NCA were active participants in the conversations during the last interim on behalf of the Southern Nevada Forum. We were especially involved in the conversations about transportation needs for the community. Investing in our infrastructure and funding highways was a significant concern. Committee discussions identified the top priorities. This amendment to S.B. 149 closes the Highway Fund loop. I will walk you through the conceptual amendment.

The first point is to close the Highway Fund loop with the administration of this grant program. We want to make sure all the revenues proposed to be diverted in FY 2009 will actually go to the Highway Fund.

In the amendment, section 9 of the bill returns that money left over after the 2-year local government matching grant program expires to the Highway Fund.

The GST tax diversion is in the package of sunsets in more recent budget cycles along with an increase at the end of session in the amount the Department of Motor Vehicles is allowed to use from collections for administrative costs. The increase is capped under statute at 22 percent. We would like to see that continued in the next biennium. Past Legislative Sessions have adjusted upward as high as 33 percent over FY 2011 and FY 2012, and 32 percent in FY 2015. We bring that to your attention as we talk about the Highway Fund.

This bill describes a matching grant program for local governments to jumpstart projects deferred because of a lack of funding. Investing in our infrastructure was something we heard over and over in our conversations in the interim. We supported the bill last Session. A matching grant program should be run through the State Public Works Division, which has a more efficient process to administer the program. Public Works already does something similar when it hears projects and recommends capital improvement programs. I have spoken to Gus Nunez about this, and he is agreeable. Mr. Nunez suggested the language in the proposed amendment. The Public Works Division along with the State Treasurer's Office is in charge of reporting, and the Public Works Division will be administering this program.

I want to point out the Public Works Division is a fee-funded agency, so it will need some portion of the matching grant fee to administer the program. Public Works has proposed adding an additional section to the bill to charge up to 0.125 percent of the amount we are talking about. This will cover the fees of administering the program. Mr. Nunez has said he is not sure how many grants will come in, so this is enabling language for him.

Sean Stewart (Executive Director, Associated General Contractors, Las Vegas Chapter; Nevada Contractors Association):

This is an important bill. The main aspects of this bill have been covered. This was a major focus in the Southern Nevada Forum and caucus meetings. We have an overview of southern Nevada unfunded projects put together with the help of the Regional Transportation Commission and local public works directors. The need is large. If you take out the fuel revenue indexing and do not account for what that covers, a \$4.5 billion list of unfunded projects in southern Nevada is stacking up fast. We are falling farther and farther behind. That is the concern we bring forward today. It is going to take some time to get caught up. The main point to the Committee is this funding needs to be diverted back to the Highway Fund where it started so we can address these needs and start to make a dent in this list.

Senator Hardy:

Could somebody talk to me about the bonds—how much, how long, when we get the money and when the work starts? How much do they cost, and what do we get with our general obligation bonds?

Ms. Jacob:

It is in section 3 of S.B. 149. The period begins July 1. I am not sure how long it takes once the bond is issued. The intent is to begin this program July 1. It is a limited 2-year period going through the end of 2016. We estimate with the \$62.5 million we get from the GST, we will be able to bond \$325 million in projects. Local government representatives can explain when construction can start. Several agencies had shovel-ready projects to go out but lacked funds. I am sure that is still the case.

Senator Atkinson:

The local agencies will let you know the projects they have ready. The information is in section 3.

Senator Hardy:

How long do we have to pay off the \$325 million with the \$62 million per biennium?

Senator Atkinson:

I may have to look into that. A certain amount goes back to the General Fund, and then the money will come out of the General Fund, not the Highway Fund. The Highway Fund will pave the roads. Some instant residual goes back to the General Fund. I will check into that.

Senator Kieckhefer:

We heard this bill 2 years ago. I recall liking it then and I like the concept now. Last Session, the money was the issue. Section 2 lays out the projects: maintenance and repair of schools, streets or any other public works. Is new construction precluded in the bill? Is it just maintenance and repair? Could it put a roof on a building or replace an HVAC?

