MINUTES OF THE JOINT MEETING OF THE
SENATE COMMITTEE ON REVENUE AND ECONOMIC DEVELOPMENT
AND THE
ASSEMBLY COMMITTEE ON TAXATION

Seventy-ninth Session
May 9, 2017

The joint meeting of the Senate Committee on Revenue and Economic Development and the Assembly Committee on Taxation was called to order by Chair Julia Ratti at 4:14 p.m. on Tuesday, May 9, 2017, in Room 4100 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.

SENATE COMMITTEE MEMBERS PRESENT:

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

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Dina Neal, Chair
Assemblywoman Irene Bustamante Adams, Vice Chair
Assemblywoman Lesley E. Cohen
Assemblyman Edgar Flores
Assemblyman Al Kramer
Assemblyman Jim Marchant
Assemblywoman Ellen B. Spiegel

SENATE COMMITTEE MEMBERS ABSENT:

Senator Ben Kieckhefer (Excused)

ASSEMBLY COMMITTEE MEMBERS ABSENT:

Assemblyman Paul Anderson (Excused)
Assemblywoman Teresa Benitez-Thompson (Excused)
Assemblyman Jason Frierson (Excused)
Assemblyman Keith Pickard (Excused)

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Gina Hall, Committee Secretary
Colleen Lennox, Committee Secretary
Olivia Lloyd, Committee Assistant
Tina Nguyen, Committee Manager
Lex Thompson, Committee Secretary

OTHERS PRESENT:

Solana Rice, State and Local Policy Director, Corporation for Enterprise Development
Nancy E. Brown, President and Board Chair, Opportunity Alliance Nevada

CHAIR RATTI:
I am thrilled to bring you a presentation in partnership with Corporation for Enterprise Development (CFED). It is an incredibly important topic. We do a lot of policymaking, and I want to make sure we have the opportunity to look at it from an economic justice lens and a little more globally.

We have been hard at work for three-quarters of this Session. It seemed like a good time to take a step back and look at how our policies impact individuals who live in our State and how we build wealth over time.

I am going to refer you to a graph (Exhibit C). I want everybody to take a moment and think about household assets or net income. It would helpful to think about you personally before we start to think about our communities globally. Sometimes we make assumptions about where we sit. Perhaps you think you are middle-income, upper-middle-income or wealthy.

The graph is household annual income and assets by population bracket. The blue lines are net worth or asset accumulation, which is what we are going to talk about today. The green lines are annual income. This is for a single household. If you can pause for a moment and reflect what your household looks like. Do you think about your asset accumulation? Do you think about your net worth such as how much equity you have in your primary residence or any other property you might own? What is the value of your automobile? How much money do you have in a savings account or in retirement accounts? When you add that up, where do you personally fall on the spectrum?

For example, if your net worth is at least $161,000, you are doing better than 60 percent of the people in our Country. If you have managed to do a good job setting aside income for retirement, you have some retirement savings, you have built up equity on your home and you are to the point where you have $287,900 in assets, you are now doing better than all but 10 percent of the population.

I wanted everybody to have that frame of reference in mind before we moved into a presentation on specifically, how does this ever-growing gap we are seeing in our Country between people who have some assets, people who have had the opportunity to accumulate some wealth and the vast majority of those who live in our State who either have a negative net worth or have a very small net worth—how that wealth gap is being impacted as it affects some of our population's people of color.

I am going to turn it over to Solana Rice who will take you through a presentation about how this is impacting some of the people of color whom we work with every day.

SOLANA RICE (State and Local Policy Director, Corporation for Enterprise Development):

I appreciate dedicating your time to an issue that strikes at the very heart of our stagnant prosperity in this Nation—the ever-growing racial wealth divide shown in my presentation (Exhibit D). I know how busy all of you are during this Session.

I want to make this a little bit interactive: 228. Show hands if you recognize that number. Two hundred twenty-eight years. If the average black family wealth continues to grow at the same pace it has over the past 3 decades, it would take black families 228 years to amass the same amount of wealth of white families today, that is, if white family wealth does not grow in that time. For perspective, that is nearly as long as the span of slavery in this Country. For the average Latino family, it would take 84 years. Even though people of color are projected to make up the majority of our population by 2044, without policy intervention and your leadership, the wealth divide will continue to grow and be astronomical.

This statistic is from the *Ever-Growing Gap* report that CFED released last year with the Institute for Policy Studies. This is a daunting number, but acknowledging the enormity of the collective challenge compels me to act and hopefully you as well.

