

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Ninth Session
March 1, 2017**

The Committee on Government Affairs was called to order by Chairman Edgar Flores at 8:36 a.m. on Wednesday, March 1, 2017, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/79th2017.

COMMITTEE MEMBERS PRESENT:

Assemblyman Edgar Flores, Chairman
Assemblywoman Dina Neal, Vice Chairwoman
Assemblywoman Shannon Bilbray-Axelrod
Assemblyman Chris Brooks
Assemblyman Richard Carrillo
Assemblyman Skip Daly
Assemblyman John Ellison
Assemblywoman Amber Joiner
Assemblyman Al Kramer
Assemblyman Jim Marchant
Assemblyman Richard McArthur
Assemblyman William McCurdy II
Assemblywoman Daniele Monroe-Moreno
Assemblywoman Melissa Woodbury

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblyman Ira Hansen, Assembly District No. 32



STAFF MEMBERS PRESENT:

Jered McDonald, Committee Policy Analyst
Jim Penrose, Committee Counsel
Lori McCleary, Committee Secretary
Cheryl Williams, Committee Assistant

OTHERS PRESENT:

Doug Goodman, Private Citizen, Sparks, Nevada
Natha C. Anderson, President, Washoe Education Association; and representing Nevada State Education Association
Lindsay Anderson, Director, Government Affairs, Washoe County School District
Craig M. Stevens, Director, Intergovernmental Relations, Government Affairs, Clark County School District
Gregory Peek, representing Builders Association of Nevada and Nevada Home Builders Association
Jesse Haw, representing Nevada Home Builders Association
Joshua J. Hicks, representing Nevada Home Builders Association and Southern Nevada Home Builders Association
Kandis N. McClure, representing The Howard Hughes Corporation
Dagny Stapleton, Deputy Director, Nevada Association of Counties
Aaron West, Chief Executive Officer, Nevada Builders Alliance
Tray Abney, Director of Government Relations, The Chamber, Reno-Sparks-Northern Nevada
Justin Harrison, Director, Government Affairs, Las Vegas Metro Chamber of Commerce
Alexis Motarex, Coordinator, Government Affairs, The Associated General Contractors of America, Inc., Nevada Chapter
Sean Stewart, Chief Executive Officer, Nevada Contractors Association
David Cherry, Communications and Intergovernmental Relations Manager, City of Henderson
Matt Walker, Director, Government Affairs, Southern Nevada Home Builders Association

Chairman Flores:

[Roll was called. Committee rules and protocol were explained.] We have two items on the agenda today. We are going to take them out of order in the interest of time.

Assembly Bill 134: Revises provisions governing exemptions of certain special districts from certain requirements of the Local Government Budget and Finance Act. (BDR 31-562)

Assemblyman Ira Hansen, Assembly District No. 32:

I represent Assembly District No. 32, which is almost all of Washoe County, Humboldt County, Pershing County, Lander County, Mineral County, Esmeralda County, and the section of Nye County that is Tonopah. My district is 38,000 square miles with a little less than two people per square mile. As a historical fact, the old definition for the American frontier was less than two people per square mile. Technically, I am still representing part of the old American West.

This is a simple bill. Currently in law, we have a \$200,000 cap for certain small government improvement districts, fire districts, and things like that. If they reach that \$200,000 cap on their budget, by law they are required to have an audit. In many cases, the audits cost \$20,000 to \$30,000. The Winnemucca Rural Fire District brought this to my attention after they purchased a fire truck. Because of that purchase, they were forced by this law to have an audit, which cost them more than 10 percent of their entire budget. This bill essentially adjusts the cap for inflation from \$200,000 to \$265,000. The last time this cap was adjusted was in 2003. I simply asked the Legislative Counsel Bureau (LCB) to do an inflation calculation and give me what the new number should be. That is the entire bill.

Assemblyman Ellison:

We are running into this problem all over the rural areas. Is there a reason why you want the cap to be \$265,000 instead of \$300,000?

Assemblyman Hansen:

I did it just to keep it simple. I was going to approach Chairman Flores to ask if we could do a friendly amendment to increase the cap to \$300,000 so we do not have to repeat this cycle in three or four legislative sessions. There have been zero problems with that suggestion. If you are interested in a possible friendly amendment to increase the cap to \$300,000, that would be fine, but at the very minimum, I want to bring the cap up to the current level of inflation, which is \$265,000. I believe that the only people who may oppose the bill are certain certified public accounting firms who like to do these kinds of audits. To my knowledge, there is no one in opposition at this point in time.

Assemblyman Ellison:

I believe it is something we need to do for school districts in the rural counties.

Assemblywoman Bilbray-Axelrod:

Who would be impacted by this bill?

Assemblyman Hansen:

I asked that question of LCB. There are two fire districts in my district in Humboldt County, Orovida Volunteer Fire Department and Winnemucca Rural Fire District. In addition, there are the Beatty General Improvement District and the Tonopah Library District. At the moment, those are the only four that would be impacted by the bill that LCB could find. There are many small rural districts, as Assemblyman Ellison pointed out. This bill will impact a small number of people. However, for those small special districts, \$200,000 is

a large amount, and consequently, for them to be forced to spend 10 to 15 percent of their budget on a single audit is a huge hit. I am trying to make it fair and get the numbers back to where they make sense.

Assemblywoman Bilbray-Axelrod:

Do you think those numbers would be different if we raised the cap to \$300,000?

Assemblyman Hansen:

I think it would be very close to the same. In fact, the Tonopah Library District's budget is going up a little bit, so at \$265,000, they would be out of it. I am open to entertaining a different number. As I said, I did the absolute minimum inflation adjustment to get it from the 2003 level to the 2017 level. If we could raise it to \$300,000, I think that would be more than fair. There are still protections in the law to make sure there are no embezzlements or other things. I would be happy to entertain any ideas you have along those lines.

Assemblyman Carrillo:

The increase in the cap is to exempt special districts from going through the audit process. What changed? They have been going through the audit process up until now. To me, you are leaving them out of the loop. There are many other protections put in place, so they do get audited. Perhaps not annually, but maybe every five years. How does that process work?

Assemblyman Hansen:

I do not know the answer to that question. I know this bill was originally passed in 1973, and the original cap was \$30,000. It has been adjusted periodically throughout the years through the legislative process. This bill is to allow them to request an exemption. That does not mean it is granted. The districts cannot make that request until they meet the threshold. The reason this bill is coming forward now is because the Winnemucca Rural Fire District purchased a fire truck for \$245,000, which is above the \$200,000 threshold. They were going to have to spend \$30,000 on an audit. That is where the genesis of this bill came from. Nothing in the existing law, which goes back to 1973, is changing except the dollar cap.

Assemblyman Kramer:

Part of what you are leaving out is what happens to the district's budget. When they submit a budget, it goes to the Department of Taxation. If it is under the \$200,000 range, then they do not look for an audit. The Department of Taxation does look at the number to make sure they fit with what the district is doing. Should they find things in the budget that do not quite look right, that draws attention and can trigger an audit from the Department of Taxation. It is not as if the districts are Lone Rangers out there doing something; there is actually a control.

