

**MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON LEGISLATIVE OPERATIONS AND ELECTIONS**

**Eightieth Session  
May 7, 2019**

The Committee on Legislative Operations and Elections was called to order by Chair Sandra Jauregui at 4:06 p.m. on Tuesday, May 7, 2019, in Room 3142 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, 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/80th2019](http://www.leg.state.nv.us/App/NELIS/REL/80th2019).

**COMMITTEE MEMBERS PRESENT:**

Assemblywoman Sandra Jauregui, Chair  
Assemblyman Ozzie Fumo, Vice Chair  
Assemblyman Skip Daly  
Assemblyman Glen Leavitt  
Assemblyman William McCurdy II  
Assemblywoman Brittney Miller  
Assemblywoman Daniele Monroe-Moreno  
Assemblyman Tom Roberts  
Assemblywoman Selena Torres

**COMMITTEE MEMBERS ABSENT:**

Assemblyman John Hambrick (excused)

**GUEST LEGISLATORS PRESENT:**

Assemblywoman Dina Neal, Assembly District No. 7

**STAFF MEMBERS PRESENT:**

Russell Guindon, Principal Deputy Fiscal Analyst  
Carol Stonefield, Committee Policy Analyst  
Catherine Bodenstein, Committee Secretary  
Melissa Loomis, Committee Assistant



**OTHERS PRESENT:**

Dagny Stapleton, Executive Director, Nevada Association of Counties

**Chair Jauregui:**

[Roll was called and Committee protocols were explained.] Welcome, everybody, to the Assembly Committee on Legislative Operations and Elections. We have a short agenda today and I would like to get right into it. We will open the hearing on Assembly Bill 444.

**Assembly Bill 444: Creates the Legislative Committee on Tax Expenditures and Incentives for Economic Development. (BDR 17-767)**

**Chair Jauregui:**

We did get a last-minute exhibit, and that is now available on the Nevada Electronic Legislative Information System ([Exhibit C](#)) for everyone to view. We do have some hard copies here. Members, you should have also received a handout with the conceptual amendment ([Exhibit D](#)).

**Assemblywoman Dina Neal, Assembly District No. 7:**

I will have some assistance. Mr. Russell Guindon will be here. Basically, what I will do is go over Assembly Bill 444. This is a bill that came up last session, and it did not pass. The purpose of the bill is to deal with the legislative report that comes to the Legislature on the tax expenditures and incentives. I do not know if you are aware, but we have tax incentives such as the incentives for Tesla. We have had aviation abatements. We have had data abatements. We have had—well, Faraday counts, but it was never used. This report was set up to collect this information. I will go through the bill and then I will have Mr. Guindon explain—well, maybe I should have him do that first. Mr. Guindon will give a highlight on the tax expenditure reports, the purpose, how it is organized, and then I will explain the bill.

**Russell Guindon, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau:**

Assemblywoman Neal has asked me to come here and briefly go through the tax expenditure report. There are many states that have these. Nevada actually joined that group with legislation from the 2013 Session to start requiring tax expenditure reports. The third iteration of the tax expenditure report has been prepared by the Department of Taxation. It is actually available on their website. That is at [www.tax.nv.gov](http://www.tax.nv.gov). We do not print it out because it is almost a 400-page document. That is how much it takes to document all of the tax expenditures that the state has in its laws.

Then you ask yourself: What is a tax expenditure? They are basically things that you are taking away from revenue sources. Probably the most obvious one is the tax credit programs that the Legislature has been approving over the last several sessions. The tax credits for film, tax credits for Tesla, tax credits for Nevada Educational Choice Scholarship Program, those are the easier ones because we can actually quantify those and measure those. But there are many other tax expenditures that are harder, such as the sales tax abatements that

are granted to entities for economic development provisions. There are also things you can have from the law that we call exclusions or deductions. For instance, under the Commerce Tax, certain business groups are allowed to exclude or deduct certain things from their revenue in calculating the amount of gross revenue that is subject to the tax. So a tax expenditure is all those things. Why do we call it a tax expenditure? The wording here is making an oxymoron. Right? What are taxes? They are intended to generate revenue, but when you allow abatements, exclusions, credits, or exemptions from those taxes, they really function no differently than appropriating money as an expenditure. That is the context for why we call these tax expenditure reports.