A little bit about CFED: We are the Corporation for Enterprise Development, based in Washington, D.C. I am based in the Bay Area, so it was a short trip for me. I have the honor to work at CFED. We are a national nonprofit. Slide 4 shows our mission. We do this in several ways as shown on Slide 5. We support leaders like the Opportunity Alliance Nevada. We do this by changing policy. We have a small team and have been working closely with Opportunity Alliance Nevada. We have the pleasure of supporting groups all over the Country.

Today, I am going walk through the dimensions of wealth inequality and racial wealth inequality at many angles. I am also going to talk a little bit about the policies that got us here. I really want to focus on how we go forward and tackle this issue.

A little about why we are talking about wealth: I started the conversation by talking about wealth. You might wonder what does wealth have to do with alleviating poverty. I want to put wealth in the context of a larger household financial security framework, which is on Slide 6.

I learned at a young age what it meant to manage money. My first experience in navigating financial institutions and having some kind of education was when my dad took me to the bank when I was seven years of age. He sat me up on the bank teller's window and said, we are opening a checking account for you. That is critical for low-income families and for all families.

The next segment and element of the household financial security framework is learning, and having the education. We know if you have a bachelor's degree, you are more likely to move on and earn more money going forward. In Missouri, I was a volunteer in Volunteers in Service in America. I received my undergraduate degree at Washington University in St. Louis. I opened up an individual development account so I could save for a laptop and get additional education. That was critical to landing my first job back in St. Louis. I was able to earn a little bit of money, start saving and now have a nice retirement account that I started many years ago.

For many families, converting earnings into savings is the critical part of moving out of poverty, and making sure you can use that savings to leverage investments in yourself, investments in ownership or like homeownership, business ownership. These are all critical to moving ahead, not just getting by, but also moving ahead.

Undergirding all of this is a need to protect consumers throughout. We saw in the Great Recession a lot of consumers were not protected. Now we have the Consumer Financial Protection Bureau at the national level. This is absolutely critical to moving ahead for families. We are seeing more families working harder just to stay afloat, just to get by, not to get ahead.

I wanted to move a little into the specifics around the learning aspect shown on Slide 7. Unfortunately, what we see in that household financial security framework are there are pitfalls at every turn. Some families get more turns and more chances to try things, to fail, to make risky decisions. Other families get a one-shot opportunity.

I want to turn to data about what we are seeing, not only the racial disparities but also the wealth disparities in the learning aspect, that earning aspect. We talk a lot about this nationally. I am not going to harp too much on this. I want to lift this up as part of the context. I will focus mostly on the black/white wealth divide, but you will see we have some of these numbers broken down by other categories of ethnicities shown on Slide 8. In Nevada, we see the four-year degree by race. Twenty-three percent of Nevadans have a 4-year degree by the age of 25. What is striking is that the black four-year degree is just about half. White graduates outnumber black graduates by two times.

Turning to the income poverty rate by race as seen on Slide 9, we see 13 percent of Nevadans are in income poverty. It only tells us part of that picture, though. It only tells us part of what is really happening for families and what really makes families feel like their economic situation is not stable. There is a study by Policy Link from 2014 that if we were to close the racial gap in income, the American economy would improve by $2.1 trillion. That is a 14 percent increase just on the earnings piece of this.

If we move to unemployment by race, on Slide 10 overall across the Country we are seeing unemployment get better. It is improving. However, I will note that for the ratio between white workers and black "potential" workers stays the same. The unemployment rate has stayed about twice that for black unemployed workers.

I want to go into more depth on savings and assets. We do not talk about that nationally as much as we do income and employment. Nationally, what we see is the liquid-asset poverty rate for black families is nearly twice as large as white families. It is twice as large for Latinos. What do I mean by liquid-asset poverty? Liquid-asset poverty is the amount of savings a family has. If a family can withstand three months of loss of income, they are not liquid-asset poor.

We see on Slide 11 that 67 percent of black families in the Nation are living in liquid-asset poverty. This means they do not have about $6,000 of savings. If you think about what $6,000 of savings means, it means being able to pay your rent if you lose your job, being able to have transportation, get to services, etc. They do not have this reserve. Personally, if I do not have $6,000 living in the Bay Area, I am not lasting very long in the Bay Area. This actually is a conservative number. We think in order to subsist and persist in many metro economies, you need more than $6,000 in reserves.