Assemblyman Hansen:

I believe that is what Assemblyman Carrillo was driving at. Being the former treasurer for Carson City, I think that is where Assemblyman Kramer's expertise comes in to play. Thank you for helping me properly answer Assemblyman Carrillo's question.

Assemblywoman Neal:

I think this question was asked and answered, but I am not sure. Earlier you testified about the reason the cap was in place for the special districts. Could you explain that again?

Assemblyman Hansen:

I do not know the original reason for the cap. I assume for common sense protection. As Assemblyman Kramer explained, all of these budgets still go through the Department of Taxation. However, a formal audit does not need to occur until they reach a certain threshold in their spending. That threshold was originally \$30,000 in 1973, but the thresholds have been adjusted through the years. The Legislature has not adjusted the threshold since 2003. Nothing changes as far as audit requirements or Department of Taxation requirements. The only thing that changes is the threshold before a mandatory audit kicks in, which will be raised to \$265,000 in this bill.

Assemblywoman Neal:

Did you explain why the audit provision is in place? The characterization of a special district is set out for special treatment for a reason. The audit provision has been in place for a while so if a district spends a certain amount of money, the Legislature wants justification. My question is why was there a special set-aside to treat these special districts differently if they spend a certain amount of money.

Assemblyman Hansen:

I do not honestly know the genesis behind this. I assume the audits are to protect the taxpayers and make sure expenditures are not getting out of control. As in any other audit process, that would be the logical reason in my mind in order to have a certain amount of oversight. We have to keep in mind, these budgets are still completely audited by the Department of Taxation even if they are small, rural districts, such as general improvement districts, library districts, et cetera. The only thing this bill will change is if their expenditures exceed a certain cap, which in this bill will be \$265,000. They would then not have to pay \$30,000 for an audit when their entire budget is less than \$200,000 in many cases.

Chairman Flores:

Are there any further questions from the members? [There were none.] At this time, I will take testimony in support of Assembly Bill 134. [There was none.] Is there anyone here who would like to testify in opposition to this bill? [There was no one.] Is there anyone wishing to speak in the neutral position? [There was no one.] Assemblyman Hansen, do you have any final remarks?

Assemblyman Hansen:

This is a simple, straightforward bill. Thank you for hearing this bill first, and I appreciate your consideration.

Chairman Flores:

I will close the hearing on Assembly Bill 134. I will open the hearing for Assembly Bill 120. Assemblyman Daly will be presenting the bill.

Assembly Bill 120: Revises provisions relating to school construction. (BDR 34-779)

Assemblyman Skip Daly, Assembly District No. 31:

The policy question that Assembly Bill 120 seeks to answer is should there be a process that allows the school districts to be able to recover some of the costs that result from the impacts of residential construction? That is a yes or no question. The answer to that question for 14 of the 17 counties in the state is already yes, as it already applies to 14 out of 17 counties. Carson City, Clark County, and Washoe County are the counties not subject to this policy. Assembly Bill 120 would remove the population cap and allow the other counties in the state to have the same opportunity.

For the record, the genesis of this bill comes from taxpayers in Assembly District 31, which I discovered while campaigning. In 2016, Washoe County had a tax ballot question, Washoe County Question 1 (WC-1), to raise the sales tax for school construction. For decades, there has been an issue that we have been trying to fix. We have had several attempts at that, and there was finally a solution on the ballot that passed. People would ask me my thoughts on WC-1. I explained the effects and consequences for voting for the measure. I repeatedly heard from the taxpayers that they would vote for the measure because they felt they had a gun to their head. They would often ask me why the developers do not pay something to mitigate the costs for education construction. I am sure there are people here today who will say they are, but the fact of the matter is there is no process to allow that in Washoe County. There is no provision in the law that allows for impact fees or residential construction tax to be collected to mitigate those impacts from residential construction. Washoe County Question 1 raised the sales tax in Washoe County and was approved by the voters. That does not mean we should not go forward with a measure that this bill affords to have another tool in the toolbox.

Section 1 of the bill modifies the existing law, which allows for a residential construction tax to be imposed by the county commission upon request by the school boards. That is an important point. The school boards do not have to make that request, and if they do not, the tax would not be applied. That language can be seen in section 1, subsection 3 where the word "may" is used. There is nothing in this bill that requires the school district to request the county commission to do anything. If Washoe County does not want to assess the tax, they do not have to request it. Section 1 also allows the money to be used for slightly different purposes than were allowed before or are allowed in WC-1. It includes modernization, furniture, fixtures, equipment, and other incidental costs. Section 1 does require the county commission to impose the tax unless at a public hearing they make a finding that the request from the school district is not justified. Section 1, subsection 6 requires that the money collected be accounted for separately in a different account.

Section 2 of the bill addresses another issue. There are already provisions for Washoe County and the other counties for residential developers to set aside the land for the school district if a school is needed. However, the school district does have to purchase the land at fair market value, buy it within a certain amount of time, and build a school within a certain amount of time. At times, that is an issue, especially with the downturn. We were not building any schools, at least in Washoe County and I think in Clark County. The school district had to sell the land back to the developers. Section 2, subsection 8 would increase the time for a school district to purchase the land from 5 years to 10 years. Section 2, subsection 9 would increase the time for a school district to build a school from 10 years to 20 years.

Other provisions in section 2, subsection 2, paragraph (b), subparagraph (2) discuss the cost sharing on infrastructure. If the land is set aside and the school district builds before the development is complete, and the school district had to build some infrastructure into the school in order to service the school, and it is going to benefit the developer, there should be some cost sharing. For equity, there is a law in *Nevada Revised Statutes* (NRS) 338.0115 that says if the developer is building infrastructure first, the municipality would reimburse the developer. It does not have to be the school district. If the developer is using a 16-inch line and the municipality wants a 20-inch line, the municipality would pay the difference and cost-share with the developer.

The other process in section 2, subsection 2, paragraph (a) is if the land that is set aside by the developer for a school is not suitable for school construction or is not in a location that really makes sense for the development or the overall planning in that municipality, the school district can object. It would then go back to the planning commission that has jurisdiction to negotiate for a more suitable piece of land within the zoning process.

There is a provision in NRS 354.599 that says if there is another source of money that can be used for school construction, that money must be used before this source. Section 3 of the bill states the provisions of NRS 354.599 do not apply. That way, the school district has both options available to use for school construction. As I said, this bill allows for slightly different uses than WC-1 would in Washoe County. I am not familiar with similar conditions in other counties. I would be happy to answer any questions.

Assemblyman McCurdy:

I would like to know who is going to be positively impacted by this piece of legislation.

Assemblyman Daly:

In my view, those who will benefit the most would be the school district and the services they provide. The ultimate benefactors would be the taxpayers. That is what I heard from people. They do not mind paying for school construction, especially in the overcrowded areas of Assembly District No. 31. I think I heard from every parent's door I knocked on that we need to do something about the overcrowding. We do have a solution and, hopefully, this will take some pressure off the taxpayers for other taxes that are going to be requested.

