

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

**Seventy-Eighth Session
April 9, 2015**

The Senate Committee on Revenue and Economic Development was called to order by Chair Michael Roberson at 3:53 p.m. on Thursday, April 9, 2015, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4404B 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 David R. Parks, Senatorial District No. 7

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Bryan Fernley, Counsel
Tony Rivano, Committee Secretary

OTHERS PRESENT:

Jeremy Smith, Truckee Meadows Regional Planning Agency
Mike Kazmierski, President and CEO, Economic Development Authority of
Western Nevada
Pete Etchart, Chief Logistics and Operations Officer, Washoe County School
District

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Tray Abney, The Chamber
Todd Koch, Building and Construction Trades Council of Northern Nevada
Jenny Reese, Nevada Association of Realtors
Bryan Wachter, Retail Association of Nevada
Lisa Gianoli, Washoe County
Victoria Carreon, Director of Education Policy, Kenny C. Guinn Center for Policy
Priorities
Jay Parmer, Builders Association of Northern Nevada
Dawn Miller, Vice President, Advocacy, Nevada Parent Teacher Association
Jeff Fontaine, Nevada Association of Counties
Tierney Cahill
Brandon Bennett
Lesley Pittman, MillerCoors LLC
Alfredo Alonso, Nevada Beer Wholesalers Association; Southern Wine & Spirits
of America, Inc.
Steve Hill, Executive Director, Office of Economic Development, Office of the
Governor
Paul Moradkhan, Las Vegas Metro Chamber of Commerce
Ken Evans, President, Urban Chamber of Commerce
Nick Vassiliadis, R&R Partners, Inc.

Chair Roberson:

We will hear four bills today and will start with Senate Bill (S.B.) 411.

SENATE BILL 411: Allows the imposition of additional statutory taxes in a county to fund capital projects of the school district based on the recommendations of a Public Schools Overcrowding and Repair Needs Committee and voter approval. (BDR S-140)

Senator Aaron D. Ford (Senatorial District No. 11):

I am here today to introduce S.B. 411 on behalf of my colleague, Senator Debbie Smith of Senatorial District No. 13, who is the sponsor of this bill. I have submitted written testimony ([Exhibit C](#)).

Jeremy Smith (Truckee Meadows Regional Planning Agency):

The Washoe County Consensus Forecast is a population and employment forecast. In 2014, the Truckee Meadows Regional Planning Agency (TMRPA) developed a 2-year population and employment forecast covering the years 2014 through 2034. Adopted in September 2014, the Forecast predicts

approximately 130,000 new residents and over 80,000 new jobs in Washoe County over the forecast period.

The consensus label reflects the Forecast's methodology. Four independent forecasts are selected, two of which are local forecasts prepared by the State Demographer Jeff Hardcastle, as well as a statistical model from the Truckee Meadows Water Authority. The two local forecasts are combined with, two national forecasts from Woods & Poole Economics, Inc., and IHS Global Insight. The rationale for pooling the four forecasts is to eliminate bias and avoid relying on any one forecast since research confirms pooling multiple forecasts improves accuracy.

The Forecast is used as a planning tool. Many agencies use the Forecast because of its value as a shared vision. Agencies using the Forecast include the City of Reno, the City of Sparks, Washoe County, the Regional Transportation Commission, the Reno-Tahoe Airport Authority, the Western Regional Water Commission and the Washoe County School District.

The Forecast is germane to today's discussion since it applies to the Washoe County School District and predicts growth by age cohort. School age cohorts cover the ages of 5 through 18, and over the next 5 years the forecast shows 4,500 additional residents in the aged 5 through 18 cohort. The 10-year forecast shows the number of residents in the aged 5 through 18 cohort as 9,000. These amounts are in addition to existing student populations. The forecasted figures may be conservative since any forecast is formulated at a specific juncture. The Forecast was formulated in mid-2014.

Forecast projections contemplate increasing economic development in the region; however, it was compiled and completed prior to the Tesla decision to build its gigafactory in Nevada. Consequently, 2014 Forecast estimates are considered conservative given the indirect effects enhanced economic development such as Tesla gigafactory will have on our region's growth. A new Forecast will be completed by spring 2016. Meanwhile, TMRPA continues to monitor growth trends within the context of the existing Forecast.

The TMRPA is engaged in two projects that will examine population and employment growth in advance of the 2016 Forecast. The first is a residential growth study that will research demographic shifts and housing demand based on different growth scenarios. The residential growth study will model where

and when we can expect residential development across the Truckee Meadows. This will give the Washoe County School District critical information for planning upgrades to existing schools and the building of new schools.

The TMRPA is also collaborating with Economic Development Authority of Western Nevada (EDAWN) to look at the impacts of enhanced economic development over the ensuing 5 years across a five-county region in northern Nevada. The Forecast provides the basis for Washoe County School District planning in connection with future growth.

Mike Kazmierski (President and CEO, Economic Development Authority of Western Nevada):

The Washoe County School District's need for capital dates back 10 years. School infrastructure has declined rapidly despite District efforts to ease overcrowding. Overcrowding and the deterioration in school infrastructure have led to the utilization of over 200 portable classrooms. Most Washoe County schools, especially middle grades, are overcrowded.