Senator Atkinson:

That is the way I view it, and that is the way it is written.

Chair Roberson:

Is there anyone else here to testify in support of S.B. 149?

Senator Atkinson:

I do not know if I will have the same kind of support that Senator Goicoechea just did, but we are going to aim for it.

John Madole (Executive Director, Associated General Contractors, Nevada Chapter):

Joanna Jacob and Sean Stewart have covered it all. I support S.B. 149 and the proposed amendment.

Carole Vilardo (Nevada Taxpayers Association):

I support S.B. 149. I was on the Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-Range Projects that came up with bump 10, an increase of 10 percent in the depreciation rate of vehicles for calculating the GST due, resulting in raising vehicle registration fees. That committee dealt with funding transportation. Federal money has eroded. The State gas tax is not keeping pace with the amount of funds available. When you look at economic development, two key items are availability of transportation and the availability of utilities. If those are not in place, you spin your wheels in many areas.

Bump 10 that passed in 2009 in S.B. No. 429 of the 75th Session was one of the recommendations. The Committee report recommended that revenues would go to the General Fund for 4 years and then go to the State Highway Fund. There was a great deal of thought put into that, and information was provided because the citizens do not care for registration fees. A promise was made. We are familiar with the economic situation where we kept transferring the money to the General Fund. It has to stop at some point. You have the opportunity here because we have to get back on track with transportation. We support this bill and conceptually support the proposed amendments. My preference would be to have all the money go to the State Highway Fund.

Mr. Moradkhan:

The Metro Chamber would like to thank Senator Atkinson for bringing this bill forward on behalf of the Southern Nevada Forum. This priority bill emerged from the Forum, but it benefits the entire State. There are numerous challenges regarding transportation issues, not just in Nevada, but across the Country. The Chamber's focus on this bill is the preservation of the State Highway Fund. As we talk about transportation funding—and we know the challenges that occur at the federal level—it is important to show solvency of this Fund for future projects.

As we talk about Interstate 11, Tesla and Project Neon, we need to ensure these funds are properly funded for future projects. Road construction is a good

investment of public dollars. For every \$1 we invest, \$4 returns to the economy. Eighty-four percent of the economy is based on road transportation. That supports trade and manufacturing, agriculture, mining and natural resources. The trades support one out of five jobs in the Country and in Nevada. We have taken efforts to diversify and strengthen our transportation clients in Nevada along with fuel tax indexing. We thank this body for the support. This will be another tool to support our transportation efforts in the future.

Tray Abney (The Chamber):

I support S.B. 149. The nexus is important for this issue. It may make the job more difficult for Senator Kieckhefer as he builds a budget with this in it. Infrastructure and transportation are important.

Nick Marano (City Manager, Carson City):

I am here with our transportation director to express our support for S.B. 149. Carson City faces challenges in the maintenance and repair of local roadways and infrastructure. Declining fuel tax revenues have not helped, and this bill will provide needed revenues for local governments to conduct the maintenance and repair of the roads and streets that all citizens need.

Patrick Pittenger (Transportation Manager, Public Works Department, Carson City):

I also support S.B. 149. We have a significant structural shortfall in funding for the roads of Carson City. We have more roads than we had several years ago. We have accepted over 15 miles of the largest roads in Carson City from the State. We have more roads, we have older roads and our fuel tax is 10 percent less than it was at the peak in 2007. We have a significant need that is being unmet now. Our maintenance backlog is growing as the years go by.

As we go forward, we hope to join Washoe County and Clark County that benefit from fuel revenue indexing. We look forward to the November 2016 ballot question regarding fuel revenue indexing. We hope we can benefit from that also. If successful, this bill will provide a key bridge between the potential implementation of fuel revenue indexing. We have projects that can use this as we focus on transportation. If necessary, we could use other public works funds as previously mentioned.