Hopefully, we can avoid having the focal point that comes to a crisis, like the one in Washoe County, from happening in other counties if there are other options available. I think in the end, the taxpayers are the benefactors.

Assemblywoman Joiner:

I share some of Washoe County with you, Assemblyman Daly, and I had the exact same experience you did. I want to thank you for being responsive to the constituents. What you described is exactly what I heard at constituents' doors as well. When I was explaining WC-1, which I absolutely supported and was campaigning for, understanding we need more schools, the first question people asked was why they were being asked to pay more sales tax and why the developers were not paying their fair share. I heard that consistently. I want to thank you for bringing this bill, and I think it is very responsive.

My question is about the \$1,600 per unit and why you chose that number. I think that tax limit is incredibly reasonable. If I understand correctly, you only want to change the population cap. I am wondering when the \$1,600 tax limit was imposed and if, for inflation or any other reason, we should be looking for a little bit more. I believe that is a very low number. Overall, I really like the idea of this bill. It is basically a cost sharing. We have asked people to pay additional sales tax, so now we need some sort of cost sharing on the development side. I think that is what people are looking for.

Assemblyman Daly:

I was actually curious about the tax limit of \$1,600 myself, and I did look it up. Apparently, this law was first implemented in 1979. At that time, the tax limit was at \$1,000 and stayed at that level until 1997, when it was raised to \$1,600. There were no increases that I found between 1979 and 1997 in the legislative history. I was not looking to raise the tax limit and left it at the \$1,600 that currently exists for 14 of the 17 counties.

Assemblywoman Joiner:

It looks like you are adding additional things the school district can spend the money on, such as furniture. The school district cannot currently do that, but would all of the counties now be able to do that?

Assemblyman Daly:

Yes, it would be available to all counties. All of the provisions in this bill would apply to all 17 counties and all school districts. The main difference is the modernization provisions. I know WC-1 is only for new construction and does not allow for modernization. There may be an existing school with a new development that is moderate in size, which would cause a smaller impact. However, there is going to be the need for some upgrades and modernization in that school district. This money would allow that to be done. That is why in section 1, subsection 6, the money must be in a separate account and cannot be comingled with other funds that have different restrictions.

Assemblywoman Joiner:

I think that is a very important part of this bill. There are fewer costs related to modernizing and providing furniture. I was in a high school in my district recently where the desks were elementary school desks. The students with adult-sized bodies could not fit at the desks. There is such a disparity in our district. We have brand-new schools, like Depoali Middle School, that have modern things, and then we have some very old buildings. I see that disparity even in my own district, so I think that is very important.

Assemblyman Brooks:

When the original population caps were put in place in 1979, what was the justification?

Assemblyman Daly:

I do not have an answer for that.

Assemblyman Ellison:

The bill shows the tax limit per unit in construction. Was that a ballot initiative, implemented by the county, implemented by the voters, or implemented by the Legislature?

Assemblyman Daly:

I think that is a similar question to Assemblyman Brooks' question. The original bill on the thresholds and levels and how that was started, why they placed a population cap, the tax limit, and the number of units goes clear back to 1979 and has never been changed. I do not know what the impetus was that brought the bill forward back then. I do know it is old language.

Assemblyman Ellison:

Was the population cap also placed in 1979?

Assemblyman Daly:

That section of the law has been changed several times as the population of the counties has increased. I looked through the legislative history, and any changes that were made were just the change in county populations and then, in 1997, the change to the tax limit. Other than that, it has only been population cap changes to keep in conformance. There will be a bill this session that will adjust the population caps, if necessary, based on the latest data.

Assemblyman Ellison:

Would that affect this bill?

Assemblyman Daly:

If there is another bill that adjusts the population caps, it would not affect this bill because we removed the population cap. If the population cap were to stay at 55,000 and one of the counties goes above 55,000, we would adjust the population cap but still not name the counties. I think there is a ratification bill that comes from the Legislative Counsel Bureau (LCB) that does that every session.

Assemblyman Ellison:

That is a concern because I have not talked to the counties or the school districts in my district. I would like to talk to them about this. I would probably ask for an amendment, if possible.

Assemblyman Daly:

I believe the Legal Division of LCB could address the population information. I do not want to misspeak.

Jim Penrose, Committee Counsel:

If the question is how would we reconcile the two bills if this bill passes and eliminates the population cap and another bill passes that adjusts the cap, that is done in the course of codification. When we have a situation like this, we simply try to make the two bills live together. I think since the Legislature indicated in this bill that it wished to eliminate the population cap, that is probably the provision that would be affected, and a ratification bill next session would clean that up.

Assemblyman Carrillo:

I know it is existing language in section 2, subsection 7, "Except as otherwise provided in subsection 8, in a county whose population is 100,000 or more but less than 700,000" I know you mentioned the bill is statewide and covers all counties. I want to make sure I understand this would not be conflicting language that is already in statute to be able to accomplish what you are setting out to do in this bill.

Assemblyman Daly:

Section 2, subsection 7 is existing law with a population cap of over 100,000 but less than 700,000, which is basically Washoe County. Section 2, subsections 8 and 9 would apply statewide, including Washoe County. There are several minor things we need to adjust. In talking to people, they have no problem in making sure we are clear on what the bill says. I did not want to bring an amendment forward to muddy the water and then have it be changed after discussion with all the parties. Apparently, the language in section 2, subsection 7 was added in 2009 by former Assemblywoman Smith, Assembly Bill 220 of the 75th Session. That came as a recommendation from an interim committee [Washoe County Schools Construction and Revitalization Advisory Committee] similar to what we had that put WC-1 on the ballot. I served on that subcommittee. They were trying to give a little more flexibility to Washoe County. I talked with Clark County School District and some others. They said they are fine with the numbers going up, but we will look at that to see if it needs to be there. We do not want to take anything away from Washoe County if they already have it, but we do want to be consistent with all the other counties.

Assemblyman Kramer:

I know the question was asked about the dollar amount being at \$1,000 and going to \$1,600. I think it is fair to note that was a maximum amount and was not necessarily set at \$1,000 or \$1,600. I would also like to comment that this is not the only residential construction tax that is on the books. There is also a residential construction tax for parks that counties are

allowed to assess in new developments and perhaps others I am unaware of. Do you know of any other residential construction tax that would be in addition to this tax?

Assemblyman Daly:

Not that I am aware of. I was focused on schools, and this is the only one for schools. To your first question about the \$1,600, the language in section 1, subsection 4 does say "must not exceed." It is not a set number. The way it would work is if there were a project that meets the thresholds in the first section, then that jurisdiction, whoever has the planning oversight, would notify the school district. The school district would evaluate it and provide an assessment on what the impacts would be. The school district would then determine if they want the tax imposed. It would then have to go to the county commission for approval. The county commission would take the action from there. It is my understanding that already happens. The school districts are notified of a project, and they evaluate and look at what the impacts might be. There is no mechanism for the school district to do anything about it afterward. I am not aware of any other residential construction tax for other purposes. I know there is not one for schools. This is for schools, and we are trying to open it to all 17 counties.