Washoe County schools exceed State school classroom size limits. Annual maintenance costs exceed \$25 million, yet funding levels fall short. The extension of the bonding rollover provides approximately \$10 million over the next 2 years, while projections indicate that \$25 million will be needed to maintain the status quo.

Over the next 2 years, the situation is expected to deteriorate since we do not have sufficient funding for additional portable classrooms. Washoe County schools are in crisis mode, without taking growth into account.

Growth projections present a dire picture given projected 5 percent job growth in the Reno-Sparks region over the next 5 years. Tesla represents less than 30 percent of this job growth. The annual 5 percent growth rate is historic, and a review of Reno-Sparks history shows that the region only experienced 5 percent in 1 year.

Historic consensus estimates without Tesla paint an optimistic picture compared to the projected job growth relative to our capital needs.

Capital funding shortfall foretells a downward trajectory for the community if this condition is not quickly addressed. This will take voter and community

involvement, and the community is ready to step forward to address this matter. Working with the community, EDAWN is requesting an opportunity to move forward with plans to address the capital-funding shortfall with the proposed legislation.

Given the 200-plus portable classrooms present a challenge in selling the Reno-Sparks region to high-tech companies, it may be possible to work around a relatively small number of portable units; but an additional 400 portable units over the next 5 years will result in the elimination of playgrounds and parking lots. How will this affect the quality of our education? This is a major concern from an economic development standpoint. Consequently, we encourage this Committee's support for the bill.

Pete Etchart (Chief Logistics and Operations Officer, Washoe County School District):

The bond rollover extension was extremely important to the Washoe County School District because it is our only source of facility funding. Based on the District's bonding capacity, the passage of the bond rollover extension provides an average of approximately \$20 million a year in funding through 2023. This is roughly the amount the District requires for critical repairs to existing schools and to continue the process of renovating the 40-plus-year-old facilities.

The rollover bond extension will not provide the financial resources to deal with anticipated growth. Overall, the District is at full capacity. We could fill at least three schools without considering the anticipated growth. As a school district, we do not forecast growth; however, we do utilize growth projections provided to us by the experts to determine growth's impact on our schools. The District has been working closely with regional planning and EDAWN with respect to growth projections and their impact on our school district.

Consensus conservative forecasts suggest that 14 new schools will be needed over the next 9 to 10 years. Accounting for school repairs, renovations and growth, the Washoe County School District will conservatively need \$20 million a year. The bond rollover extension provided approximately \$20 million a year. Therefore, the District will need \$50 million a year over the next 9 to 10 years. I look forward to the opportunity this bill provides for working with our community in connection with District needs and finding a solution.

Tray Abney (The Chamber):

The Chamber supports S.B. 411 in its entirety. At the genesis of this bill was the prospect for a county-specific solution. Senate Bill No. 154 of the 74th Session created the Washoe County Schools Construction and Revitalization Advisory Committee, which is similar to the Public Schools Overcrowding and Repair Needs Committee proposed in S.B. 411. Given current circumstances and the uncertainty regarding tax legislation, this bill provides a practical pathway for capital funding. Washoe County does not have a third revenue source for public school infrastructure funding. While A.B. No. 46 of the 77th Session passed the Legislature and was approved by Governor Brian Sandoval, the legislation did not obtain the necessary two-thirds majority vote to impose additional taxes to fund capital school projects.

Washoe County is in crisis mode since some of the 228 portable classroom trailers are over 30 years old. This measure is imperative; it is also an economic development issue as portrayed by Mr. Kazmierski. My son will start kindergarten this fall at Brown Elementary School in Reno. With over 900 pupils, it is Reno's most crowded elementary school.

This issue is not only important on a personal level—it is important on a business level. This legislation will not provide a complete solution because a long-term statewide funding mechanism is required for school district capital funding. The business community is ready and able to step up to this effort, but passing this bill is only the first of many steps in the State's school funding efforts. Input from the community as well as business and labor will be required. The whole community must come together, and The Chamber is committed to this effort since it views school infrastructure needs as a vital issue.

Todd Koch (Building and Construction Trades Council of Northern Nevada):

The Building and Construction Trades Council of Northern Nevada (BCTCNN) supports this effort entirely. As stated in previous testimony, school capital funding is a community problem, requiring a community solution. The BCTCNN is eager for this bill to pass and for BCTCNN to be a part of this legislation's success.

Failure of the 2008 Support Our Schools Initiative Petition was related to timing issues since the ballot measure corresponded with the onset of the Great Recession. The ballot measure would have increased the hotel room tax in the Reno and Las Vegas areas and used the new revenue to finance public

school infrastructure projects. Given the circumstances at that time, voters were reluctant to vote for a tax increase.

Any person or group that believes school funding is not a major issue for school construction and repairs should share their views with this Committee. Should those in opposition present a substantive argument, this Committee would not be required to propose a ballot initiative. Many community members support the need for school funding—this solution requires attention. The BTCNN looks forward to helping move this legislation through the Legislature. While a large contingent of diverse groups worked closely together to support A.B. No. 46 of the 77th Session, the failure of the county commissioners to authorize additional taxes to fund school infrastructure projects was very frustrating.