Susan Fisher (NAIOP Southern Nevada Chapter):

We represent over 400 members of NAIOP Commercial Real Estate Development Association in southern Nevada. We represent an industry that was hit hard with the economic downturn. As our economy and the commercial development industry starts its turnaround, it is important for local governments to maintain the infrastructure improvements. A healthy infrastructure is critical for commercial development, which generates more tax revenue, construction and jobs. We support S.B. 149 with the conceptual amendment as presented.

Gene Krametbauer (Nevada Economic Development Coalition):

The Nevada Economic Development Coalition is part of the fuel indexing team and we support S.B. 149. We need more revenue to continue that support as many projects in southern Nevada need funding. Many of our companies are getting back to work, and we need this to continue to support our businesses.

Larry Carroll (Nevada Economic Development Coalition):

I represent over 80 companies with thousands of employees. I am a business owner with offices in Las Vegas and Reno. Our local governments have been in dire need for work on public infrastructure from roads to bridges to utilities. The numbers that Sean Stewart mentioned earlier were the roadway needs at \$4.5 billion. That does not cover the other infrastructure needs. During the Great Recession, every local government in Nevada had its capital improvement program drastically reduced. The counties and cities are lucky they can maintain the roads and bridges they have, let alone be able to build new ones. To diversify the economy, we need a sound infrastructure network. If we do not have that, we cannot compete with surrounding states. I support S.B. 149, the prior comments and the proposed amendment.

Mike Cathcart (City of Henderson):

We support S.B. 149 and the proposed amendment. This is a great bill for us. The City of Henderson has \$17 million of annual deficit in our infrastructure funding. Much of that includes roads and facilities. This will help. We will have a list of projects ready to go on July 1, and we will bid them shortly after that. I can provide a list if the Committee requires.

Brian McAnallen (City of Las Vegas):

I echo the prior comments made by the other supporters. I support S.B. 149 and thank Senator Atkinson for his work on this bill. This is an important step. Transportation is a key issue. Without the federal funds we had in the past, it is

important to use all tools at our disposal. There was a question earlier about where these funds will be directed from the perspective of the City of Las Vegas. We have \$189 million worth of shovel-ready projects. That only covers the shortfall. Of 17 projects we want to proceed with shortly, some are partially funded. Each project is not where we need it to be. This money would be put to great use. Some of the projects would be pedestrian enhancements and improvements, bicycle lane improvements for safety issues, roadway construction, and bridges. There are plenty more projects.

Lisa Gianoli (Washoe County):

I support S.B. 149. Washoe County has an existing capital improvement plan that could potentially benefit with additional funding.

Buzz Harris (Tahoe Transportation District):

I support S.B. 149. We have been watching this carefully since we represent multiple jurisdictions. We are in the middle of a project now, using matching funds for \$50 million. The ability to have additional opportunities through this would be tremendous. We have a report coming out soon that will give you an idea of the transportation shortfall in Nevada for the next 20 years. Approximately \$20 billion will be available, and we have \$47 billion worth of needs.

John Fudenberg (Clark County):

We thank Senator Atkinson for bringing this bill forward. I echo the previous testimony. We support S.B. 149.

Jack Mallory (Southern Nevada Building and Construction Trades Council):

We thank Senator Atkinson for his work on S.B. 149. The majority of these jobs will be performed by Nevadans as have other road and highway projects in southern Nevada. We look forward to the opportunity.

Mr. Fontaine:

The Nevada Association of Counties also supports S.B. 149 and thanks Senator Atkinson and others for their work on this bill. For many years, our counties have reduced their funds for capital projects for maintenance. This would kick-start those projects. In past years, we have deferred maintenance, and this results in additional costs. If streets are not adequately maintained, it will be a much higher bill at the end when they have to be reconstructed.