Assemblyman Kramer:

If the school trustees get notification that there is a project coming up which is a low-income, senior housing project and determine it is not likely there will be any kids in the development, the trustees could then say there would be no impact and, therefore, there would be no assessment to the developer. That is logical to me. However, the other kids in the neighborhood are going to grow up and take care of these older people at some point down the road, so you want an educated population for that purpose. How would you see a school board of trustees saying no once this is in place? Why is the word "may" in section 1, subsection 3 instead of "shall," or is there a criteria that you can see where sometimes they would and sometimes they would not?

Assemblyman Daly:

I think those are all things I would anticipate would be in the evaluation by the school district on whether or not there is an impact. If there were five mobile homes being added somewhere, I do not think the school district would anticipate an impact. If they did, they would have to go through the county commission to justify it. I see that as the checks and balances. The reason the word is "may" is because the school district may determine the development is minimal and does not make that much difference. We would not want to force them to do something they may not otherwise need to do. There is a difference of opinion on whether or not we need to tell the county commission that they "shall" unless they make a finding. You will hear about that coming up, I am sure.

Assemblywoman Neal:

I have a question on section 1 where you have added a series of notification provisions. Regarding the language in section 1, subsection 2, about the written statement and the impact of the proposed construction or development, please walk me through what this impact statement is supposed to say. You have significantly expanded what the school districts can do with a capital project. I want to know what impact we are discussing.

Assemblyman Daly:

When a developer applies to build a residential construction project, they have to apply to someone. We were talking before about small counties, and now it is going to be more in larger counties. The developer would go in front of the planning commission. There is a process for the planning commission to notify the school district. I do not know the process for smaller counties, so we were trying to develop a procedure on what should happen. For instance, the local governments in Clark County have their own planning commission or a place where developers would have to go to apply. We are trying to say when the criteria is met, a notice has to be sent to the school district. It is my understanding that in the larger counties that is already happening. The school district then has to make an assessment based on whether the schools in the area are going to be impacted and by how much. That assessment would then be given to the county commission. If the school district decides they want the tax to be imposed on the construction, that has to go through the county commission. When so noticed, the county commission then has their process where they would have to assess the residential construction tax or, if they believe it is not justified, have a hearing to make that finding.

Assemblywoman Neal:

Will the impact statement also take into consideration the business impact? There is an administrative fee associated with the \$1,600 tax. Section 1, subsection 5 states, "The board of county commissioners shall collect the tax so imposed, in the areas of the county to which it applies, and may require that administrative costs, not to exceed 1 percent, be paid from the amount collected." The "amount collected" is the \$1,600 tax. The way I am seeing this is we have \$1,600 per activity, and you have expanded the activity to include the modernization of buildings, furniture, fixtures, equipment, and any appurtenance or incidental. I get what you are doing, and it is a creative way to find money. However, what is the projected cost that we can see a business will pay and the projected revenue we would seek to gain from that kind of expansion? Did anyone give you some projected estimates of how much money will be collected for this pot?

Assemblyman Daly:

The 1 percent fee is existing language. The maximum that can be assessed is \$1,600 per residential unit. The only people affected would be the school district and the residential construction developer per household, no other business. The 1 percent is meant to offset the cost to the county for collecting and distributing the money. The counties do have administrative costs to send the bill, collect the money, and then get it to the school district.

Assemblywoman Neal:

In section 1, subsection 6, you have changed where the money will be deposited. It is now with the county treasurer and not in the school district's fund for capital projects. Can you explain why that shift is there and what kind of additional activity or administrative activity we will see now that you have changed where the money is deposited and who is going to review those funds?

Assemblyman Daly:

The money collected must be deposited with the county treasurer, which is existing language. The money is going to the same place. It needs to be accounted for separately in the county general fund. I have had some people ask me if it has to go the general fund. I am open regarding that issue. I gave LCB my instructions, and I think they followed what I gave them very closely. There are no complaints regarding that. Other people have now come to me and asked if there could be a different way to do this. For those technical, structural things, tell me what I do not know. If it cannot go to the general fund, is there a different way? As I testified earlier, for Washoe County with WC-1 passing, I wanted to make sure anything collected from this tax is not comingled with the WC-1 money because there are different restrictions on the WC-1 money. The money from this bill can be used for modernization and other things. I believe it would primarily be used for construction purposes. As far as where the money goes, it still goes to the county treasurer. Those technical issues are open for discussion because we want to make sure we get it right and it works for everyone. I am not anticipating any other costs. The 1 percent offset for whoever is going to incur the costs can be taken from the money assessed so the county does not incur those costs.

Assemblywoman Neal:

I need to get an understanding in section 2, subsection 2, paragraph (b), subparagraph (2) regarding the board of trustees and the subdivider negotiating the share of the costs for the infrastructure. I am trying to wrap my head around what this negotiation would look like.

Assemblyman Daly:

Some people have come to me about that as well. We do want to try to clarify that portion of the bill. What we are trying to get to, as an example, is a developer building a 500-unit development over six or seven years. Infrastructure needs to be put in. The school district determines if a school needs to be built sooner than six or seven years. The school district begins their construction prior to the residential construction being completed and would then incur the costs of sewer, power, water, et cetera. We then want the school district to coordinate with the developer regarding rights of way, roads, and various things. That infrastructure going in is going to benefit the developer, so we want to make sure there is cost sharing for some of those development costs. As I pointed out, inversely, if the developer is building the infrastructure first and the municipality wants to oversize or make something bigger for other anticipated growth, they would then reimburse the developer, and it would not be subject to bidding or to prevailing wage. That is an exemption under NRS 338.0115.

Assemblywoman Neal:

I hope you can work that out because it sounds like there could be fighting for a while with no agreement. There may be an issue of who has bargaining power for X or Y.

What other state has added these additional factors into their capitalization program? I understand what is happening, but I am not sure I am comfortable with it. What other states have thrown in furniture and fixtures? Typically, that is not even a part of a capitalization program.

Assemblyman Daly:

I do not know about other states. I do know other bond rollover measures in Nevada have included modernization. The last bond rollover in Washoe County was mainly for modernization, purchasing new desks and various things so students would have more comfortable equipment to use so the learning experience would be better. I know WC-1 does not allow for modernization, and that is why we included it in the bill. It is to use the money for things the school districts do not have other funds to use. That is why the modernization is in the bill. I am not hung up on the furniture, fixtures, and equipment. However, there are other appurtenances also. Perhaps the school districts need modernization in terms of new desks, but sometimes it could include new equipment or adding air conditioners. When I went to the elementary school down the street from my house, the same elementary school my kids went to, they had air conditioning, but I did not.

Assemblywoman Neal:

Fixture has a much broader definition than air conditioning. As always, Assemblyman Daly, you bring us something interesting and bold.

Chairman Flores:

Are there any additional questions from the members? [There were none.] Is there anything else you would like to address, Assemblyman Daly?