Senator Kieckhefer:

Would you comment on the makeup of the Public Schools Overcrowding and Repair Needs Committee? Although the Committee appears to be well-constructed, I am confused by the fact that some business organizations are permitted to appoint their own members, while the board of trustees appoints others. Is The Chamber comfortable with the board of trustees appointing a member representing the business community, or is this arrangement more appropriate for The Chamber to manage?

Mr. Abney:

The original bill was modeled after S.B. No. 154 of the 74th Session, which created the Washoe County Schools Construction and Revitalization Advisory Committee. That Committee had a chamber-specific representative appointed by The Chamber. The Chamber was subsequently informed that population caps were no longer permitted on this as well as other legislation. Moreover, the bill applied to every county in the State and since not every county has a Chamber of Commerce, our position was removed.

If a chamber position can be implemented for Washoe County, The Chamber would be appreciative. But if the bill language is to apply to every county, then Chamber of Commerce language would not work.

Senator Kieckhefer:

There should be a method to ensure that a business organization be permitted to appoint its own members—whether it is the largest business association in the county based on membership—or in the absence of such an organization,

the appointment could default to the county or to the board of trustees. It would make sense for these groups to appoint their own members.

Jenny Reese (Nevada Association of Realtors):

The Nevada Association of Realtors supports S.B. 411 and would appreciate the consideration of appointing a real estate representative on the Public Schools Overcrowding and Repair Needs Committee.

Bryan Wachter (Retail Association of Nevada):

The Retail Association of Nevada supports S.B. 411 and would appreciate having a seat at the table, while looking forward to meaningful dialogue.

Lisa Gianoli (Washoe County):

The Washoe County Board of Commissioners voted to support this bill several weeks ago and want to have this on record.

Victoria Carreon (Director of Education Policy, Kenny C. Guinn Center for Policy Priorities):

The Kenny C. Guinn Center for Policy Priorities is neutral on this bill. The Center would like to make the following comments with respect to the proposed legislation. While Washoe County is sponsoring this bill, other State school districts also have unfunded facility needs.

The Clark County School District has over \$7 billion in identified needs. The total amount that can be funded by rollover bonds and other sources over 10 years is \$3.5 billion, leaving a shortfall of \$3.8 billion, as shown on page 1 of my presentation ([Exhibit D](#)).

Rural school districts, which have not been included in today's discussion, have unfunded needs of over \$450 million throughout the rural school districts—also on page 1 of [Exhibit D](#).

The Center believes that this proposal has many positive aspects since it provides flexibility to propose various types of taxes, which is not currently permitted. Thus, going beyond traditional property taxes, this bill could target sales taxes, room taxes, Real Property Transfer taxes and Governmental Services Taxes as revenue sources. Thus this legislation would meet the specific needs of a specific community.

Voter approval can be challenging, as seen when the 2008 proposal for Washoe County was rejected by voters; moreover, in 2012, Clark County voters did not approve a pay-as-you-go property tax. In 2014, voters turned down rollover bond measures in Lyon, Mineral and Nye Counties.

As a point of clarification, the Center directs this Committee to the fact that any ad valorem taxes recommended can exceed the existing statutory cap of \$3.66 per \$100 of assessed value. Many counties, such as Washoe County, are at the tax cap; thus, it may be prudent to provide these counties with the flexibility to have this option or they may be prevented from imposing taxes. This Committee should also consider creating exemptions from tax abatements.

I would like to summarize our recommendations in connection with the Center's report on school facility financing needs:

- Create a statewide mechanism for school facilities.
- Provide school districts with the ability to create special improvement districts.
- Explore the feasibility of creating multicounty tax districts for rollover bonds.
- Change existing laws related to tax caps and abatements.
- Encourage the Governor's Office of Economic Development to conduct a school facilities impact study and develop a funding plan prior to approval of development incentives.

Jay Parmer (Builders Association of Northern Nevada):

I agree with the previous testifiers' comments in support of this bill. The Builders Association of Northern Nevada (BANN) is supportive of this bill with the exception of section 1, subsection 1, paragraph (I), line 11 on page 3, which covers the appointment of members to the Public Schools Overcrowding and Repair Needs Committee. As an active member of the Washoe County Schools Construction and Revitalization Advisory Committee, the Association understands the amount of time and energy required to participate on the Committee. Association members are willing to commit the time and resources necessary.

Senate Bill No. 154 of the 74th Session permitted a member of the association of home builders with the largest membership in the county to appoint a member of its choosing to the Washoe County Schools Construction and Revitalization Advisory Committee. The Home Builders are represented throughout the State by one of three organizations chartered by the National Association of Home Builders, BANN, the Southern Nevada Home Builders Association and the Nevada Association of Home Builders. The Builders Association of Northern Nevada is confident that between the organizations cited, an appropriate individual can be appointed to serve on a committee in any county wanting to avail itself to this legislation. The Builders Association of Northern Nevada would like this Committee to consider permitting BANN to appoint our own representative to the Public Schools Overcrowding and Repair Needs Committee.

