

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

**Seventy-ninth Session
May 2, 2017**

The Senate Committee on Revenue and Economic Development was called to order by Chair Julia Ratti at 3:41 p.m. on Tuesday, May 2, 2017, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Julia Ratti, Chair
Senator Aaron D. Ford, Vice Chair
Senator David R. Parks
Senator Ben Kieckhefer
Senator Michael Roberson
Senator Heidi S. Gansert
Senator Patricia Farley

GUEST LEGISLATORS PRESENT:

Assemblyman Ira Hansen, Assembly District No. 32
Assemblyman Michael C. Sprinkle, Assembly District No. 30

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Colleen Lennox, Committee Secretary
Tina Nguyen, Committee Manager
Lex Thompson, Committee Secretary

OTHERS PRESENT:

Dan Musgrove, CSAA Insurance Group
Michael Geeser, Regional Director, CSAA Insurance Group

Senate Committee on Revenue and Economic Development
May 2, 2017
Page 2

John J. Richmond, Vice President & Associate General Counsel, Legal Division,
CSAA Insurance Group
Greg Ferraro, Truckee River Flood Management Authority
Ron Smith, Council Member, Ward 3, City of Sparks
Jay Aldean, Executive Director, Truckee River Flood Management Authority
David Bobzien, Council Member At-Large, City Council, City of Reno
Tray Abney, The Chamber
Jon Leleu, NAIOP Northern Nevada
Brian Wachter, Senior Vice President, Retail Association of Nevada
Ray Bacon, Executive Director, Nevada Manufacturers Association
Alexis Motarex, Nevada Chapter, The Associated General Contractors of
America, Inc.
Jeff Church
Rocky Finseth, City of Sparks

CHAIR RATTI:

We have three bills and the overview of the Economic Forum from yesterday. Because of a scheduling challenge, we will start with the Economic Forum update from Russell Guindon.

RUSSELL GUINDON (Principal Deputy Fiscal Analyst):

You have two tables. The first is titled General Fund Revenues ([Exhibit C](#)). This was approved by the Economic Forum at their statutorily required meeting yesterday to produce a revised, unrestricted General Fund revenue forecast for all General Fund revenues. The forecast is required for fiscal year (FY) 2016-2017, FY 2017-2018 and FY 2018-2019.

The second table is titled Economic Forum General Fund Revenue Forecast Comparison ([Exhibit D](#)). I will concentrate on this table, highlighting the Economic Forum's revised forecast from the meeting yesterday.

The top block of this table is the Economic Forum's May 1 forecast approved at the meeting. The major General Fund revenue sources are broken out. Near the bottom is the total General Fund revenue. Because of various tax credit programs, the report shows the total amount of revenue before tax credits. The amount after tax credits would be the net amount available for the Legislature in regard to approving the legislatively approved General Fund budget. The middle block is the Economic Forum's December 6, 2016, forecast. At the bottom is the difference.

The top block in the FY 2016-2017 column is the Economic Forum May 1 forecast. I want to clarify the forum is required to do this forecast for the current fiscal year we are in, which is the second year of the current biennium. The forecast matters because, as you can see, the Economic Forum ended up forecasting additional revenue for May 1 as compared to December 6, 2016. This money is available for the Legislature to consider in regard to appropriation, or it can be the ending fund balance which will become the beginning fund balance for FY 2017-2018.

The total General Fund revenue for FY 2016-2017 before tax credits was \$3,961,000,000. After tax credits of \$147.1 million, the total was \$3,813,000,000 which was an upward revision of \$44.2 million. In terms of additional revenue, it is an upward revision of 1.2 percent. In statistical terms, the upward revision of 1 percent in the forecast is not a large move in looking at it from a forecasting point of view.

In FY 2017-2018, the total General Fund revenue before tax credits is \$4,075,000,000. After accounting for tax credits of \$154 million, the net General Fund revenue forecast is \$3,921,000,000. This is \$45.9 million higher or 1.2 percent higher than the forecast at the Economic Forum's December meeting.

For FY 2018-2019, the total General Fund revenue before tax credits is \$4,231,000,000. After accounting for the tax credits of \$168.5 million, the net amount available for appropriation or use in the budget is \$4,062,000,000. This is an upward revision of \$49.8 million in the General Fund revenue forecast for FY 2018-2019 and is again 1.2 percent.

On a biennium basis, the forecast for FY 2017-2019 before tax credits is \$8,305,000,000. After the \$322.2 million in estimated tax credits, it will be \$7,983,000,000. You can see this was revised up by the net combined amount of \$95.8 million for the estimate of the next biennium compared to the forecast that the Economic Forum approved at the December 6, 2016 meeting. That compares to the estimate for the FY 2015-2017 biennium of the \$7,507,000,000 which is the actual amount for FY 2015-2016 and the revised estimate for FY 2016-2017.

Finally, one of the elements worth pointing out is looking at that combined net upward revision to the Economic Forum's General Fund forecast for all 3 years,

of \$140 million, which is an upward revision of only about 1.2 percent of the revenues between the 2 forecast periods. In looking through the table, you see that, generally, there were upward revisions to the forecast, except for the Sales and Use Tax, and the Live Entertainment Tax on gaming.

CHAIR RATTI:

A couple of things I would like to confirm on the record. First, I have already heard chatter that “oh my goodness, I cannot believe that we have extra money.” Clearly, we were not thoughtful about prior decisions that were made about taxation or whatever. If we have all this extra money floating around—I would like to remind everyone it may sound like big numbers when we are dealing with as many zeros as we do at the State—being up 1.2 percent to me is essentially a flat forecast. You are talking about such a small degree of change that to come back and say we are overtaxing or we are undertaxing, in some cases, probably is not an appropriate response to a 1.2 percent variation. A 1.2 percent variation means our forecasters did an excellent job and we are well within the window of any reasonable forecasting metric, whether you are a for-profit, nonprofit or in the government sector.