Assemblyman Daly:

This bill has been on the agenda for a while. Several people have approached me, and some are in support. Several people are in opposition for a variety of reasons. Some people have approached me with technical changes, including the money going to the general fund. Others have comments from their planning commission and want to make sure they are not cut out of the process. All of those technical issues are things we need to work through to make sure we get it right to fit everyone's pattern. I know more about what happens in Washoe County than in Clark County, so I have asked those people to join the conversation in order to come back with one clean amendment that most everyone can agree to.

I have also talked to people who mentioned since WC-1 was just passed, the school districts do not need the money. We did just pass WC-1 in Washoe County, and maybe the capital improvement issues have been answered for a while. I think that comes on the heels of decades of inaction where we have not had other opportunities. In my mind, there is no

reason why we should not put the tool on the table for Carson City and Clark County. If they want to have the tool in the toolbox and not use it, that would be up to them. That is why the word "may" is important in the bill.

There have been a variety of people with a variety of issues regarding clarification or technical changes, and other people indicating they do not like the bill. I do listen to them, but if they just do not like the bill, I do not think that is a reason not to go forward.

Chairman Flores:

In the interest of time, I will take testimony in support, then neutral, followed by opposition. And in the interest of fairness, I am going to ask that everyone limit their remarks to two minutes. In the interest of efficiency, I ask that remarks not be repeated. It may be a good idea for those of you who have the same concerns to appoint one individual to testify on the issues. Those of you who have new concerns may testify to those. Is there anyone here wishing to testify in support of A.B. 120?

Doug Goodman, Private Citizen, Sparks, Nevada:

I voted against WC-1. I also wrote an open editorial for the *Reno-Gazette Journal* against WC-1. I also contributed information to the Guinn Center for Policy Priorities regarding WC-1. I took that position not because there was not a need and not because of the reputation of the school board; I took that position because neither the school board nor the committee looking at proposals looked at legislative remedies or additional sources of money, such as those addressed in this bill. Instead, they just went right for the sales tax. Assembly Bill 120 actually addresses that issue. It also looks to the future. There may be other counties that will be growing. It allows for the negotiation on infrastructure, which is used in various cities in other states where I have personally lived. This bill answers the question by looking to the future and gives the school board the flexibility they need to look at income revenue sources versus just going to sales taxes or other increases.

Natha C. Anderson, President, Washoe Education Association; and representing Nevada State Education Association:

I am actually here representing the Nevada State Education Association (NSEA). Thank you for this opportunity to speak in support of A.B. 120. I did vote for WC-1, and I worked very actively on it with many of the builders in Washoe County. The NSEA and I are supporting this bill because it allows for all of our counties to be able to have a structure. I believe the WC-1 campaign showed there are some holes in the law, and this bill is one way to fix it.

Another reason NSEA is supporting this bill has to do with the fact that it is asking for accountability on the impact of buildings coming into our school districts. Yes, currently most of our county commissioners do ask the school district what would happen. This way, it is forcing the information to be very clearly given regarding what is going to happen and how it will impact the schools. Unfortunately, that is not always considered. We have a new subdivision in the Verdi area. That elementary school is very small. The NSEA did not

know about the subdivision until the county commission asked us about it. We would be able to make plans for the future, which is another reason the Washoe Education Association and the NSEA are supporting the bill.

Finally, our working conditions as educators are our kids' learning conditions. How our students learn is much more important to us. This bill also helps all 17 counties. [Written testimony was also submitted ([Exhibit C](#)).]

Assemblywoman Neal:

In regards to capital projects, Senate Bill 411 of the 78th Session allows the City of Las Vegas and the City of Henderson to use redevelopment funds for capital projects. This is another vehicle to then throw money into the capital projects, minus the fact we did the bond rollover in 2015. I need you to help me understand what need was left out. There are many things that have happened that have come into play, and I am not sure if we have actually seen the results. There is 9 percent of a certain amount of money being set aside, then 18 percent will kick in in 2031 for capital projects, and then the bond rollover in 2015 for capital projects. I need to have an understanding of need.

Natha Anderson:

Unfortunately, I do not know the Clark County bond rollover information very well. I can do some research and get that information for you. I do know that, with some of the bond rollover information, what is not clear is how we can use that money. However, I do not know the answer to your question at this time. I will get the information for you.

Assemblywoman Neal:

That is fine. I only asked because you are representing Nevada State Education Association. I have a tendency to be conservative when I know multiple pieces are in play and I do not know how they are functioning, where the money is going, or the amount of the money.

Natha Anderson:

Understandably so. I think the reason I am supporting the bill is because it is another tool, as Assemblyman Daly mentioned. I honestly do not believe it will be used very often, at least in Washoe County. I do not see our school board asking for this moving forward, but I cannot speak for them. It is just another option in the statutes. However, I will try to get that information for you right away.

Assemblyman Ellison:

For the record, I was wondering why we do not have videoconferencing available for Las Vegas for this bill.

Chairman Flores:

It is my understanding there was no one in Las Vegas who requested it.

Assemblyman Ellison:

I thought with a bill of this magnitude, there would be someone wanting to speak from Las Vegas.

Chairman Flores:

Is there anyone else wishing to testify in support of A.B. 120. [There was no one.] Is there anyone wishing to speak in the neutral position?

Lindsay Anderson, Director, Government Affairs, Washoe County School District:

Washoe County School District is in the neutral position. Senate Bill 411 of the 78th Session authorized the Public Schools Overcrowding and Repair Needs Committee that developed the ballot question for WC-1. The committee included a broad representation of experts. The school district had zero representation on that committee. We allowed the committee to review the capital needs of the Washoe County School District and then determine how they wanted to pay for them. I heard Mr. Goodman mention that the county went straight to sales tax. I would respectfully disagree. The committee had five taxes to choose from and did a significant amount of analysis to determine how they wanted to fund a \$784 million capital program in Washoe County. Impact fees or residential construction tax was not on the list of options they were allowed to consider as part of the ballot question. That was as a result of S.B. 411 of the 78th Session.

The reason the school district did not have any representation on that committee is because we have always remained neutral in terms of how to fund our needs. We have always felt it is our responsibility to articulate what the school district needs in terms of capital construction. We have never taken a position about whether the funds should be from sales tax or property tax. We allowed the committee and the community to come together to agree on how they wanted to fund the needs of school construction.

At this point, we do not have any intention of asking for additional school construction funds via impact fee, ballot question, legislative fix, or any other measure. We feel the committee came together and the community voted to pass the ballot question, and we will be using those funds to have a \$1.1 billion building program over the next nine years.

Assemblyman Daly mentioned that there is no fund for modernization. I would like to clarify that there was at least \$50 million set aside as part of the WC-1 ballot question for investment in our older schools. I am not sure whether you would call that modernization or not, but there was certainly money set aside for older schools, not just for school construction. To clarify the furniture, fixtures, and equipment language, when we build a new school, it is easy to include those additional costs in the bonds. However, bond funding requires the money be spent on things that have a similar life as the bond. When there are 20- and 30-year bonds, those short life cycle items generally cannot be included. In Washoe County, we do not have access to residential transfer tax, real estate transfer tax, or lodging tax. All of our school capital funds are bonded. Sometimes buying those shorter life cycle items can be problematic when the capital construction program is solely bond funded.