Dawn Miller (Vice President, Advocacy, Nevada Parent Teacher Association):

The Nevada Parent Teacher Association (PTA) is neutral on the bill since the PTA does not take a position on taxes. The PTA thanks Senator Debbie Smith for bringing this bill forward and supports the Committee makeup as well as the decision whether to impose taxes will go to the voters at the 2016 general election.

Senator Kieckhefer:

If the PTA cannot take a position on this bill due to the tax implications, would the PTA be able to advocate for the ballot measure?

Ms. Miller:

Yes, because voters would decide on whether to raise taxes.

Senator Kieckhefer:

Once the measure is on the ballot, would the PTA advocate passage?

Ms. Miller:

The PTA would advocate under safe and warm schools.

Jeff Fontaine (Nevada Association of Counties):

While this bill initially appeared to be directed to Washoe County, the Nevada Association of Counties (NACO) understands the need to make this bill applicable to all counties. The NACO wants to ensure that the bill will work for all Nevada counties and meet constitutional rigor.

A previous testifier questioned which taxes would be subject to the ballot measure since the bill is not clear on this point and the taxes are not uniform through all counties. Was it intentional to leave the tax issue general or is there more specificity? Does the bill permit raising property taxes above the \$3.64 cap? Approximately 8 or 9 counties are at or within a penny or two of the cap. How big a challenge will it be to find committee members in rural counties? The pool of qualified individuals from rural counties is likely to be much smaller relative to urban counties.

Senator Ford:

In response to Mr. Fontaine's question, the vagueness on the tax issue was purposefully by design. Ultimately, the communities would make the decision to impose taxes to fund school infrastructure projects.

With respect to the Committee composition, Senator Smith's desire is for the participating organizations to appoint their own members to the Public Schools Overcrowding and Repair Needs Committee. The bill's sponsors are amenable to input with respect to the Committee selection process. The major goal with regard to the Committee selection process is to prevent board of county commissioners from selecting Committee members.

Chair Roberson:

There is a lot of support for this bill. The bill can go to work session for tomorrow's meeting, if details can be worked out. Otherwise, we will waive the deadline. The hearing on S.B. 411 is closed, and I will open the hearing on Senate Bill 342.

SENATE BILL 342: Revises provisions relating to the regulation and taxation of hard cider. (BDR 32-875)

Senator Ford:

On behalf of my colleague Senator Debbie Smith, I will introduce S.B. 342. As reflected in my testimony ([Exhibit E](#)), S.B. 342 addresses the definition and taxation of hard cider.

Tierney Cahill:

My husband Brandon Bennett and I are interested in starting a cider business in Nevada. The cider industry is experiencing rapid growth, and the following presentation ([Exhibit F](#)) substantiates our interest in pursuing this endeavor.

Angry Orchard Hard Cider, which is owned by the Boston Beer Company, maker of Samuel Adams, is among the most popular hard ciders on the market. Cider is packaged and sold similar to beer. Stores display cider with beer, since it is carbonated and has a similar alcohol content as beer.

Cider is the fastest-growing alcoholic beverage in the U.S., outpacing beer, wine and spirits. The cider industry comprises approximately 1 percent of the beer market. Cider's rapid growth is due to a number of factors, including interest from foodies, millennials, non-GMO types and gluten-free advocates. Cider provides an alternative to alcoholic beverages.

Slide 4 of [Exhibit F](#) shows cider's growth rate in the U.S. from 1999 through 2014. A good example of cider growth is the State of Washington, where only 2 locations existed in 2003; in 2014, there were 30.

Cider apples are a limited commodity in the U.S. and are primarily grown in Vermont, Oregon, New York, Washington and Canada. Many cideries, including Angry Orchard, import apples from France and Italy. The limited number of cider apples is due to the destruction of cider apple trees during Prohibition. Consequently, cider apples are difficult to procure, and there are no cider apple orchards in Nevada.

We propose to define cider in a similar manner as pending federal legislation, which follows similar existing legislation in Oregon, New York and Washington State. The proposed definition would align Nevada with those states that have enacted legislation. Slide 6 of [Exhibit F](#) outlines the proposed definition for cider.

My husband and I have visited a number of cideries in other states to view cider production. Slide 7 of [Exhibit F](#) shows Reverend Nat's Production Cidery and Tap Room in Portland, Oregon. Portland has an active craft brewery, cidery, winery and craft distillery market. Reverend Nat's is a production site with a tasting room. Senate Bill 342 requests an additional tasting room located at an alternative location from the production site. Reverend Nat's is located in an industrial area since it must accommodate the use of heavy machinery, such as forklifts and delivery trucks. An alternative tasting room site would support the production facility.

Slide 8 of [Exhibit F](#) shows Schillings Cider House tasting room in Seattle, Washington. Schillings offers its own ciders as well as ciders from competitors. This approach fosters consumer product education while offering a wide variety of competing ciders from other cideries. Midtown Reno would be an ideal location for a tasting room given the high level of foot traffic.