Second, just to remind everybody this forecast does not include anything that we are contemplating during this Session. I have had folks asking me about marijuana revenue or tax credits that may have been discussed. Remember that the charge of the Economic Forum is to produce a forecast that contemplates what is already in existing State law. If you are looking for things in this Session, they do not get included in this forecast. That would be something that would happen after we conclude the Session.

SENATOR KIECKHEFER:

To double up on your point, it is important to note there are expenditures that have already been made that are sometimes unaccounted for. Our supplemental appropriations are coming in higher in certain cases than were originally budgeted for. Any revenue that has been projected upwards is going to cover bills we have already incurred in addition to any changes to the Governor’s recommended budget that have already been considered in the Senate Finance and Assembly Ways and Means Committees. I always caution people not to scramble and think that every project is about to get funded. Most of the money is already accounted for.

CHAIR RATTI:

I appreciate those comments.

We are lucky to have the dedicated and attentive staff that we do. I want to say thank you again to those behind the scenes, Mr. Guindon, Mr. Reel and several other folks in their office as well as those in the Governor's Budget Office who have been doing a ton of work to make sure the Economic Forum has the data needed to be able to make these forecasts. I want to thank my Committee for the discretion of not meeting for the last two weeks so staff had the time to do that. Congratulations on some great work.

We are going to open the hearing on Assembly Bill (A.B.) 137.

ASSEMBLY BILL 137 (1st Reprint): Revises provisions relating to the insurance premium tax. (BDR 32-68)

DAN MUSGROVE (CSAA Insurance Group):

Assembly Ways and Means Chair Maggie Carlton, Assembly District No. 14, is the sponsor of this bill. She is elsewhere in the building and sends her regrets, wanting the Committee to know she sends her apologies. We thank Assemblywoman Carlton for sponsoring the bill and welcome the opportunity to discuss it with you today. I have two executives from CSAA who will walk us through the bill.

MICHAEL GEESER (Regional Director, CSAA Insurance Group):

Let me begin back in 2014. When we first received a letter from the Department of Taxation notifying us that we qualified for a tax credit we could use to offset the premium tax we pay to the State each year, we used that credit to help buy a building in Henderson right off Interstate 215 and St. Rose Parkway. It is over 111,000 square feet and houses 435 employees.

Assembly Bill 137 does two things we want to make clear. Sections 3, 4 and 6 of the bill reverse changes made to chapter 680B of *Nevada Revised Statutes* during the Twenty-eighth Special Session regarding the home office tax credit.

Secondly, section 6 states the credit can only last for ten years, not in perpetuity. There is a sunset to collecting the tax credit, something the original legislation passed in 1971 did not cover.

We made a significant investment in Henderson when we learned of this tax credit by purchasing a building. We then retrofitted it for our needs to the tune of \$30 million. The point we have tried to convey all along is that we never would have made that financial business decision had we not received the letter from the Department of Taxation. We did receive the letter, and we did make that business decision to go forward with the building.

We are asking that whatever company wants to come to Nevada, opening an operation like we have with multiple employees, and thousands of square footage in the building that the company owns, should be entitled to exactly what we are asking for in the way of the home office tax credit. My colleague will walk you through the mechanics.

JOHN J. RICHMOND (Vice President & Associate General Counsel, Legal Division, CSAA Insurance Group):

The credit is quite straightforward. I will explain how it works. Insurance companies in Nevada pay a gross receipts tax called the Insurance Premium Tax. It is 3.5 percent and based on current writings in Nevada. We pay roughly \$5 million a year before any credits in Premium Taxes. Assembly Bill 137 allows us to take a credit for half of the Premium Taxes we would otherwise pay in Nevada. That would come to roughly \$2.5 million.

Before the tax was repealed, we had taken the credit for three years from 2014 to 2016. Our entitlement, if this bill were enacted, would be another seven years, then it would be gone. To add to what Mr. Geeser said, the existence of the credit, which has been around for decades in Nevada, was something known to the company, went into our financial planning and was integral to the decision to purchase and renovate the building. We feel we have made a commitment to the State and that we have earned at least something in return for that commitment.

SENATOR KIECKHEFER:

How many other companies would qualify under A.B. 137?

MR. RICHMOND:

Before it was repealed, the number was between 12 and 15. I do not remember the exact number. I tried to make an assessment but since the company has to own the building for more than ten years, it is hard to tell from public record

which of those cohorts there before would still be entitled. I do not know the answer to that question.

SENATOR KIECKHEFER:

In the 3 years that you received the credit, you got a refund of about \$2.5 million a year?

MR. RICHMOND:

Yes, roughly.

SENATOR KIECKHEFER:

In 2015, according to the fiscal note from Department of Taxation, total credits were \$46 million. Determining the potential fiscal impact of the bill really depends on how many companies would have exceeded the ten-year mark, right?

MR. RICHMOND:

Correct. The lion's share of that \$46 million went to one company that is more than 10 years, so it would not be impacting.

SENATOR KIECKHEFER:

That is United Insurance, right?

MR. RICHMOND:

Yes.

SENATOR KIECKHEFER:

If you carve out United Insurance by keeping the ten-year cap, I am trying to figure out who else would be eligible. If A.B. 137 eliminates the \$5 million cap, and you are going to get \$2.5 million, are we going to start blowing through \$5 million and then have a budgetary impact?

MR. MUSGROVE:

Senator Kieckhefer, A.B. 137 was referred to Assembly Ways and Means Committee. The Committee chose to process it. That staff did not feel there was anything beyond what was already budgeted for this biennium of \$5 million for each year. We would only be \$2.5 million of the \$5 million budgeted. It is appropriate that we saw how the tax credits lay into the budget. From Mr. Guindon's presentation, you can see how it is looked at. The \$5 million

would be a part of the offset already assumed to be a part of the budget number. Not knowing how many other companies might qualify under the less than 10-year provision this bill contemplates, we believe it would be less than \$5 million. I do not have that exact information.