I would like to speak about the changes to the GST. In 2006, former Governor Kenny Guinn created the Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-Range Projects to look at future highway funding. That was the top recommendation for raising additional funds for the State Highway Fund and for the Nevada Department of Transportation. It was such a good idea, the State decided to enact it and use it for General Fund purposes. It is appropriate to return those funds to the State Highway Fund.

I spoke to Senator Atkinson about a proposed conceptual amendment that would provide some additional relief to the 10 counties that have a population of less than 40,000. They would share an allocation of \$8.7 million. That is less than 3 percent of the amount being contemplated. We are interested in allowing those counties to have an additional 1 year to receive the maximum funding authorized in that bill of the full 70 percent. The reason is that many of those are not in a position to get a project ready to go in 2016, but possibly could in 2017. We also ask those 10 counties to utilize their in-kind services as a match for these projects. We have many counties that do not have the capital to match funding if it were available to them.

Scott Leedom (Southern Nevada Water Authority; Las Vegas Valley Water District):

I echo the previous comments. I support S.B. 149.

Amy McKinney (Administrator, Administrative Services Division, Department of Motor Vehicles):

We are neutral on S.B. 149. We have submitted a fiscal note for \$83,200 to perform the program changes for the distribution of this funding.

Senator Ford:

I want to commend Senator Atkinson for bringing this bill again. His diligence is duly noted. You have received much support. I want to discuss how we can get this on a work session in the near future.

Chair Roberson:

I will close the hearing on S.B. 149.

Senator Pat Spearman (Senatorial District No. 1):

I want to share a concept that is still in the development stage. I can share the information with you so you know I am looking at all aspects. Everything is on the table.

I did research and looked back to see what have we done before. I looked back at the 2002 Governor's Task Force on Tax Policy in Nevada. The Task Force members faced many of the same problems that we have identified in this Committee since we started in February. They identified some of the same problems related to the Highway Fund.

Page 2 of my revenue proposal ([Exhibit G](#)) shows the conclusions, which suggest that a viable solution to the funding imbalance would look at mixed sources so that no one industry would be the single source. Near-term nature of the funding and other challenges were also considered.

Page 3 shows we have a moral imperative. We are in dire straits as a State, and where we are from a revenue and fiscal standpoint is beneath who we are as Nevadans. We can do better. That was my charge to myself. What can we do and how can we do it?

The task we face, on page 4, provides a clarion call to overcome our challenges and chart the course that moves us toward our strategic frontier—meaning beyond the next 2 years or 10 years.

Page 5 of [Exhibit G](#) shows the challenge must be addressed with visionary leaders, bold strategies, innovative economic initiatives and most important, the political will to follow through on sound fiscal policy.

The visionary task, page 6, requires that we change our mindset and build our tax structure to carry us to 2055 instead of every 2 years. We need to develop a structure for the near-term goals and for long-term responsibilities. Senator Atkinson and Senator Goicoechea talked to us about some imperatives we have regarding the State Highway Fund. We need to fund the airport in Elko. These items were not in the Governor's budget. Based on the comments we heard from those in support and the Committee members, we can agree they are priorities.

Page 7 of [Exhibit G](#) shows the bold strategies we need to follow, such as identifying priorities, developing plans and opening up to new ideas.

We need to implement innovative initiatives, page 8, and ask what else we can do, how we can achieve our goals and why we need to move in a particular direction for revenue enhancement.

Page 9 shows that political will is the challenge for us. We have to look at everything, and what we do is not popular with everybody. There is enough pain and gain to spread around to everybody. We have to identify the fiscal policy and move forward. It is not about partisanship; it is about doing something for Nevada.

Page 10 explains my data collection method. I spent the last 2 years listening to industry representatives and stakeholders and studied what other states have been doing. I reviewed the past revenue studies for Nevada.

This has been an ongoing process for me; I have been working on this for some time. As noted on page 11, our revenue structure must be simple, stable and sustainable.

It must be simple to administer, calculate and collect, as noted on page 12.