We are interested in corporate philanthropy and have the ability to help charitable and nonprofit causes, which is a common practice among the craft brewery and distillery industries.

Senate Bill 342 proposes that cider taxation equal beer taxation. Craft breweries are taxed at 16 cents a gallon. For taxation purposes, cideries are classified as wineries, whereas the customer views cider as a beer-like product, as do retail stores. In addition to consumer views, cider-packaging is similar to beer and the price point is in line with beer. We feel that cider should be taxed at a rate similar to beer. Wine pricing varies widely, with some wines selling for over \$100 a bottle. From a price point, wine and cider are not comparable, nor are they comparable with respect to marketing, packaging and how they are displayed. Since wine is taxed at 70 cents a gallon, we feel that the cider tax should be aligned with beer.

Senator Kieckhefer:

The text for S.B. 342 appears to address the tax issue only. Does a separate bill address alternative tasting rooms and philanthropy?

Senator Ford:

Assembly Bill (A.B.) 186 revises provisions covering craft distilleries, addresses the issue of selling spirits in one other location in addition to the distillery and also allows the distillery to donate and transport spirits for charitable or nonprofit purposes.

[Assembly Bill 186](#): Revises provisions governing craft distilleries. (BDR 52-854)

Senator Kieckhefer:

Cider is currently taxed at 70 cents a gallon, but S.B. 342 requests the tax rate to be brought down to 16 cents a gallon, which is in line with beer.

Ms. Cahill:

The cider tax would be in line with the beer tax, if it were legal to produce cider in Nevada.

Senator Kieckhefer:

Why is cider production illegal in Nevada?

Ms. Cahill:

Statute and population caps in Washoe County preclude cider production, since it is viewed as a wine product.

Senator Kieckhefer:

Are you referring to A.B. 4, sponsored by Assemblyman Pat Hickey?

[Assembly Bill 4](#): Deletes provisions specifying the population of a county in which a winery may engage in certain activities. (BDR 52-228)

Ms. Cahill:

Yes.

Brandon Bennett:

I am in favor of this bill. Since cider apples are not produced in Nevada, the production facility would be in an industrial zone, and a second site is needed for sales and education to attract foot traffic.

Senator Hardy:

Will the second cidery cited be precluded from the three-tier system of distribution to you, or is there a tax point between the manufacturer and consumption point at the cidery?

Ms. Cahill:

Our proposal would limit the amount of cider sold at the ancillary location to 50 percent of total production. The remaining 50 percent would go through distribution.

Senator Hardy:

Is there a tax between the manufacturer and the consumption point? When you refer to two sites, are you taxed between distribution points similar to other alcoholic beverages?

Ms. Cahill:

We would pay tax on all the cider produced based on the quantity of production.

Senator Hardy:

Is there a tax on the distribution as well as the production?

Mr. Bennett:

Our proposal follows statute. There is no tax on the distribution; sales tax is charged at the production facility.

Senator Hardy:

The two sites are treated as one site for taxation purposes.

Mr. Bennett:

We tried to follow the statute that is in place for wineries.

Lesley Pittman (MillerCoors LLC):

MillerCoors supports S.B. 342. We operate a couple of cideries and establishing a definition of cider and cideries in Nevada statute will help Nevada's burgeoning cider industry.

Alfredo Alonso (Nevada Beer Wholesalers Association; Southern Wine & Spirits of America, Inc.):

The Nevada Beer Wholesalers Association and Southern Wine and Spirits of America, Inc., understand the intention of S.B. 342 proponents, but it would be better suited to amend A.B. 4 when that is introduced to this Committee. This suggestion is based on avoiding conflicts between the two bills. I have also expressed these concerns with the bill's sponsor.

Chair Roberson:

If the sponsor is amenable to your suggestion, that is what we will do. I will close the hearing on S.B. 342 and open the hearing on Senate Bill 507.

SENATE BILL 507: Revises provisions relating to economic development.
(BDR 18-1204)

Steve Hill (Executive Director, Office of Economic Development, Office of the Governor):

Senate Bill 507 creates a Catalyst Account in conjunction with a budget amendment. The Catalyst Account is similar to the Catalyst Fund—it does not replace the Catalyst Fund, leaving it in place and in law. Senate Bill 507 creates a transferable tax program operating in a similar manner to the Catalyst Fund.

Administration of the transferable tax credits operates similar to the way tax credits function in S.B. No. 1 of the 28th Special Session. The tax credits also function similarly to the handling of film tax credit administration.

There are three purposes for the creation of the Catalyst Account, and the Governor's Office of Economic Development (GOED) believes that S.B. 507 represents an improvement in the program. This legislation will align the program costs with the timing of the expense with the companies we are recruiting to Nevada. The Catalyst Fund legislation stipulates that a grant commitment in future years require the Legislature to fund the entire program in the current year. During fiscal year (FY) 2011, the Catalyst Fund was funded with \$10 million; in FY 2013, that was made whole with a \$1.5 million contribution. The agreements that GOED through local governments makes with businesses often have a duration of 3 to 5 years. The funding remains in the Catalyst Fund Account and is not expended until the following biennium.