SENATOR KIECKHEFER:

The \$5 million is currently being credited?

MR. MUSGROVE:

That will begin in 2017, correct. It is a part of this biennial budgetary process.

SENATOR KIECKHEFER:

So will CSAA receive a prorated portion of that?

MR. MUSGROVE:

Our prorated portion will go from \$2.5 million to \$300,000.

SENATOR FORD:

I sympathize with you. I remember the Twenty-eighth Special Session where a couple of incentive programs met their demise. I understand making decisions based upon the existence of incentive programs. I am interested in seeing how we might be able to assist you with passing A.B. 137 in an expedited fashion.

CHAIR RATTI:

Following along the line of questioning by Senator Kieckhefer, the big unknown is if there are any new businesses that might move to Nevada based on this incentive. That would be the more likely place that we would find ourselves exceeding the tax credit. Is that a fair assumption?

MR. MUSGROVE:

Yes. As we talked about in our briefing, that would be a good thing for Nevada. It would be new economic development in terms of property taxes, salaries and other impact if they did in fact come to Nevada and locate home offices as the bill prescribes that you must in fact do.

CHAIR RATTI:

For the record, would you please share your average wage and your position on health benefits?

MR. RICHMOND:

The total payroll for that Henderson facility is just over \$27 million which averages about \$60,000 per employee. We offer health insurance, retirement—the usual package for a sizable employer, but I could not describe them in detail.

CHAIR RATTI:

But you do offer health benefits?

MR. RICHMOND:

Yes, absolutely.

MR. MUSGROVE:

The only thing I want to point out is in the first reprint. You will notice the first two sections have been deleted. I want to make sure the Committee understood A.B. 137 originally contemplated what Senator Ford talked about. One of the things that met their demise during the 2014 Session was the film tax credit. This bill originally included both the film tax credit and the home office tax credit. But because the film tax credit was included in the budget this year by the Governor, Assemblywoman Maggie Carlton was able to put that into a budget bill. That is what Amendment No. 163 did.

SENATOR FORD:

I want to follow up. I know this is not the Senate Committee on Finance, but the fiscal note shows that the \$46 million includes \$5 million of lost revenue of the film tax credit. I am not certain how that fits in to the fiscal note process, but the fact is we do have another bill out there that looks to reinstitute the film tax credit. We should keep that separate and apart from this discussion.

MR. GEESER:

You have an open invitation to come down and take a look at the building, anytime you are free. We would like you to see not only the size of the building and the number of employees we house there but how clean the footprint is on the community itself. The building was built to Leadership in Energy and Environmental Design specifications. Insurance as its nature is a very clean footprint itself with nothing left behind. These are the kinds of companies that might look at this bill and say Nevada is a great place to work. We certainly did. It is what attracted us to southern Nevada.

SENATOR GANSERT:

In looking at the bill, it comes out to \$41 million. If you were getting \$2.5 million of some unknown number versus \$300,000 of \$5 million, it prorates up to \$41 million. It seems if we were to move forward with this, we need to constrain it somehow. We do not know what it could become. Over time, some of these credits have crept up on us because we do not realize how many organizations could be eligible. The thought of your being able to get this or more back because you were given a letter saying you were going to receive this type of benefit makes sense. But I think we need to be able to constrain this somehow for the future.

CHAIR RATTI:

The constraint would be a budget allocation. Once these tax credits are expended, they are expended.

SENATOR KIECKHEFER:

Senator Gansert's point relates to what you had indicated regarding the unknown of what may be out there. We have \$5 million a year budgeted. If we were to go beyond that by removing the \$5 million cap, it could have a potential budgetary impact. The bill's implication is that the \$5 million cap may be totally unnecessary if you put in the cap of a 10-year maximum, right? It would have the same effect of carving out people who receive the credit for a long period of time while still maintaining the financial security for the State of maxing out the total credit of \$5 million per year. There are two sections that may serve the same purpose independently.

CHAIR RATTI:

Senator Gansert, I will have staff look at it before we work session the bill to make sure that protection is adequate.

SENATOR GANSERT:

I understand the math and how it is not a fiscal note because we already have the \$5 million. We do not know who else could apply in the future, and there is no sunset the way I am reading it. I am concerned more about the future versus exposure during this biennium.

CHAIR RATTI:

I promise we will dig into that.

We will close the hearing on A.B. 137 and open the hearing on A.B. 170.

ASSEMBLY BILL 170 (1st Reprint): Revises the requirement for the Office of Economic Development to submit quarterly reports relating to certain economic development incentives. (BDR 32-302)

ASSEMBLYMAN IRA HANSEN (Assembly District No. 32):

If you go back to the 2014 Session, we gave up to \$1.3 billion in tax incentives to the Tesla project. In the 2015 Special Session, we gave up to \$216 million to the Faraday Futures project. As part of those arrangements, we called for quarterly reports to be done. For reasons I am not totally sure of, we had a sunset date. The Tesla tax incentive expired as of 2016. On July 1, the quarterly reports from Faraday will sunset. What A.B. 170 does in section 1 is deal with the Faraday Future project. It would extend those quarterly reports through 2020. From 2020 to 2025, it would make them semiannual.

Section 2 of the bill, makes Tesla reports semiannual instead of quarterly and would continue these through the Year 2024.

That is the entire gist of the bill with one exception. In section 2, there is an out if an audit provides the same information. The company will not have to have redundancy of the quarterly report.