As seen on page 13, the policy must promote stability. It must achieve horizontal equity and let everyone have the opportunity to invest in Nevada's growth; vertical equity so we do not penalize growth; equal treatment; and long-term commitment.

The policy must be sustainable to accommodate business now and in the future. I have covered the horizontal and vertical equity, as seen on page 14. Those are key with whatever plan we come up with.

I appreciate the fact that you and the Governor have said that you are not committed to any one plan but want to look at everything. When I looked at this, I had some things in mind. Every time we have another presentation, I have to go back and ask the question: How does this fit with the final recommendation? Every time we have that discussion, I go back to my plan and say: What else can we do that is equal, fair and sustainable? I talked to one of the members of the 2002 Task Force and was told we need to develop a

revenue structure so that if the bottom falls out of our economy, we can still take care of the services necessary for all Nevadans. The Task Force did not know that statement was going to be prophetic. Less than 6 years later, that is exactly what happened.

In the 2009 Legislative Session, some things had to be done that were really tough. It cut right down to the bone. This time we have to develop the revenue structure that will insulate us from swings in the economy. We have to do this the right way so we do not have to have this conversation next Session or the next one. We have to do it right, not rushed.

Page 15 of [Exhibit G](#) shows some of our choices. Gaming is no longer our largest source of revenue. Gaming is mostly about shows, restaurants and nightclubs.

Page 16 shows the challenges. Revenue is declining, but our services are not. All the figures we have looked at have suggested our economy is growing. When you figure in the inflation terms, it is actually shrinking while the population of Nevada is growing and aging. While our revenue sources are going down, the services for our people are going up.

One choice we have talked about, page 17, is the Modified Business Tax (MBT). It is not perfect, and it is problematic. It does produce revenue. For revenue reform, we could expand the MBT. If we expand it to everyone, it might generate more income, but it would be a huge financial burden for small businesses. Those businesses that are exempted do not pay anything. If we expanded it, The MBT would increase to \$3,900 a year, or \$975 per quarter.

We have talked about other taxes shown on page 18 of [Exhibit G](#). We talked about lowering the retail sales and use tax and expanding the base. The problem is if we expand what we tax, does that include health care? Where would we expand it to, and how far would we have to go? Sales tax is regressive. Assemblywoman Marilyn Kirkpatrick has talked about the Live Entertainment Tax. I will not touch that. It is hers and I want her to deal with it. It is on the table too. We have talked about service taxes. That may be difficult for very small businesses. In 2002, the Task Force members looked at all of these and also included gross receipts and net receipts. They included some type of a license fee for businesses and looked at property taxes.

I talked earlier about the strategic frontier. We have to ask ourselves the question, not what we do, but how quickly do we need to do it and how committed are we to the process.

I am considering and committed to eliminating the MBT. It unduly burdens labor-intensive industries and the health care industry. What do we replace it with? I have not come up with that. It is clear to me that this is a tax we can live without. It penalizes growth because it is a payroll tax. Eliminating that would also show a commitment to economic diversification. I want to look at the tax initiatives. What can we make work? How can we use the luxury entertainment tax, possibly with property tax, net proceeds, gross receipts? Everything is on the table until we figure this out.

The Governor's plan calls for \$1.7 billion in revenues. I am creating a reformed revenue structure to include requests from businesses that would like to come here and have tax abatements. I am struggling with an MBT replacement.

Chair Roberson:

I appreciate your presentation. It is thoughtful. You indicated this was the Session that we would be able to tackle tax reform. You did not think we could do it next Session or for another 15 years. You said we need to get this right, not rushed. Do you think this Committee is rushing things?

Senator Spearman:

No, sir. Not by any means. Several people have asked me how quickly I will unveil my plan. I tell them I want to get it right. When I present the total plan to this Committee, it will be a plan that is simple, stable and sustainable. I am not rushing through this. I want to consider every presentation in this Committee. I want to do something different other than keeping the MBT.