In terms of the land set-aside, we have experienced instances in Washoe County where land that has been set aside by developers per the law has been undesirable and would cost more for the school district to build the school. That makes it difficult for us to explain to taxpayers why schools cost more than we had originally anticipated. Assemblyman Daly mentioned extending the deadlines. The land that we had to sell back to the developers because we were not building schools has been particularly painful. Now that we are building schools, the land is much more expensive and much more difficult to come by in the areas where we need to build schools. If we had had this deadline extended years ago, I believe we would be in a different position than we are now having to buy land to build schools.

Craig M. Stevens, Director, Intergovernmental Relations, Government Affairs, Clark County School District:

Clark County School District is also neutral on this bill. We thank Assemblyman Daly for bringing this bill forward. We have no intention of asking for additional capital investment fund dollars, and we are not sure we would use this fund. As Ms. Anderson said, we do appreciate the provisions in the bill that would extend the ability to use the money. We do appreciate this body extending the bond rollover last session. As you know, we are finally building schools again and will have many of them online in the near future.

Chairman Flores:

Is there anyone else wishing to speak in the neutral position? [There was no one.] I will ask for those testifying in opposition to come forward. In the interest of fairness, I did allow one of the speakers in the neutral position to speak for four minutes. Whomever you would like to choose to speak may speak for four minutes. For those of you who spoke in support of the bill, I will allow you to come forward to speak for an additional two minutes if you would like.

Gregory Peek, representing Builders Association of Nevada and Nevada Home Builders Association:

I am a fourth-generation Nevadan from Reno. We have been building workforce apartments for the better part of three or four generations. I am honored to be representing the Builders Association of Northern Nevada and the Nevada Home Builders Associations. I would like to thank Assemblyman Daly for his continued dedication to our community and also our kids. I spent the better part of 2007 with Assemblyman Daly on the Conference Committee for Senate Bill 154 of the 74th Session. The homebuilders have been a part of the community advocating for school construction for decades. We go back to Yes for Kids in Washoe County, Senate Bill 154 of the 74th Session that generated the sales tax and the goods and services tax question, which was unfortunately turned back by the voters by about ten votes. We were advocates of Assembly Bill 46 of the 77th Session and Senate Bill 411 of the 78th Session. I personally sat on the Public Schools Overcrowding and Repair Needs Committee.

I would like to reemphasize a few things from the Public Schools Overcrowding and Repair Needs Committee because I feel they are important. The amount of money we were talking about and were able to persuade the voters to adopt was sufficient. We were told at the time to take care of our school construction for the better part of two decades. It also included funds for reconstruction, revitalization, and repairs. That is an important point. It is not just new construction. We actively supported it, and we have been a part of it. If you think about it from the standpoint of the builders and developers, we want good schools, police departments, fire departments, and parks. We want great communities, and schools are a part of that. Are there issues here? If there are, we must pull together the stakeholders.

We spoke about former Assemblywoman Smith's request for school site selection. I was part of that. She personally called me to meet with her and Paul Dugan, the Superintendent of the Washoe County School District at the time, to talk about school site selection. We did that. There were some questions from Assemblyman Carrillo about why it was limited to Washoe County. At the time, it was only Washoe County that was asking for site selection language. The current law states that a parcel can be set aside for up to five years. We think that is important, and we agreed to that. The school district must build the school within ten years. At the time, we thought that was a fair deal for all parties involved. If we need to discuss that, by all means, we should get together and discuss it. The bottom line, is we as homebuilders care about our communities and we want to be part of the solution. We do not want to be "the" solution and sometimes people come to us to be "the" solution.

As Ms. Anderson mentioned, the committee for S.B. 411 of the 78th Session was made up from members of our community. In Washoe County, we came together as a community and we found a solution, which was sales tax. Do not think for a moment that builders do not pay sales tax. Builders pay tens of thousands of dollars per home on sales tax. The owners of those homes then spend money on sales tax and property tax.

What does this bill do? What does \$1,600 for the price of an apartment or a million-dollar mansion do for affordability? For every \$1,000 the price of a home is increased, there are approximately 2,000 people in Nevada who are then denied home ownership. The American Dream is being denied for those people and ultimately, this bill would only tax the American Dream. There is a better solution. We did it with S.B. 411 of the 78th Session and we stand ready to continue the dialogue with regard to site selection if that is indeed a problem.

Jesse Haw, representing Nevada Home Builders Association:

I would like to briefly touch on the set-asides. I have done a number of set-asides with the Washoe County School District, and I would be happy to talk about those if the Committee has any questions. I am a product of the Washoe County School District, my children are there, I volunteered there for years, and I have personally given land to the school district. I have not heard that there are situations where we need to change that. If there are, we should sit down and talk about them, not sit at a table and express those concerns in two minutes.

I think it is telling that there is not a huge outcry. We talked about why the videoconferencing is not on in Las Vegas. Is there an outcry? Is there an issue? Home affordability is an important topic. This bill is disproportionately affecting the lower bracket of people buying homes and renting apartments. There was one mention of parks and how this bill works with parks because there is a residential construction tax for parks. Again, that money is set aside in quadrants and areas. Newer developing areas receive a larger bucket of money for their parks. If this were handled in a similar manner, it would help the more affluent areas and would disproportionately hurt the less affluent areas.

Chairman Flores:

In response to your remarks about talking about the issue in two minutes, the bill has been out and you have had an opportunity to speak with the bill sponsor. I believe you have had more than two minutes to have that conversation.

Jesse Haw:

I did not mean to infer there was not enough time; I am just trying to discuss as much as I can within the time suggested.

Joshua J. Hicks, representing Nevada Home Builders Association and Southern Nevada Home Builders Association:

I was also a member of the Public Schools Overcrowding and Repair Needs Committee for S.B. 411 of the 78th Session. I want to thank Ms. Anderson for referring to us as experts and I certainly hope that is reflected in the minutes of this hearing.

I would like to provide context on the residential construction tax because some of the questions, especially from Assemblyman Brooks and Assemblyman Ellison, touched on that. We have a menu in Nevada. School construction is funded differently in different counties. There is a menu of six different funding sources that are used in various ways. Those include property tax, government services tax, real estate transfer tax, residential construction tax, sales tax, and room tax. Each county does it a little bit differently. Washoe County has historically been very narrow on those sources and has only used the property tax and government services tax. That has now expanded to include the sales tax. Those are the same options available for Carson City. Clark County has many more options: property tax, government services tax, real estate transfer tax, and room tax. Those all play some role in school construction. The rural counties have property tax, government services tax, sales tax, and residential construction tax.