The transferable tax credit program does not require up-front funding, and the transferable tax credit expense can be accounted for in the years the expense is incurred. Continuing to work with local governments in recruiting businesses to the State allows GOED to reach direct agreements with businesses. The GOED cannot accomplish this through the Catalyst Fund. This is somewhat helpful on the application and approval side but removes local governments from the administrative process, permitting GOED to deal directly with businesses.

Along with the budget amendment, the general effect of the approval of S.B. 507 realizes a savings of \$7.5 million during the ensuing biennium.

The GOED has submitted a budget amendment that reduces the funding request for the Catalyst Fund in the next biennium. In conjunction with the approval of S.B. 507, we would eliminate the \$2.5 million remaining in the Catalyst Fund through a budget amendment to eliminate catalyst funding in the next biennium.

The Catalyst Account would then be replaced by S.B. 507. Limits have been placed on the amount of transferable tax credits that can be used and expended during the next 2 years: \$500,000 in FY 2016, \$2 million in FY 2017 and \$5 million in each subsequent year. There cannot be agreements beyond the 5-year period. This aligns agreements GOED anticipates to achieve with businesses and the expenditure associated with the transferable tax credits.

That concludes my summary of S.B. 507.

Senator Kieckhefer:

Can a transferable tax credit be issued in an amount greater than that appropriated for the given fiscal year?

Mr. Hill:

Yes.

Senator Kieckhefer:

On a forward-looking basis, will the unknown liability be eliminated through this process?

Mr. Hill:

Yes.

Senator Kieckhefer:

Why is the method proposed by S.B. 507 superior to the Catalyst Fund method?

Mr. Hill:

There are two answers to your question. The first is the ability to work directly with businesses during both the application and administrative process. Second, both programs are relatively equivalent; however, S.B. 507 has the benefit of streamlining the process. While the Catalyst Fund has been exceptionally effective in helping our economic development efforts, GOED believes S.B. 507 will be more effective from a business-friendly standpoint.

Paul Moradkhan (Las Vegas Metro Chamber of Commerce):

The Las Vegas Metro Chamber of Commerce supports S.B. 507. The Metro Chamber supported the original Catalyst Fund implemented through A.B. No. 449 of the 76th Session. The Catalyst Account is an important tool in connection with the State's economic development efforts and for GOED.

Chair Roberson:

I will close the hearing on S.B. 507 and open the hearing on Senate Bill 323.

SENATE BILL 323: Establishes a program to provide loans to certain small businesses owned by minorities and women. (BDR 18-956)

Senator Aaron D. Ford (Senatorial District No. 11):

I am here to introduce S.B. 323, which proposes the creation of a loan program to help minority- and women-owned businesses expand and thrive in our State. I have submitted my written testimony ([Exhibit G](#)).

Ken Evans (President, Urban Chamber of Commerce):

The Urban Chamber of Commerce supports S.B. 323 because we are convinced that it will provide the necessary access to capital that many of our current and future members need. According to the U.S. Small Business Administration, Nevada District Office, women owned one in five Nevada businesses in 2014, and minorities or individuals who fall within the traditionally unrepresented categories owned one in four businesses in 2014.

The Urban Chamber of Commerce is convinced that passage of S.B. 323 and its loan program implementation will help one in four or one in five business owners in the State. This bill is part of our agenda we call economic gardening, defined as supporting existing State businesses by helping them grow and contribute to the State's economic development.

Nick Vassiliadis (R&R Partners, Inc.):

The intent of this bill is to help disadvantaged small businesses grow and grow locally. The key element in this bill is to foster local small business growth. In the past, R&R Partners located disadvantaged businesses, awarded them contracts we had won and permitted those small businesses to be vendors. R&R Partners' internal research department formulated a list of small businesses that qualified as disadvantaged while fulfilling the requirements for a successful vendor.

Through this process, R&R Partners found many great businesses meeting these criteria; unfortunately, these businesses were located in Los Angeles, Chicago, Seattle and Dallas. It was difficult to find Nevada businesses meeting the workload that our projects demand. A specific example concerns a photography studio based in Las Vegas that did not have the equipment and technology

R&R Partners requires its vendors to have in order to meet the large capacity our projects demand. Since small business loans range in size from \$200,000 to \$250,000, the studio should have been able to acquire the necessary equipment to qualify as a vendor. This would have enabled R&R Partners to give the small business a project that would otherwise be inaccessible.

Mr. Moradkhan:

The Las Vegas Metro Chamber of Commerce feels that this bill contains good concepts and represents a good effort to help Nevada's small businesses. Small businesses comprise an important part of Nevada's economy. Female-owned small business growth in Nevada is among the fastest in the Nation. According to the U.S. Census Bureau, Nevada's female-owned small businesses had the third-fastest growth rate in the Country.

Small businesses represent approximately 85 percent of Metro Chamber members, and we provide resources to the members in this category. The Metro Chamber has witnessed significant growth in our female- and minority-owned businesses, public relations professional services and marketing. The Metro Chamber expects the growth rate for small business to continue.