Chair Roberson:

I understand where you are coming from. I do feel a sense of urgency. We need to get tax reform right. In the short time I have been in the Legislature, we wait and wait; all of a sudden, 120 days are close to being over and it is impossible to get anything meaningful done. That is why I have taken the position that we need to move aggressively in discussing the different ideas that people have and obtain a consensus in this body by the end of March. That is one-third of the battle. It has to go to the Assembly and then to the Governor. We are running out of time.

Senator Spearman:

It is different this time with everyone coming to the table and saying we have to do something. I have seen people support S.B. 149, and that is great. Once we decide on our reform structure, I hope those same people will come back to support us for all the reasons they said those areas were necessary. The Governor has provided a good start for us. We have to vet his plan like all the others. If this is the best plan, we go with it. We owe it to everyone to look at other options. I am very close to finishing my proposal.

Senator Ford:

Thank you for your presentation. I agree with the exchange you two just had about the urgency. This is important. We need two-thirds of this body to agree on a plan. This will take due deliberation whether it is in March, April or May. It will take as long as it takes for us to come to a decision on the best to put forward. Do you want to meet the numbers in the Governor's budget request?

Senator Spearman:

That is correct.

Senator Ford:

We have not seen anybody's plan yet. We have heard some concepts. I look forward to see how your plan meets the same budget number. We have had some conversations, and I am privy to more information than others as to what you have in mind. Is it true you are considering Senator Atkinson's bill and are going to transfer \$64 million back to the appropriate account?

Senator Spearman:

That is correct. Several bills floating through both Houses will increase the budget. The plan I come to the table with will have the elasticity to meet the Governor's recommendation and also consider the other imperatives we have heard about. That is crucial. If we do any less, we tie our hands. We cannot come back to this for another 10 or 15 years. Once we decide on a structure, we cannot have this discussion again for a long time.

Senator Kieckhefer:

The budget is a moving target. Many people have made presentations on their programs and would like to find a way to fund them this Session. If we fund just our existing tax structure and just the proposed sunsets, all we fund is what we do now, and we do not do that very well. If we want to fund any

enhancement in the Governor's budget or any of our priorities, we have to find an additional way to generate revenue. This is a healthy discussion. We are going to hear a lot in the coming weeks.

Senator Ford:

I agree with the appropriateness of new revenue. The Governor's budget includes new revenue. I understand your plan is to meet that number?

Senator Spearman:

Yes. The plan I am working on will cover the Governor's recommendations and the other enhancements people have requested. It is a moving target. We can craft a revenue structure that has the elasticity to expand. That is crucial. We have to be open to new ideas. Seven words that will kill a business are "that's the way we've always done it." If we get to the final stages of deliberation, and the only thing we can think of is what we have always done, then we will get what we have always gotten. Nevadans deserve more.

Senator Ford:

The plan you are considering gets rid of the MBT?

Senator Spearman:

Yes, it does. Chair Roberson made this point after Jared Walczak showed the numbers. Less than 4 percent of businesses pay the MBT. I do not know how we get horizontal and vertical equity when you only have 4 percent of the businesses engaged in paying that tax. Plus, it hurts labor-intensive industries and industries like health care that have high-salaried people.

Senator Ford:

Getting rid of the MBT means there is a gap in the funding for the budget.

Senator Spearman:

There would be a gap, except I am working on a way to fill the gap. You will see that once I unveil the plan.

Chair Roberson:

Can you tell us specifically what you are going to propose? Is it a corporate income tax or a tax based on net income versus gross revenue? Do not leave us in suspense here.

Senator Spearman:

I am considering all of those. My priority is eliminating the MBT, and we are still working on the numbers to fill the gap. I cannot tell you today exactly how I plan to do it. I have not decided how to fill the gap yet. We have to do it right and not be rushed. My plan will be unveiled soon, but I cannot say anything prematurely and have people get nervous or happy. I want to continue down this road of deliberation. At the end, the MBT will be gone.