There were some questions about the history of this. It was enacted in 1979 and sponsored by former Senator Dodge in response to rapid growth in Lyon County and Douglas County. Those counties had many people moving in and had a need for school construction. They were concerned that if school construction did not happen quickly, people would stop moving to those counties and go somewhere else. It takes time. They did not have bonding capacity at the time, and it does take time to generate money from the property tax and sales tax in order to build schools. The residential construction tax was put in place in 1979 at

\$1,000 per unit with a population cap of 25,000 at that time. When we look at some of the changes in this law, the tax limit and the population cap, it has always been intended to be a tool for the rural counties.

I will conclude by suggesting that what is in this bill currently, while certainly well intentioned, very much changes the intent and purpose that NRS 387.331 was all about, which was providing some help to the rural counties.

Kandis N. McClure, representing The Howard Hughes Corporation:

We share the concerns of the homebuilders and Mr. Hicks' comments.

Assemblyman Ellison:

I would like to thank you all for your testimony. I believe it brought a lot to the table. We have talked about S.B. 411 of the 78th Session. Did that bill pass? Washoe County worked for quite a while trying to get these existing schools rebuilt.

Joshua Hicks:

Yes, S.B. 411 of the 78th Session did pass. That was on the ballot in Washoe County this last November as Washoe County Question No. 1 and was passed by the voters. It was a sales tax increase of 0.25 percent, which is going into effect.

Assemblyman Ellison:

Is that not enough money to get the schools rebuilt? I know they worked hard in trying to get these failing schools restored and brought up to date.

Joshua Hicks:

As a part of the Public Schools Overcrowding and Repair Needs Committee, one of the things we discussed was the different levels of funding needs that Washoe County has for school construction. The committee discussed a variety of different options and funding levels. We settled at the \$750 million to \$800 million range of what was needed. That is what the tax increase was tied to, to generate that amount of money. To your question of whether that is enough money, as a member of the committee, I certainly believe we addressed the need. Only time will tell, but it is certainly a significant amount of money that will be flowing into the capital construction fund in Washoe County to build new schools and to revitalize existing schools.

Assemblyman Ellison:

Was that ad valorem tax or sales tax?

Joshua Hicks:

It is sales tax only.

Assemblyman Brooks:

Mr. Peek, you mentioned that for every \$1,000 that a home price goes up, 2,000 Nevadans are excluded from that home market. Is that what you said?

Gregory Peek:

That is the data we have from our economic analysis, and I can certainly provide that to you. It was provided to us by the National Association of Home Builders.

Assemblyman Brooks:

That would be helpful. What do you attribute to the escalation and cost of homes in Reno and all over Nevada over the last several years? Is it taxes?

Gregory Peek:

There are a number of driving factors. If you look at it from the economic development standpoint, there was an article in the paper just this past weekend that suggested what is going on in the Reno area. I can only speak for the Reno area. It is not a bubble like we saw last time. The last time we saw an increase where home prices far outweighed real wages was due primarily to overspeculation and, frankly, easy money. People were not being properly vetted when it came to mortgages, but that is a whole other issue. Today, it is a simple supply-and-demand analysis. With Switch, Tesla, and all the other associated manufacturing jobs coming in, we are in a very fortunate position, if that is your perspective. We are seeing announcements on a weekly basis for hundreds of jobs coming into Reno. The demand for housing is outstripping the supply.

We have a lot of work to do in northern Nevada. We have been working with our local government to figure out how to address affordability. The average home price today in the Reno/Sparks area is \$414,000. That is not affordable to the person making only \$20 an hour.

Assemblyman Brooks:

Is the increase in home prices, which has probably doubled in the last couple of years in the Reno area, attributable to taxes? It seems as if there is a disconnect, and I am trying to get to the bottom of it.

Gregory Peek:

I would like to clarify my remarks. When I said \$414,000 for a home in Reno, that is a new home price. The average home price is around \$330,000 to \$340,000. You are correct; when we had the downturn, there was such a collapse in home values that we saw the average home price dip to around \$165,000 to \$170,000. There are many reasons. I would say it is demand. I would suggest builders and developers are having a hard time bringing supply onto market for a whole host of reasons. My contention here is that every time there is a new tax added, it is a pass-through. At the end of the day, it is a tax on the person who is buying the new home. In the case of A.B. 120, it is also a tax on the resident of a new apartment. There are no carve-outs for affordability or low-income homes. It goes to all residents. This bill is really taxing new homes, new apartment buildings, and those coming to the community to work.

Dagny Stapleton, Deputy Director, Nevada Association of Counties:

Our opposition today is not in regard to the policy of enabling counties to impose this fee. What we are concerned about and what we want to put on the record is the policy created in section 1, subsection 3 that implies that the decision to impose the tax is given to the board of trustees, although that tax must still officially be enacted by the county commission. Counties are given the responsibility of providing for public safety, infrastructure, and other vital services, including impacts from development. It is the county's responsibility to weigh those needs collectively in terms of community priorities, as well as considering the impact to the taxpayers. We are concerned with the precedent that this bill would set in deferring that responsibility to make that decision to a different body.

We also have concerns with section 1, subsection 6 regarding how the money would be collected. I think this was mentioned by the sponsor, and he was agreeable to looking at a change, but the bill states the money would be accounted for in the general fund. However, counties are not able to collect money for other entities into their general fund, so a different mechanism would need to be put in place there.

Aaron West, Chief Executive Officer, Nevada Builders Alliance:

I would like to speak to Assemblyman Kramer's question about compounding onto the cost of new housing. Currently, under NRS there are provisions for jurisdictions to impose impact fees on drainage projects, fire station projects, park projects, police stations, sanitary sewer projects, storm water projects, street projects, or water projects. The difference is that all of those projects are required to go through the capital improvement project process, which is a public process of vetting the need, the demand, and then coming up with a funding mechanism for that and going through the appropriate process to implement the impact fee. The problem we have with what has been proposed in the language in section 1, subsections 2 and 3, is it really transitions from an opportunity with the school district to a mandate. There is no onus to go through that process. Essentially, if the school district indicates they need the \$1,600 per unit, it is up to the jurisdiction to actually defend against that, per Ms. Stapleton's testimony. For those reasons, we have very serious concerns about the imposition of this bill.

Speaking to the cost-sharing aspect of the bill, from a new construction perspective, I would submit that under Nevada's current property tax system, new construction is the only one paying its fair share because it is paying full boat. If you look at houses built in the last boom cycle ten years ago, the assessed value on the property has already depreciated 15 percent. They have just as much of an impact as any new house coming in, and the new construction is the only one paying the full price.

Tray Abney, Director of Government Relations, The Chamber, Reno-Sparks-Northern Nevada:

The Chamber, Reno-Sparks-Northern Nevada has a long history of supporting school bonds, and I spent the last year of my life working to pass WC-1, which is the sales tax increase in Washoe County. Mr. Chairman, I have never worked so hard for a tax increase in my life.

We raised over \$1 million in that campaign, about half of it from the development community. We believe education is a broad-based need, which means everyone has skin in the game. All of you up there and all of us down here should pay for the educational needs of our state.