Requirements for the report from the two Special Sessions were the dollar amount of the abatements approved, the number of employees who are residents of Nevada, the number of qualified employees and the wages paid to them, an assessment of whether satisfactory progress is being made with respect to the investment requirements, and any other information requested by the Legislature. Dealing with this volume of tax dollars, it is only right we continue to ensure that taxpayers have a full opportunity to see they are audited properly. Essentially, this makes sure the projects are going forward as we hope.

CHAIR RATTI:

Thank you, Assemblyman Hansen, for bringing it forward, it is a good bill.

We will go ahead and close A.B. 170 and open the hearing on A.B. 375.

ASSEMBLY BILL 375 (1st Reprint): Allows the imposition of certain taxes in a county to fund flood management projects of a flood management authority based on the recommendations of a flood control project needs committee and voter approval. (BDR S-473)

GREG FERRARO (Truckee River Flood Management Authority):
Sparks City Councilman and Chairman of the Agency, Ron Smith is on my right and on my left is the Executive Director of the Agency, Jay Aldean. Mr. Aldean will walk you through a slide presentation and a history lesson of Truckee River flooding in Washoe County. Then I will walk you through the bill.

ASSEMBLYMAN MICHAEL C. SPRINKLE (Assembly District No. 30):
I am here to present A.B. 375. I want to present to you an idea, an option. In northern Nevada we have the Truckee River. It runs through a significant part of northern Nevada. As we have all seen in the news over the last few months, the Truckee River has a tendency to flood from time to time. A lot of work has been done over the years to start managing the flood plan around the Truckee River and protect the businesses and industry that is located in that area.

The problem is funding. There are a lot of federal dollars potentially available to us to continue with flood mitigation. However, we are running up against a time line, and we need to have some matching dollars. We are using language presented and voted out of this Body at the Seventy-eighth Legislative Session for a completely unrelated subject that puts together a working group to look at alternatives. Ultimately, if the group comes up with something it thinks is viable, it will be presented to the voters. As with the last working group, in the end it rests with the voters.

There is real promise, real importance here. We have been able to reach an agreement with a consensus amendment (Exhibit E). It is going to take the duties and responsibilities of this working group and expand them a little bit. We have realized real problems in northern Nevada over the last few months, and there was a lot of focus on the Truckee River flooding. During the January floods, a lot of it had nothing to do with the Truckee River. It was all of our watersheds in our ancillary little streams. We really need to take a little closer look at those as far as management goes. That will be one of the other duties of

this working group to start examining flooding as a whole in northern Nevada and come up with some recommendations.

RON SMITH (Council Member, Ward 3, City of Sparks):

I have been working on the flood project since 2006 and have been the Chairman of this project since 2008. The work that has gone into this project has been possible not only because of the people behind me but Senator Ratti who was there and offered her support.

This is an important bill. We need to get this project done. We have the opportunity to capture \$180 million of federal money, but that has a time limit of 7 years. It runs out in 2021. If A.B. 375 goes on the ballot in 2018 and passes, we are going to be right up against the time line to get everything in place to actually start the construction.

We supported the bill in the beginning when it was presented. We also support the amendment, [Exhibit E](#), that is now included in the bill.

CHAIR RATTI:

I commend you on your long and hard work on the flood project. I know you have been very dedicated to this project.

JAY ALDEAN (Executive Director, Truckee River Flood Management Authority):

It floods in Washoe County. It floods in Reno. It floods in Sparks. It causes tremendous amounts of damage when it does.

Since about 1907, we have recorded about 13 significant storms or 13 floods of which 9 were extremely damaging storms. The 1955 storm, as shown in Slide 2 of my presentation ([Exhibit F](#)), was a 100-year event. Those of you from southern Nevada know what the washes can do. This is akin to that kind of devastation and flooding. This is downtown Reno. You can see the old Mapes Hotel and the Virginia Street Bridge; the Truckee River was not at flood stage.

Slide 3 shows the 1997 Reno flood. It is the flood of record and greater than a 100-year flood. The Army Corps of Engineers estimated a 117-year flood, but it was a more like a 125-year storm event. From almost the same vantage point is the Mapes, the Virginia Street Bridge, the Sierra Street Bridge to the left and the Center Street Bridge to the right. The flooding went through downtown and

devastated the casinos. This flood caused approximately \$600 million in damages. One event.

Slide 4 recognizes the second-largest storm of record, the 1986 storm. In Reno, it was not that bad. The hydrology is so fickle in northern Nevada; we can be hit from a number of different locations. In 1986, Sparks was devastated where Sparks is now. By the time it got to the Truckee River, that flood event was a 100-year event.

Slide 5 shows the island belonging to the University of Nevada, Reno, where the sheep were able to escape the flood in 1997.

Slide 6 shows some ancillary flooding in Hidden Valley during the 2005 flood. It floods as far south as the Huffaker area.

The commercial area of Sparks during the 1997 flood is shown on Slide 7. This was heretofore the economic engine of northern Nevada. You can see some large buildings completely inundated with water. Significant amounts of damage were a part of the \$600 million in damages from that flood.

Assemblyman Sprinkle mentioned other areas. Slide 8 from 2017 depicts the commercial area flooding. It was not as bad, but we have had 10 or 11 storms since then.

What are our management operations? Very quickly, we have become the hydrology and engineering experts of the Truckee River in northern Nevada. We have developed a 2-dimensional model, as Slide 10 shows, that can accurately predict what the flood plain is going to be. If we get good information from the weather service, we can apply that information to our model. We can run it through the model and predict the extent of flooding. The area in the center of the slide is where the airport was flooded up against the terminal. That area is open.

The arrow points to the airport runway area in 1997, shown on Slide 11. We hit that because our models were accurate. We were very proud of what we accomplished.