Senator Kieckhefer:

What is the financing mechanism envisaged in this bill? What revenue source will secure the State-issued revenue bonds?

Senator Ford:

I am unfamiliar with the machinations of revenue bonds. We are seeking a funding mechanism that would launch the program. The suggestions provided include general obligation bonds, revenue bonds and an actual appropriation. Revenue bonds would be the easiest way to provide seed money for the start-up program this bill supports.

Senator Kieckhefer:

Revenue bonds are typically supported by a specific revenue source rather than the full faith and credit of the State. The bill's language is not clear on the revenue source that will securitize the bonds.

Senator Ford:

Loan repayment is integrated with the revenue bond approach to fund the program.

Chair Roberson:

The hearing on S.B. 323 is closed. We will first hear Senate Bill 78 in work session.

SENATE BILL 78: Makes various changes to provisions relating to taxation.
(BDR 32-303)

Joe Reel (Fiscal Analyst):

Please refer to the work session document covering S.B. 78 ([Exhibit H](#)). Senate Bill 78 makes various changes to provisions relating to taxation and sponsored by this Committee on behalf of the Department of Taxation. The bill was heard in this Committee on February 26. Senate Bill 78 authorizes any person, firm, company, association or corporation claiming overvaluation or excessive valuation of its property as appraised or assessed by the Department of Taxation to appeal any resulting assessment directly to the State Board of Equalization without first being required to appeal the assessment to the county board of equalization.

An appeal must be filed directly with the State Board of Equalization no later than January 15, which corresponds to the date by which an appeal must be submitted to the county board of equalization under statute. If January 15 falls on a Saturday, Sunday or legal holiday, the appeal may be filed on the next business day.

Testimony in support of this bill was provided by Terry Rubald, Deputy Executive Director, Department of Taxation. There was no testimony in opposition or neutral to the bill, and there were no amendments.

Chair Roberson:

I will ask for a motion to do pass S.B. 78.

SENATOR HARDY MOVED TO DO PASS S.B. 78.

SENATOR FORD SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Chair Roberson:

Our next work session bill is S.B. 94.

SENATE BILL 94: Makes various changes relating to transferable tax credits for film and other productions. (BDR 32-58)

Mr. Reel:

The work session document covering S.B. 94 is attached ([Exhibit I](#)). The bill, sponsored by Senator Aaron D. Ford representing Senatorial District No. 11, was heard in this Committee on February 20. Senate Bill 94 makes various changes relating to the administration and eligibility criteria for the transferable film tax credit program administered by the Governor's Office of Economic Development. Senate Bill 94 specifically:

- Eliminates the June 30, 2023, expiration date for the program, making the program permanent rather than a pilot program.
- Removes the \$10 million limitation on the total amount of tax credits that may be approved while limiting the total amount of tax credits that may be approved for any fiscal year to the amount appropriated or authorized for expenditure for that purpose for that fiscal year.
- Makes transferable tax credits available to only a "production company" rather than a "producer." It also eliminates references to a natural person; thus, only a business meeting the requirements of the definition may apply for and receive the tax credits.
- Changes the definition of "qualified expenditures and production costs" that may serve as the basis for transferable tax credits to "qualified direct production expenditures."

- Clarifies that a qualified direct production expenditure includes rentals or leases of tangible personal property in addition to purchases from a Nevada business.
- Clarifies that postproduction expenditures are a qualified direct production expenditure only if the postproduction expenditure occurs in Nevada.
- Progressively reduces and eliminates the eligibility of wages paid to non-Nevada residents as a basis for the tax credits.
- Increases, from 14 days to 60 days, the length of time permitted for GOED to certify the statutorily required audit and make a final determination of whether to issue a certificate of transferable tax credits.
- Requires proof that 70 percent of funding for the qualified project has been obtained, eliminating a requirement that a production company prove that 50 percent or more of the funding for a qualified project exists in an escrow account.
- Clarifies the definition of a qualified production to include a game show and, if certain requirements are met, a reality show.

Primary testimony for the bill was provided by Senator Ford. Additional testimony in support of the bill was provided by individuals from the film industry, as well as the Las Vegas Metro Chamber of Commerce and the Nevada Alliance for Retired Americans.

Neutral testimony was provided by the Nevada Policy Research Institute and testimony in opposition was provided by Adam Kilbourn of Black Raven Productions, LLC.

Subsequent to the bill's hearing, a proposed amendment was submitted by Senator Ford, and the Legal Division drafted Proposed Amendment 6125 to S.B. 94 for consideration by this Committee.

Pursuant to Proposed Amendment 6125 to S.B. 94, section 6 amends *Nevada Revised Statute* (NRS) 360.7582, which defines "below-the-line personnel," to restore the following personnel proposed for deletion in the bill as introduced: compositor, dialogue editor, film editor, assistant film editor, focus

puller, Foley operator, Foley editor, music editor, sound editor, sound effects editor, camera operator working with a director of photography.

Chair Roberson:

I will entertain a motion to amend and do pass S.B. 94 with Proposed Amendment 6125.

SENATOR SPEARMAN MOVED TO AMEND AND DO PASS AS AMENDED S.B. 94 WITH PROPOSED AMENDMENT 6125.