I will turn to asset gaps shown on Slide 12. The point is the racial wealth divide is growing. In 1983, we saw the gap between white wealth and black wealth at about $300,000. By 2013, this gap was $500,000. By 2043, we estimate this gap is going to be about $1 million. It is not only morally abhorrent, but it is also a detriment to our economic growth. We are going to be a majority people-of-color Nation by 2043. If we are leaving behind a critical number of people, people of color, what does that mean for our economy?

I want to share with you a few numbers specifically about Nevada in the savings gap and the assets gap. We see income poverty in Nevada on about 14 percent as shown on Slide 13. However, liquid-asset poverty outpaces that—by a lot. Nearly half the households in Nevada are liquid-asset poor. The householders do not have $6,000 to subsist above the federal poverty level should they have a disruption in income. If I am walking down the street, it is either the person coming towards me or that is me. That is a pretty high number.

On Slide 14, we see savings disparity by income quintile. This is an interesting graphic because if you look at the share of total households across the State, they are fairly even. Twenty-one percent are making less than $25,000 a year, 26 percent are making $25,000 to $50,000 a year. What we do not see is evenness across liquid-asset poverty. We would expect this. If you are making less than $25,000, it is going to be harder for you to save consistently. What is unfortunate is the disparity. If you are making less than $25,000, you are 5 times more likely to not have savings than if you are making more than $100,000. At the same time I do want to note, if you are making more than $100,000 there are 15 percent of families that still do not have savings. It does connote that there are different strategies needed obviously for those making less than $25,000 than those making more than $100,000. There is an issue across the entire income spectrum.

When we turn to the asset gaps in Nevada, on Slide 15 we see asset poverty at 26 percent. This is a little bit different than liquid-asset poverty. This is the number that measures how much families own minus how much they owe. It is basically a calculation of net worth. If you have net worth of over $6,000, then you are not asset poor. The slide shows a quarter of families living without the assets equal to $6,000. Seventeen percent have zero net worth, meaning their liabilities basically outstrip their assets.

On Slide 16, we have this broken down by income. When we talk about the racial wealth divide, some folks say "well, we don't really want to talk about race" or "do we really need to talk about race? Isn't it more about income; isn't it more about class?" What you see is, even across class divides, you still have great need. A family making $50,000 to $75,000, which is the median income in the State of Nevada, is in that income bracket. A quarter of those families do not have enough assets to withstand a financial crisis. Even if you are being race neutral, there is still an issue. I would venture to bet the black families in this income bracket are more vulnerable than the white families. Across the board we are seeing a real crisis, a real urgency. You are probably feeling or hearing that from your constituents as well.

I want to turn to homeownership shown on Slide 17. Homeownership is one of the key drivers of the racial wealth divide. It is a critical step in addressing inequities. In a report by Tom Shapiro at Brandeis University, he points to the length of homeownership as the foremost driver of the racial wealth divide. Homes are the largest share of most Americans' wealth portfolios. Trends in housing discrimination and segregation, often with higher interest rates for communities of color and overall lower homeownership rates, mean black families are not seeing the same return for homeownership. It means when I buy a home in the Bay Area, it is automatically worth less than if my white colleague buys a home. Homeownership by race overall is pretty high in Nevada. Higher even for white families. What is notable, we are seeing 27.6 percent of black families in homeownership. Unfortunately, that is the twelfth-lowest rate for African Americans in the Nation.

There are many policies that have created these systems and perpetuate inequities, which are shown on Slide 18. I am not going to walk through all of these. This is to underscore the policies of our undergird, the racial wealth divide, and actually in many cases continue to perpetuate it. I urge you to think about the fact that it is a combination of policies that are also going to get us out of the racial wealth divide. Suffice it to say, throughout our history, there were national policies like the G.I. Bill, which was not necessarily a universal bill when it was first initiated. Practices like redlining with the Federal Housing Authority and social security originally excluded many people of color. All these economic ladders we instilled from the very beginning when we had crises were not afforded to many people in this Nation. They have accumulated over time, and fortunately we have some things that can unlock doors to opportunity and doors to prosperity for those historically excluded.

Tax reform is shown on Slide 19. It is how we fund our public sector. It gives economic incentives to individuals and companies. Slide 20 shows nationally what we spend to subsidize wealth building for multimillionaires. The mortgage interest deductions, higher education incentives and retirement savings all advantage wealthier households.

On Slide 21 and Slide 22, I include examples of action that states can take. These are examples from our scorecard we put together every year. I have made them relevant and highlighted some actual legislation that are examples of progress for what we mean by how to turn this tax code right-side up. What do we do to close the racial wealth divide? I also have provided examples of leadership that you are already taking on Slide 22 and Slide 23.