This year, as Slide 12 shows, we were able to take the prognosis from the National Weather Service and run it through our model. We were able to hand

out these maps to the first responders, the police and firefighters. They were able to have a clear notion where the flooding was going to be in the event any evacuations were needed. They were thrilled with this information. It was the first time we have had that.

Slide 13 explains Truckee River Flood Management Authority (TRFMA) and its structure. Because the decisions must be unanimous, one dissenter can stop a project from going forward. The 1998 Washoe County Commission approved a sales tax funding of .0025 cent. Half went to the train tracks and the other half went to the emergency operations centers we have in northern Nevada. We are on tap to pay for that. We can use the remaining portion that comes to the flood authority. Annually we get approximately \$6.5 million. That is a .00125-cent dedicated sales tax with no sunset.

What have we done with that money? Slide 14 shows Capital Projects Completed. We contributed \$2.25 million of the total project cost of \$12.2 million to the City of Reno, so it could improve and completely rebuild the Virginia Street Bridge, which was desperately needed.

We partnered with the State and Walmart Corporation to build a levee around the Reno-Sparks Indian Colony. That established the flood protection for the facility at Glendale Avenue and U.S. 395. We were able to use State land to do that. We are very appreciative to the State for its contribution.

We did some engineering study work on Hidden Valley. We have done five restoration projects.

We also contributed \$5 million to the North Truckee Drain. The City of Sparks contributed \$35 million. With our \$5 million, it is a total of \$40 million for the North Truckee Drain.

We have purchased a number of pieces of property that had we not purchased them, even though we bought them during the height of the season, they would have been developed and been much more expensive.

The Army Corps of Engineers was only going to allow the TRFMA project a 50-year design project. That is not adequate to move anybody out of a flood plain. Zone A, as defined by the Federal Emergency Management Agency,

would not be changed. As a community, we planned a 100-year project. We supported the Army Corps of Engineers simultaneously, which is a parallel path.

When the Army Corps of Engineers first got the project, it started out smaller as seen on Slide 16. The earliest year we could complete the project, with all human expedition, is probably 2032; 2033 or 2035 would probably be more practical. It is going to take us anywhere between 10 and 15 years to build. That would include tribal negotiations and obtaining State and federal permits.

The funding for the TRFMA project is shown on Slide 17. The .00125-cent sales tax generates about \$6 million to \$8 million a year. The TRFMA has the authority from Reno, Sparks and Washoe County to levy a fee. We looked at fees and, predominately, there are two areas in fees. One is a Direct Benefit Area, which is easy to make justification, and there is the regional area, which is difficult to make justification.

For the Direct Benefit Area, we looked at about \$10 per 1,000 square feet up to about \$33 to \$34 per 1,000 square feet. That would have the Direct Benefit Area paying a majority of the costs and would be very expensive. The TRFMA Board of Directors asked staff to consider \$8 per 1,000 square feet as a planning number for a fee. The Board is committed to enacting this fee along with the other revenue sources that we are looking for. If we do this, the \$8 per 1,000 square feet would generate about \$2.5 million annually.

Assembly Bill 375 develops a committee to look at other funding sources as shown on Slide 17. Assemblyman Sprinkle mentioned the federal contribution. We supported the Army Corps of Engineering in its endeavor to get congressional approval of its 50-year plan. Congress approved that legislation in 2014. We amended their 50-year plan so if we wanted to build a higher-level service project, we could. The money that was contributed to the 50-year plan, which is roughly \$180 million, would then service our 100-year plan. We now have congressional authorization for our project.

In 2014, all the approved projects that did not get any federal government money lost all their funding and congressional authorization. If we are in that situation by early 2020 or 2021 where we will lose our funding, we will have to demonstrate to the federal government that we have raised the amount of money mentioned. If we do not have it by 2020 or 2021, we will lose it. If so, the likelihood of the federal government ever studying the Truckee River again

for a project such as this is next to impossible. It will not happen in any of our lifetimes. If we do not get the money, shame on us.

MR. FERRARO:

This bill will look familiar. It is modeled after S.B. No. 411 of the 78th Session that created the Public Schools Overcrowding and Repair Needs Committee. The Committee was charged with placing a ballot question before the voters in Washoe County in 2016.

We borrowed the same template, changed a few names, and the subject matter, but the bill essentially is the same. It creates a 16-member committee of various stakeholders in a county. The committee can forward to the board of county commissioners a package for consideration by the voters. The county commissioners must then place that on the ballot. For those of you who are not familiar or are not from Washoe County, that committee design worked for about 18 months. At the end of that period, the issue was put before the voters, addressing the shortage of schools in Washoe County.

Our challenge would be to empower a similar committee with the decision to decide what and how much—what tax sources, what combined tax sources or single source the voters should consider to be able to fund the project that Mr. Aldean described to you.

The committee will have the authority to decide how big a number to place before the voters. If the project is estimated to be \$420 million, they can adjust that upward or downward associated with how much revenue is needed to reach the number on a bonded basis.

It is no small order. The successful experience of the Public Schools Overcrowding and Repair Needs Committee made one of the potential tax sources very, very difficult. The school question was funded by sales tax, which the voters approved. Sales and Use Tax is listed among the items the committee can consider, but I would venture to guess either they are not going to be able to use sales tax, or the committee would be out of their minds to propose a sales tax increase to the voters again in Washoe County. The committee will be able to choose, as the bill describes in section 3, either gross sales tax, Real Property Transfer Tax, room tax, property tax and sales tax, or as Assemblyman Sprinkle had proposed in the Assembly, any other sources of

revenue that may be eligible for consideration. That gives the committee some wiggle room, which is always important.