Mr. West stole my thunder on this, but this conversation should not even occur until we fix the property tax system in this state. New people are already paying more than their fair share because those of us who live in houses that continue to depreciate year after year are not. This bill would require new people who move here to pay money to refurbish old schools that they had nothing to do with in the first place.

We cannot keep holding special sessions in this building to entice thousands of new jobs here and then put a tax on each new home for the people who are going to move here. It is a tax on the American Dream. House prices are already increasing too fast, and this bill will not help. The Chamber has not been shy about supporting tax increases to pay for school infrastructure, but this bill is not the way to do it.

Justin Harrison, Director, Government Affairs, Las Vegas Metro Chamber of Commerce:

We are here to oppose the proposed legislation in A.B. 120. Many of our members who are part of the development community and part of the home building community have reached out to us. You have heard from some of them today, and we share their concerns and I will not reiterate those. I would also like to mention that historically the Las Vegas Metro Chamber of Commerce has opposed taxation on specific industries. We believe broad-based solutions are really the answer to many of these public policy questions. I would point to the broad-based support from the Chamber, its members, and the business community as a whole in the last legislative session in order to pass the bond rollover specifically for Clark County.

Assemblyman Ellison:

Do you feel this bill should have been a ballot question versus a legislative question? My second question is after what happened in Washoe County and the money raised, is this double taxation?

Tray Abney:

As to your first question, no. I do not think WC-1 should have been a ballot question, but because of the failure for us to get that done in this building, the only choice left was to go to the ballot. I do not think public policy should be determined at the ballot; it should be determined in this building. However, the ballot was our only option, so that is what we had to do.

Secondly, this residential construction tax will be paid by the homebuyers, who are already paying for all the permits, fees, and taxes that go into building a home in the first place. They will also be paying an increased sales tax to fill the home with furniture and anything else they put in it. This is just another tax on the homebuyer and makes it more expensive to move into that new home.

Alexis Motarex, Coordinator, Government Affairs, The Associated General Contractors of America, Inc., Nevada Chapter:

All of our concerns have already been stated. We are opposed to this bill.

Sean Stewart, Chief Executive Officer, Nevada Contractors Association:

I represent approximately 600 general contractors, subcontractors, and suppliers in southern Nevada. Most of our issues have also been addressed today. I would like to reiterate Assemblywoman Neal's comments from earlier. I cannot speak to Carson City or Washoe County, but in Clark County we have many revenue sources that help with the school projects, and I think it is working. Our concern in Clark County specifically is that we do not slow down the development with a new tax as development has just begun to pick up.

David Cherry, Communications and Intergovernmental Relations Manager, City of Henderson:

We appreciated the opportunity to meet with the bill sponsor, and we would like to participate in the working group that Assembly Daly indicated he would be putting together for A.B. 120. We currently have practices in place to address some of the issues that the bill speaks to. Our concern is that we harmonize these existing practices with the requirements that the bill will now impose on all counties statewide.

Matt Walker, Director, Government Affairs, Southern Nevada Home Builders Association:

I would like to echo Mr. Cherry's comments, specifically pointing the Committee to NRS Chapter 278 that allows for a local municipality or county to conduct a public facility's needs assessment. I want to disavow any notion that large amounts of infrastructure, from water, sewer, parks, and fire service, are being paid for through those needs assessments in Clark County on a daily basis. I also want to make the point that one of the detriments of impact fees is they are so variable, with 40,000 new single-family homes built in 2005 to around 900 in southern Nevada in 2009. You cannot bond off that revenue because it is just too variable. In terms of long-term, big-picture needs, unfortunately impact fees are not a great revenue source.

Chairman Flores:

Are there any questions from the members? [There were none.] Is there anyone else wishing to speak in opposition? [There was no one.] In the interest of fairness, I did mention that I would allow those speaking in support to come back up and speak for two minutes. If you wish to add any remarks, now is the time to do that. [There was no one.] Are there any closing remarks, Assemblyman Daly?

Assemblyman Daly:

I would like to clarify a couple of things regarding Assemblyman Ellison's question about S.B. 411 of the 78th Session. That bill was passed in 2015. What it did was establish a committee encompassing legislators and community leaders to address an issue and allow them to put a question on the ballot. That ballot question was because we were unable to get

it done in this building. We could not get past the two-thirds majority, which is why it was deferred to either put it on the ballot or send it to the county commission. That group then came up with a ballot question and did the assessment, and the ballot question did pass.

To Assemblywoman Neal's question about who pays: some would say this is just going to be a direct pass-through tax. Every single tax that has ever been paid by anyone is a pass-through tax all the way. I think there is a nexus on who pays. We did hear testimony that there are impact fees or residential construction tax, whatever it might be, for several other issues. I did find it interesting because that is just an objection to process. I found it interesting that some of those who testified are interested in more government and not less, but if that is the direction they want to go, I am open to it.

Mr. Hicks spoke to the fact that we are veering off the intent of the original bill in 1979 for the rural counties. Thank you for that history, as I did not know. To that, I would say times change. To the testimony about the average cost of a home being \$170,000 during the downturn and now being around \$330,000, that is about a 90 percent increase. When we look at these things, a variety of factors go into place.

Many people were hurt in the residential market after the boom because they were building houses on specifications from 2005 and 2006. They are no longer doing that. They are reactionary to what the market is. In Washoe County, the vacancy rate is 2 percent. The rental prices are going up. Developers hold on to land for long periods of time until the market conditions are favorable and they can hit their target return rate. When those rates are going up and more people are moving to the area, the return rate is 4 times or 10 times past their target rate. They do not hold at their target rate. They are in business and want to take advantage of that to increase their profit. All I am saying is this \$1,600, when they say it is an affordability factor, is a rounding error on the decimals they are making based on the 90 percent increase for the cost of property. Wages have not gone up 90 percent, nor has the cost of materials gone up 90 percent. The value of the land has gone up 90 percent, and that is extra money in their pockets. I do not think that is a factor, and there are many questions.

With your blessing, Chairman Flores, I will get a working group together, and we will address as many of these issues as we can. As I stated earlier, if people have a process issue or a clarification issue, we will get them fixed. We want to make sure we have a bill that works. If people are opposed to the bill, they are welcome to come to the working group, and we will listen to their input. We will put something together and bring it back to this Committee shortly.

Chairman Flores:

For those in opposition, I appreciate your reaching out to Assemblyman Daly to discuss your concerns. There are many things that can be done to reach an amicable agreement, but for some things there just are not. We will see where we are at after the working group, and I look forward to the conversation. I will close the hearing on A.B. 120. Is there anyone here for public comment? [There was no one.] Having no further business, this meeting is adjourned [at 10:12 a.m.].

RESPECTFULLY SUBMITTED:

Lori McCleary
Committee Secretary

APPROVED BY:

Assemblyman Edgar Flores, Chairman

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is written testimony, dated February 28, 2017, submitted by Natha C. Anderson, President, Washoe Education Association, on behalf of Nevada State Education Association.