I want to go back to Slide 21 and homeownership. Homeownership is a key driver of the racial wealth gap. Length of homeownership is a key driver of the divide. It is important to make sure when renters are using Section 8 housing, they not discriminated against. There is great progress happening in the State of Nevada. However, what are the statistics on how well state policies are doing? Having the policies in place are fantastic, but knowing their impact on the racial wealth divide on targeted populations is critical as well.

Pathways to higher education as shown on Slide 22 are critical. We are now hearing about higher education having diminishing returns for many students. Students are leaving college with growing debt. Nevada has taken tremendous leadership in State action shown on Slide 22. Despite lower returns for graduates of color, obviously higher education remains essential for improved earnings.

Slide 23 shows about protecting consumers and how it is important. Across the Country, some really good state measures have promoted capping interest rates on small-dollar lending and insuring retirement savings as a way to grow those assets for employees not covered by their employers. These are all very important to protecting and building the safety net for individuals.

In closing, I want to refer to additional resources shown on Slide 24 and Slide 25. AssetsAndOpportunity.org has our scorecard. We gave you a preview of some of the data, which will be released formally in July. There are about 60 or so policies we rank for every state in the Nation on policies and demographic outcomes, incomes, etc. For every city and county in the Country with more than a 1,000 people, we have a local data center of the liquid-asset poverty, asset poverty, unbanked and underbanked numbers. Other coalitions doing this work across the Country can be found at our Assets and Opportunity network.

I will encourage you to do three things to start the journey to bridging racial wealth inequality. First is pushing for policies that are universal but also benefit communities of color. Biased policies got us into this divide, and strategic well-targeted policies can get us out. Second, pushing for more data can help measure and understand the impact of policies. Passing good policies is great, but knowing how they worked is even better. Lastly, be bold and take leadership and talk about institutional, structural and individual racism. I know it is not easy, I know it is uncomfortable, but it is the most important work we can do.

NANCY E. BROWN (President and Board Chair, Opportunity Alliance Nevada):
I will read from my written testimony (Exhibit E).

As history has proven, banks have not been the poster child of wealth-building opportunities for minorities. In fact, policies and regulations have been passed over the years to curtail bailout, and unfair banking practices deny and strip wealth from minorities and lower-income populations. Policies are needed to address the issues. As a result, banks have committed billions of dollars and investments in grants and services required by Community Reinvestment Act regulations that support strategies that create wealth for low-income and moderate-income individuals.

Legislators play a major role in helping to create wealth-building opportunities. Exhibit E continues to explain ways legislation can help. One way is creating the Financial Security Task Force in Senate Bill (S.B.) 118.

SENATE BILL 118 (1st Reprint): Creates the interim Nevada Task Force on Financial Security. (BDR S-23)

I came from a very low-income family and worked hard. I moved up the social ladder. I know there is a racial wealth divide, but I started thinking deeper. When my father passed away, I received social security benefits that put me through college. My family was lower-income, so I qualified for work-study, and that helped put me through college. These programs helped me along the way. We need to reflect what kind of asset policies were created that helped us individually. I have a job and I work for a major company. I have a 401(k). I work hard, but so do my colleagues who serve me food in a restaurant, yet they are not awarded the opportunity for a 401(k). We need to look at these policies and make them equally available. I am appreciative for the asset and wealth-building policies that have helped my life, but they are not equally distributed. We need to all research and look at that deeper, and S.B. 118 can do that in Nevada.

CHAIR RATTI:
I have to take this moment, maybe not all of my colleagues have had the opportunity to work with you, but I have to say on the record that Nancy Brown has been a tireless advocate for many years on the issues of financial literacy and asset building for all. I want to take a minute to recognize your persistent and engaged work in our community in northern Nevada. Thank you so much for your time and effort.

SENATOR FORD:
I want to thank you for bringing this presentation to us. This is a conversation a lot of people do not like to have. Depending upon who the messenger is, it is conversation that oftentimes is ignored. It makes me think about policies that are extant on our books. A lot of times you take them at face value. We buy into the rationale that is the present rationale given.

I find it interesting, Ms. Rice, looking at Slide 18 about public policies that have historically excluded households of color, particularly the 1938 passage of the Fair Labor Standards Act which excluded a number of tip-based professions predominantly held by black workers such as servers, shoe shiners, domestic workers and Pullman porters.

It reminds me of so many bills percolating around the Nation now to give domestic workers rights to move beyond a tip credit approach to minimum wage. I find it interesting while the rationale given, for example tip credit, makes sense on its face, but when you look at the actual practice and the rationale for it in the first place, it makes me cringe. Again, I thank you for bringing this publicly to us because sometimes the messenger can make people ignore it.