Sections 4 through 6 of A.B. 375, as was alluded to earlier, has a consensus amendment, [Exhibit E](#), developed by representatives from the City of Sparks, the City of Reno and Washoe County. Reno City Councilman David Bobzien will walk you through the consensus amendment to A.B. 375. The bill passed the Assembly 39 to 3. All Washoe County delegation members voted in the affirmative. On S.B. No. 411 of the 78th Session, all Washoe County delegation members voted in the affirmative save one. Given that experience, we started last summer working with delegation members, three of whom are on this panel, to see if we cannot do something to one, address the urgent need and two, take advantage of those federal funds that have an expiration date. Essentially, that is the bill.

Mr. Bobzien will talk you through how they were able to address the committee's responsibilities associated with non-Truckee River storm water flooding. All of us living through this winter saw the havoc that was wreaked by Mother Nature, particularly in Washoe County.

DAVID BOBZIEN (Council Member At-Large, City Council, City of Reno):
I serve on the TRFMA Board. I want to thank Assemblyman Sprinkle and the Washoe delegation for bringing this issue before you.

The amendment you have before you, [Exhibit E](#), is a consensus amendment arrived at through discussions among Councilman Smith, Chair of the Washoe County Commissioners, Bob Lucey, and me. I can report that the City of Reno has formally endorsed the amendment. I cannot speak to the other jurisdictions and whether they have taken formal positions on this whatsoever. You have a consensus after an amendment proposal on the Assembly side by the City of Sparks.

The flood events northern Nevada experienced over the past many months was a mixed bag in terms of how it interfaces with this project. In a lot of ways, we successfully saw a lot of in-river mitigation. We did see isolated flooding and breaching of the banks on the Truckee River. However, the headlines were grabbed by what happened in Lemmon Valley and elsewhere in the City of Reno and its Old Southwest area. There were spot flood events due to the breaching

of irrigation ditches that at times offered benefits in terms of collecting and moving excess storm water.

Given this recent episode of flooding, Sparks' concern with the original bill was the public would want to look at all these other issues and the potential expense because there has been the flood project for many, many years. The securing of federal funds, engineering, cost estimates and everything else was set up. Most importantly, operating in a consensus-voting model at the Authority, all members have to vote for the decisions unanimously. We had a list of projects Mr. Aldean referenced as the flood projects. The Sparks' amendment that was offered in the Assembly sought to direct the committee's work to those projects to make sure those were first in line. As we reviewed that amendment, we were a little concerned it was too restrictive and too prescriptive to the committee's work under A.B. 375 and not allowing for a full review of the state of flooding and flood management options in the Truckee Meadows.

We engaged in a conversation with Sparks and the Chair of the Washoe Commission to come up with what you have before you as the draft consensus amendment, [Exhibit E](#), that represents an acknowledgment that the approved projects of the flood authority should be first in line in consideration. The committee will appropriately look at all of the region's issues related to flooding. However, there has been a lot of work done on these projects specifically. The success of S.B. No. 411 of the 78th Session allowed Washoe County School District Capital Projects Funding Ballot Question WC-1 to do the work. The ballot question was,

Shall the Board of County Commissioners of Washoe County be authorized to impose a sales and use tax of 0.54% in the County to fund only capital projects of Washoe County School District for the acquisition, construction, repair and renovation of school facilities?

The ballot success spoke to the respect the committee was given and the credibility it gained by having the independence of the work it was afforded. The City of Reno's perspective is this amendment addresses the Spark's concerns but also gives the issue a fighting chance at the ballot.

SENATOR KIECKHEFER:

I am trying to understand the scope of what types of projects would be eligible for funding based on [Exhibit E](#). In section 2, you include "provide funding to the flood management authority for one or more approved flood management projects." Are those projects currently approved? Are they part of the Army Corps of Engineers projects? I am just trying to figure out how broad this gets.

MR. BOBZIEN:

It is a very important question that gets right to the heart of this amendment. I would prefer to have Mr. Aldean respond to that for the Authority.

MR. ALDEAN:

We have an identified project with a cost estimate as far as engineered to a concept level. We have a full cost estimate of the 100-year Truckee River Flood Project. The region has a series of master plans that talk about various components of the whole region's drainage. Those are not engineered. We do not have cost estimates. It would require significant amounts of engineering and study in order to be able to bring those projects to the same level that the components of the Truckee River Flood Project are already at.

SENATOR KIECKHEFER:

The potential taxes that would be imposed pursuant to the legislation would only be eligible for use for your currently approved flood project to the tune of \$400 million?

MR. ALDEAN:

I would have to say yes. However, the Committee has the ability to make recommendations that could further study other areas. The idea of the amendment was to not preclude those areas from any further study. The notion is to talk about them and let them go forward. The project we have at hand would go forward because it is first in line.

SENATOR KIECKHEFER:

I would argue there is nothing in statute precluding local governments from studying the flooding needs of their communities. You do not need that put into statute in order to study the streams, creeks and ditches that run throughout the Truckee Meadows.

What I worry about is if this committee starts spending time talking about flooding that it cannot address. The public, through a variety of social media, media coverage and attention to what is going on, will be under the impression the flooding that may be happening in their backyard, which is in no way tied to the actual flood project you oversee, would be addressed by the ballot question before them.

MR. FERRARO:

You are right and spot-on. The responsibility belongs to whoever is assigned to chair the committee and how those committee meetings are managed. It needs to be clear to the public and through multiple public hearings that the committee is going to be focused on proposing a funding package for Truckee River project improvements. Separately, the committee is going to take testimony, as the consensus amendment in section 5 suggests, prepare a report and develop a strategy by which people can recognize their issues far away from the Truckee River are being addressed and there is some plan to help.

The thought occurred to us from both a political and a practical standpoint that what if we stand up a committee and if it only talks about Truckee River flooding? That would be a real problem, given all we have experienced in Washoe County in the last six months, if we did not take testimony, input or listen to people's concerns about flooding in their area, where they do not really know how or why it got there. It would probably undermine the effort being undertaken. That is what the consensus amendment addresses. How do you get to two separate but linked issues that involve floodwater?