Chair Roberson:

Do you have an idea of when you will have a piece of legislation that this Committee can look at?

Senator Spearman:

Yes, sir. I hope within the next week to 10 days.

Senator Kieckhefer:

The gap is not insignificant. It is \$800 million over the biennium. We have to close that gap before we start adding the enhancements we want.

Senator Spearman:

You are exactly right. Every time I think I have the right numbers, I come to this Committee meeting and hear about something else that needs funding. Then I go back to it. It may not be totally done because now I am focusing on the elasticity element. It needs to expand and contract as needed and still provide for the services and resources that the citizens deserve. That piece is what needs to be perfected.

Senator Kieckhefer:

If you want to get hit up for money every day, I suggest you come to the Senate Committee on Finance.

Senator Spearman:

Senator Parks was here when they did the last study. He may have something to add. It was A.C.R. No. 1 of the 17th Special Session in 2001 that authorized the Governor's Task Force on Tax Policy in Nevada creation that asked for recommendations.

Chair Roberson:

When I invited all the members of the Senate to join us for our weekly Committee meetings, I told all of you that you are welcome to ask questions and make statements; the only thing you are not allowed to do is vote.

David R. Parks (Senatorial District No. 7):

After the 2001 Session, we went to the 17th Special Session and passed A.C.R. No. 1 of the 17th Special Session, creating the Governor's Task Force on Tax Policy in Nevada. The Task Force was composed of citizens of the community and chaired by Guy Hobbs. We had local government finance people on this committee along with Ms. Vilardo. We came up with a number of recommendations. Unfortunately, when the study was done and the report generated in November 2002, some of the recommendations were severely criticized by the community at large.

We always face the challenge that not everyone is going to be happy with whatever the recommendation. An adjusted gross receipts tax was called a state activity tax. There was a \$350,000 threshold of earned income with taxes charged above that. This recommendation had a tremendous amount of input and was thoroughly vetted along the way. People who did not like it picked at it from small issues. I am sure Ms. Vilardo has a vivid recollection of this study.

Senator Spearman:

I appreciate your indulgence. What I presented to you today is the process I have taken to come up with a revenue reform that has the elasticity to accommodate the additional requests we have received. Other requests will go to the Committee on Finance because there are fiscal notes. If we deem the requests priorities and something that Nevadans have to have to improve our quality of life and position us more strategically to welcome the businesses that we seek, we have to find a way to fund them. I have no illusions that the plan I come up with will meet with dancing in the streets. My hope is that everyone who wants to see us move forward will say yes, I will contribute to the growth and prosperity of Nevada. We are great people.

I was not born here; I chose to live here. This is a great State. We have many opportunities and potential. We have to get this revenue structure right in order to act upon those opportunities. If we do not, we may wind up being here until July. We have to focus on getting it right, not the timetable. Our constituents elected us to be leaders, and this issue is not popular with anyone. Leadership

means you do not shirk from a challenge. I learned as a military officer that whenever a challenge presents itself and you identify it, you develop a plan of action. Once your plan is agreed upon, you move forward. In doing that, we will create the kind of Nevada we want our children and grandchildren and their children to grow up in. We will have the kind of Nevada that has a diverse economy now but one that welcomes people in the future. We have to get this right.

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Chair Roberson:

The meeting is adjourned at 6:03 p.m.

RESPECTFULLY SUBMITTED:

Gayle Rankin,
Committee Secretary

APPROVED BY:

Senator Michael Roberson, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	1		Agenda
	B	6		Attendance Roster
S.B. 125	C	14	Mark Gibbs	Presentation – Economic Importance of Scheduled Air Service to Northeastern Nevada
S.B. 125	D	1	Marily Mora	Prepared Testimony
S.B. 149	E	3	Senator Kelvin D. Atkinson	Prepared Testimony
S.B. 149	F	2	Joanna Jacob	Proposed Conceptual Amendment
	G	20	Senator Pat Spearman	Revenue Proposal