ASSEMBLYMAN FLORES:
Thank you both for your presentation. I know in my district, one of the most frustrating conversations we have often deals with money. Sometimes we have an amazing idea, yet we cannot finance it. Other times we might have a little money ready, but we do not know exactly how to get the Business 101 aspect. We see businesses open and close all the time.

Could you give me some more insight on where the middle ground is? You are a small business owner, but the banks do not trust you enough yet and you have not established history with the credit you need. So that door is closed. What can we do? It is a tough question. I am not pretending you have the answer with the magic ball. It is a conversation I often have and end up not knowing where to go with it. When I speak with banks, I ask them to give the small business owners small loans. Give them an opportunity to prove they are worthy of your services. Let the small business owners prove they going to be in it with the bank for a long time. That is a conversation you have with the bank. They do not necessarily have an interest in starting off with a $2,000 loan with small business owner Edgar Flores. What can we do?

MS. BROWN:
One of the things that can help with that is community development financial institutions. I do not know if we have done a great job as a state bringing those kinds of institutions into our State. There are alternatives for small dollar loans. The task force we can create with S.B. 118 needs research done as to what those alternatives are. How as a state and community can we bring in more of those types of resources? They were specifically created to fill that need.

There is not going to always be an answer for every single need. Sometimes you do have to have the ability to repay the grant. Community development financial institutions are going to look at a business. The business may not have three years of business experience, but the institution will also look at other factors and underwrite in a different way.

We do not have a community development credit union. I have been trying for years to get a community development credit union that specializes in the needs of the very low-income residents and serves that market. I serve the Bay Area. I ask some of the community development credit unions when are they coming to Nevada? How can we help you come to Nevada? If more people were saying we will support expansions of these types of financial institutions, we may have more opportunities. Will it be the end-all? No, but there are opportunities, and the S.B. 118 task force can bring that to light. What resources can we bring and how can we do it together?

MS. RICE:
I want to complement that with the flip side. That is being proactive. We need to find better financial solutions. We also need to protect small business owners from dangerous loans. They are getting their needs met. It is just at 200 percent, 400 percent, 500 percent annual percentage rate (APR). We are seeing the same issue with consumers as we do with small business owners. A study from the Opportunity Fund in California found astronomical APRs and fees and prices for small business loans. It is both being proactive about finding alternative loan products as Ms. Brown mentioned but also protecting small business owners.

ASSEMBLYWOMAN COHEN:
I think sometimes we forget about our rural communities of color. Do you have any information about the racial wealth disparity in our rural communities of color?

MS. RICE:
In terms of numbers, we will be coming out with a brand-new local data center. For communities with at least 1,000 people, we will have the asset poverty and liquid-asset poverty breakdowns. You are absolutely right; we see the same disparities in rural areas, if not even more. Specifically, I cannot give you numbers off the top of my head, but we are adding that data capacity.

CHAIR RATTI:
Part of the reason for doing this presentation was to make sure everybody was aware of CFED and the good work it is doing. You now have the Website. If anybody is interested in contact information, I am happy to pass it on to you so you can continue the dialogue and know that those resources are available.

ASSEMBLYWOMAN SPIEGEL:
I know there are some programs that provide assistance to lower-income people that have means testing. There is an issue where people manage to save some money for emergencies. They then lose their eligibility for the assistance. Do you have any recommendations for policies that can address those kinds of things?

MS. BROWN:
The only one that has a limit is Temporary Assistance for Needy Families. That is $2,000 in savings. I have been trying to get that completely removed. It sends the strong message that we do not want you to save when you have an asset limit. For someone in poverty to save $2,000 is not the issue. It is the message we send. I know that in Nevada, it is a click of the pen by Department of Health and Human Services. It is just a matter of getting that done.

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CHAIR RATTI:
Seeing no public comment, the meeting is adjourned at 4:58 p.m.

RESPECTFULLY SUBMITTED:

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Lex Thompson,
Committee Secretary

APPROVED BY:

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Senator Julia Ratti, Chair

DATE:______________________________

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Assemblywoman Dina Neal, Chair

DATE:______________________________

EXHIBIT SUMMARY

Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	2		Attendance Roster
	C	1	Senator Julia Ratti	Graph
	D	26	Solana Rice / CFED	Slide Presentation
	E	2	Nancy Brown / Opportunity Alliance Nevada	Written Testimony