SENATOR KIECKHEFER:

They are separate but linked because we are linking them in A.B. 137. They are not linked in terms of funding that would be generated out of this bill. They are not necessarily linked based on the Army Corps project that would be eligible for funding under the bill. We are putting ourselves in a potentially dangerous position where we are setting up expectations that are not going to be met.

CHAIR RATTI:

I agree "the committee would be," quoting Mr. Ferraro, "out of their minds to propose a sales tax." It is important to me that we do not even give them that option. Based on the regressive nature of sales tax and the fact that Washoe County is the highest in the State in terms of our sales tax rate, I just cannot in good conscience approve a sales tax even being part of the

consideration. I would ask that there would be an amendment to remove sales tax.

What was the date the flood project was formed?

MR. FERRARO:
In 2011.

CHAIR RATTI:

For six years our community has been working incredibly hard on this, but I actually would say it goes back well before 2011. If you are born and raised in Washoe County, flood events are part of your history.

We all have personal markers of where we were when something happened. The national Junior Achievement program was doing a conference in Sparks in 1986 at the little hotel that sits right over by the Scolari's. There were high school students from all over the Nation. I was one of those high school students because Junior Achievement was my youth activity of choice. The entire area flooded. My friends and I were ferrying lunches through the floodwaters, so the high school students staying there could get their meals. There was no power or anything else. Because the airport was flooded, they could not get out.

A second significant life event was when my husband, who relocated from the Midwest to join us here in the Reno-Sparks area, was traveling during the 1997 flood. He was stuck in Salt Lake City, Utah, when the Pineapple Express came through. That was the next flooding event.

Northern Nevada and this community have been working hard to get this solved. A series of miracles have brought us forward to today. A miracle of three local governments creating a body that has a 100 percent consensus vote. I want you to just stop on that for a moment. Any single local elected official can stop this project. I will go so far as to say a couple of them slowed it down for a while. Getting three local governments to a consensus to bring a project forward was the first miracle.

The second miracle was getting the attention of the Army Corps of Engineers and keeping that attention. To get a federal government agency to agree to a

parallel process and then being successful in bringing that parallel process forward and having Congress vote to put our project in was a second miracle.

We have the opportunity to bring forward what I think will be the third miracle. I am a little bit more emotionally raw today. Today, we honored the late Senator Debbie Smith and inducted her into the Senate Hall of Fame. Senator Smith spent a good portion of her legislative career making sure we were going to address the needs of schools, an intractable problem in our region that people said could not be done. This is the other intractable problem in our region that people say cannot be done. I commend Assemblyman Sprinkle who can fill the shoes of Senator Smith on this one and bring forward at least the opportunity for the community to address it.

We can get to the third miracle and get this done. Speaking as a resident of Sparks and more specifically of Ward 1 of Sparks, the economic impact of not getting this done is not acceptable. We have an industrial area that has been taken out of production because until it is out of the flood project, nobody is going to invest there. It is the economic engine for the City of Sparks.

We have to figure out how to get this done. I am looking for an amendment that says that it will not include sales tax but it will include fee structure. Clearly, we need to spend some time with Senator Kieckhefer to address his concerns, so I would ask that we do that before we do the work session.

SENATOR KIECKHEFER:

I want to be clear about what we are talking about in section 3. In terms of the taxes that can be imposed, it lists any other tax or fee that is eligible to be imposed by the county. I want to know exactly what that is. I assume it is business license fees, impact fees and other things like that.

ASSEMBLYMAN SPRINKLE:

In conversations with both Chair Dina Neal and Russell Guindon, we tried to figure out if we could leave the door open for other conversations or communications that might occur with this committee. They were concerned about potential language that would allow new fees—new taxes, levies, what have you. The language is specifically written to help somebody who may not know exactly what other taxes might be out there. It must be something that already exists in statute and can be implemented in an initiative. We cannot create new taxes. That is the reason it is written the way it is.

SENATOR KIECKHEFER:

I appreciate that and would not want to have that unintended consequence of law allowing them to create something new. I am trying to understand what is allowed. The taxes that popped to mind are business license fees in particular and impact fees. Maybe we can ask staff to review what might be included there. That would be helpful.

ASSEMBLYMAN SPRINKLE:

When I was having those conversations, I wanted to be sure this committee had the ability to at least have that discussion as opposed to limiting it to the five—and now probably four—specific things already in statute.

SENATOR KIECKHEFER:

I would like clarity as well in section 2, subsection 2 regarding the review of areas outside of the Truckee River. Does the amendment, [Exhibit E](#), make it mandatory that the committee put something on the ballot? Or is it at the discretion of the committee to evaluate the necessity and the dollar figure thereof?

MR. FERRARO:

The language in section 2, subsection 2, is that the board of county commissioners shall place a question on the ballot related to the funding proposal associated with Truckee River. Testimony, input and public comment will be taken into consideration and put into the required report in section 5 of the amendment.

SENATOR KIECKHEFER:

There must be a ballot question imposing taxes under the bill? The committee itself does not have any discretion in terms of necessity or how much it needs to be?

MR. FERRARO:

Senator Kieckhefer, the committee has total discretion on how much that is. If you recall, last summer the school construction committee debated several different funding options and rates at which those revenue sources would potentially be raised. There will be quite a bit of discretion given to the committee about how much shall be raised at what rate and from what source.

CHAIR RATTI:

Are we trying to avoid the county commission being able to make a unilateral decision not to move it forward?

MR. FERRARO:

The language is very clear in section 2, subsection 2. The county commissioners have to place it on the ballot.

TRAY ABNEY (The Chamber):

We support A.B. 375. You recall The Chamber was a big supporter of Senator Smith's S.B. No. 411 of the 78th Session. We are one of the main culprits as to why the sales tax in Washoe County is the highest in the State. We heavily supported WC-1 and lost members because of it. It was the right thing to do.