SENATOR KIHUEN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Chair Roberson:

Our next work session bill is S.B. 334.

SENATE BILL 334: Proposes to exempt sales of certain durable medical equipment, mobility-enhancing equipment, hearing aids, hearing aid accessories, and ophthalmic or ocular devices or appliances from sales and use taxes and analogous taxes. (BDR 32-262)

Mr. Reel:

The work session document covering S.B. 334 is attached ([Exhibit J](#)). Senate Bill 334 proposes to exempt sales of certain durable medical equipment, mobility-enhancing equipment, hearing aids, hearing aid accessories and ophthalmic or ocular devices or appliances from sales and use taxes and analogous taxes. Sponsored by Senator Michael Roberson representing Senatorial District No. 20, the bill was heard in this Committee on March 31. Senate Bill 334 requires the submission of three separate ballot questions to the voters at the 2016 general election to determine whether the Sales and Use Tax Act of 1955 should be amended to provide an exemption for:

- Canes, crutches, manual or motorized wheelchairs or scooters that enhance the ability of a person to move and other mobility-enhancing equipment if

prescribed by a licensed provider of health care acting within his or her scope of practice.

- Hearing aids and hearing aid accessories.

Senator Roberson and Josh Hicks, representing Nevada Hearing Society, provided the primary testimony on the bill. Additional testimony in support of the bill was provided by several representatives from the Nevada Optometric Association, the Nevada Academy of Ophthalmology, Retail Association of Nevada and Jay Parmer representing Fresenius Medical Care, NA.

There was no testimony in opposition or neutral to the bill. During the hearing, Mr. Parmer suggested an amendment based on his reading of the bill. Mr. Parmer noted that the provisions contained in section 31, subsection 1, paragraph (c) of the bill as drafted could be interpreted to reflect the addition of a prescription requirement for the sales tax exemption that applies to products for hemodialysis. Mr. Parmer's concerns are due to the addition of new language related to durable medical equipment in the same sentence that provides the current exemption for hemodialysis products. If it is this Committee's intent to eliminate the prescription requirement for hemodialysis products, Mr. Parmer suggests amending section 31, subsection 1, paragraph (c) by adding a semicolon after "Products for hemodialysis" or moving the new language from paragraph (c) to paragraph (d) of section 31, subsection 1.

Chair Roberson:

I will entertain a motion to amend and do pass S.B. 334 as outlined by Mr. Reel.

SENATOR FORD MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 334.

SENATOR KIECKHEFER SECONDED THE MOTION.

Senator Kieckhefer:

Is there a preference for either amendment No. 1 or No. 2?

Chair Roberson:

Legal will make that determination; I have no preference.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Chair Roberson:

The Committee will wrap up work session with S.B. 377.

SENATE BILL 377: Revises various provisions relating to the taxation of property. (BDR 32-542)

Mr. Reel:

As shown in the work session document covering Senate Bill 377 ([Exhibit K](#)), S.B. 377 revises various provisions relating to the taxation of property. The bill was brought forward by Senator David R. Parks of Senatorial District No. 7 and heard in this Committee on April 3. Senate Bill 377 specifically provides that any appeal to a county board of equalization filed by mail is deemed to be filed on the postmark dated by the post office on the envelope in which the appeal is mailed—or if the postmark is omitted or illegible, on the day the appeal is received. Any postmark not provided directly by the post office does not establish a timely filed appeal.

The bill stipulates applying the methodology provided in statute for allocating the taxable value of common elements of a common-interest community on an equal basis to each of the community units of that common-interest community. The prescribed methodology may only be used if the community association provides the county assessor with the information necessary to identify the community units to which the taxable value of the common elements must be allocated.

If the community association does not provide such information to the county assessor, the person or association that is the owner of those common elements must pay the property taxes on the common elements.

The primary testimony on the bill was brought by Senator Parks and Jeff Payson of the Nevada Assessors Association of Clark County. There was no testimony in opposition or neutral to the bill, and there were no amendments.

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Chair Roberson:

I will ask for a motion to do pass S.B. 377.

SENATOR HARDY MOVED TO DO PASS S.B. 377.

SENATOR FORD SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Roberson:

Hearing no further business before the Committee, this meeting is adjourned at 8:02 p.m.

RESPECTFULLY SUBMITTED:

Tony Rivano,
Committee Secretary

APPROVED BY:

Senator Michael Roberson, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	2		Agenda
	B	4		Attendance Roster
S.B. 411	C	3	Senator Aaron D. Ford	Testimony
S.B. 411	D	2	Victoria Carreon	Testimony
S.B. 342	E	1	Senator Aaron D. Ford	Testimony
S.B. 342	F	9	Tierney Cahill	Presentation
S.B. 323	G	3	Senator Aaron D. Ford	Testimony
S.B. 78	H	1	Joe Reel	Work Session Document
S.B. 94	I	3	Joe Reel	Work Session Document
S.B. 334	J	2	Joe Reel	Work Session Document
S.B. 377	K	1	Joe Reel	Work Session Document