We appreciate this bill because infrastructure is a basic function of government. To put together this committee to study the issue is entirely appropriate. We appreciate the nonriver flooding aspects of this bill. There are certainly the same concerns as Senator Kieckhefer has on that language. It is important that we talk about that and that be addressed while we have a group meeting.

We appreciate our spot on this committee. We had a representative on the WC-1 committee. We are not committing to any final tax package or ballot question. That is a whole separate process that goes above my pay grade. It is up to The Chamber to decide to support that or not. As you have outlined the history of this issue, it is important to talk about it and figure out a solution.

CHAIR RATTI:

I will take this moment, as I tend to give Mr. Abney a hard time every time he comes before this Committee, to commend you and The Chamber for the work you did on WC-1. There was a lot of good effort put into that.

JON LELEU (NAIOP Northern Nevada):

We support A.B. 375. It is a good bill, and we would like to personally thank Mr. Ferraro for including us in all of the discussions and being available to answer all of our questions. We would like to ditto the positive comments regarding this bill. The Sparks industrial area is our membership, and this bill will tremendously help.

BRIAN WACHTER: (Senior Vice President, Retail Association of Nevada):

We are happy to be included in the bill. We were a member of the WC-1 committee and are happy to be at the table again. We found a system that works.

However, we would request an amendment that is housekeeping. The consequences of the same error being in S.B. No. 411 of the 78th Session would be in section 1, subsection 2. It states "the members appointed pursuant to paragraphs (d) to (o), inclusive, of subsection 1 must be residents of the county." We would ask this Committee for a friendly amendment to consider, for the statewide organizations named to the committee, allowing a representative to be named from that statewide association. We found as other counties looked at S.B. No. 411 of the 78th Session and with this bill, for a statewide association like ours with limited resources, we would like someone on staff to be able to participate. We cannot do that with the resident requirement still there. We attempted a workaround with S.B. No. 411 of the 78th Session. We would love the chance to put someone from the Association on the committee. However, we would need that change.

RAY BACON: (Executive Director, Nevada Manufacturers Association):

I was in one of the first airplanes to fly over the 1997 flood. One of our member's plane was in Carson City. We were up at about 6:00 a.m. The flood photos were not pretty. Many of our members moved out of the flood area in the Sparks Industrial Park.

If that is going to become long-term usable space, there has to be a long-term solution. It is not going to be easy. My only concern with the bill as written is the nature of being in the Great Basin. We have flood issues that take place in multiple counties. Dealing with one of them is doing this piecemeal, but I do not fathom as to how you would make it bigger.

ALEXIS MOTAREX (Nevada Chapter, The Associated General Contractors of America, Inc.):

We support this bill.

JEFF CHURCH:

Assembly Bill 375 skirts the legislative responsibility to raise taxes under the Gibbons Tax Restraint Initiative in this case with no sunset. We pay sales tax for flood control with no sunset. Washoe County Ballot Question WC-1 does

make us the highest tax in the State, 8.26 percent. You may have seen the ads on TV, "Save big on sales tax in Fernley." I bought my car in Carson City, my previous one in Winnemucca. Washoe County Ballot Question WC-1 makes us the highest tax in the State with no sunset.

If I may regress regarding the Gibbons Tax Restraint Initiative, you have Legislative Counsel Bureau opinion that is legal, never tested in court. Washoe County gas tax ([Exhibit G](#)) under the Regional Transportation Commission is about 40 cents higher than in Carson City, so I buy my gas in Carson City. It will go up this July 1. That also has no sunset. This could be the nail in the coffin for auto retailers in Washoe County. Passage allows unelected committee members to decide a sales tax, property tax, hotel room tax or other fee without any oversight from even the Washoe County Commission as testified.

Unless amended, A.B. 375 is only for the Truckee River as we discussed. It does nothing for those people who are flooded out in northern Washoe County, nothing for those people around Steamboat Ditch and so forth.

The Washoe County law that passed with 50-something percent had no organized opposition. There were tons of billboards and pro WC-1 ads but nothing in opposition. I guarantee we will be far more prepared this time. This is not as popular as Save the Children. Flood tax for specific people that chose to build around the flood plain will receive far less. We cannot assume it is going to pass.

There needs to be a Plan B if A.B. 375 does not pass. That is what general fund money or special tax districts are for.

ROCKY FINSETH (City of Sparks):
We support this bill.

ASSEMBLYMAN SPRINKLE:

In closing, I, as well as those who are bringing this bill forward, have certainly heard the questions and concerns raised today. We are open to further discussion, recognizing we are coming down to the end. I am absolutely in favor of working with this Committee and the Body as a whole to come up with a piece of legislation that accomplishes what we are trying to do, yet put people at ease, knowing what we are doing is for the best in northern Nevada.

Senate Committee on Revenue and Economic Development
May 2, 2017
Page 28

CHAIR RATTI:

Assemblyman Sprinkle, I commend you for bringing this forward. This intractable problem has needed attention. I appreciate your hard work on it.

We will close the hearing on A.B. 375. Seeing no public comment, this meeting is adjourned at 5:12 p.m.

RESPECTFULLY SUBMITTED:

Lex Thompson,
Committee Secretary

APPROVED BY:

Senator Julia Ratti, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	2		Attendance Roster
	C	9	Russell Guindon	Economic Forum Forecast
	D	1	Russell Guindon	Economic Forum Comparison
A.B. 375	E	6	Assemblyman Michael C. Sprinkle	Consensus Amendment
A.B. 375	F	22	Jay Aldean / Truckee River Flood Management Authority	Presentation
A.B. 375	G	1	Jeff Church	RenoTaxRevolt.com Article