States have gone through this, and we started doing one. I would suggest that you go look at it because of the amount of information that is in there. But it was designed to allow this body, the Legislature, the ability to have the report available before each session to go look at the different things that are in law that basically reduce the amount of revenue that are being generated from the revenue or tax laws that are in place.

**Assemblywoman Neal:**

So basically this is an oversight bill. Last session, in the report that came out, there were about 256 tax expenditures that amounted to about \$43.5 million in expenditures that happened over the biennium. The idea was to try to get a committee together to look at this other than every two years, that we actually have an interim move.

Section 3 defines "committee."

Section 4 defines "tax expenditure" by what is actually stated in *Nevada Revised Statutes* 360.137.

Section 5 lays out the membership of the legislative committee.

Section 6 designates the meeting times for that committee if created by statute.

Section 7 lays out the duties and if you see, it will basically meet once each biennium to review the current tax report, review, identify, evaluate, look at the impact, the results, and do a comparison, and also—at the end of section 7—transmit a report to the Legislature by January 15 in odd-numbered years.

Section 8 gives additional permissive duties of what the committee may do after they receive this information. It pretty much lays out the same set of criteria of evaluation, review, and comment to basically take a deeper dive into the report and then determine if there is anything that needs to be reviewed, if there is anything that needs to be looked at, meaning if it is found out that the credit is not being used the way that it was designed in statute, whether or not the credit or abatement is—maybe there was an expansion given to a company and it should not have been an expansion to the company. If you look at page 5, line 17, it also allows the committee to contract with a private consultant or academic institution to

complete the review if the committee finds that they do not have that capacity or they want more assistance.

Section 9 states subsection 1 of NRS 218D.380 does not apply to this provision.

In section 10, the act becomes effective upon passage.

Now the amendment that you received ([Exhibit D](#)) deals with section 8, subsection 7. There were concerns with the word "investigations" from the Office of Economic Development, Office of the Governor, and I agreed to change that provision so that it says, "Hold hearings in connection with its duties pursuant to this section and section 7 of the act."

Then the second amendment regarding section 8, subsection 1, paragraph (g), changes the beginning of the sentence to "The cost and benefits of the tax expenditure."

I know this is written in the reverse, but section 6, subsections 1 through 5, pertained to the Department of Taxation funding the committee, but that is not going to happen. Then in section 6, travel expenses are removed. I will explain why this amendment is that way. I was not scheduled to present this bill, but former Assemblywoman Bustamante Adams was. I think we rescheduled this hearing two or three times. So there were provisions in the amendment where I was trying to figure out how it was going to be paid for, but technically you would not have the Department of Taxation funding anything that was done by the Legislature, not in this way, not in that capacity. So section 6 removes the travel expenses because basically I was trying to cut the cost out of the bill.

That is what the bill does. I will open myself up for questions.

**Chair Jauregui:**

I think this is a great bill. I like the oversight. I think we give a lot of tax incentives, and sometimes we do not know if they are beneficial for the state, so having some sort of oversight and reports back to determine whether there are overlapping incentives, duplicate incentives, or if they are proven to be beneficial to our state, is great for us to know.

Why is this requiring them to only meet once per biennium? I think if we limit it to say that they have to meet once per biennium, then they will only meet once per biennium.

**Assemblywoman Neal:**

In section 7, it is meet at least once because what was happening was it was every two years and the Sunset Subcommittee—I do not know if any of you have been on the Sunset Subcommittee—but the Sunset Subcommittee took this up as an issue to look at, but they wanted it to be more than every two years, so if they want to meet every six months to go over the report, they can. Let us say that the report comes out when we leave and then they want to dig a little bit deeper. Let us say they find out that the intended beneficiaries of the tax expenditure were not who they proposed it to be, because we had tax expenditures that allowed several entities to come under one umbrella. For an example, the Tesla incentives

were not just for Tesla; there were companion companies that could walk in under the same abatement. The questions were: How were those abatements used? What incentives were pulled off the books in regard to those abatements? So this gives us—I would say—a closer look, not being forced to do it every two years. They could meet sooner if they want to, but it is up to the committee that is created in the bill and their time lines.

**Chair Jauregui:**

You think that meeting just once every biennium, they would be able to get the work done if that is all they were able to meet?

**Assemblywoman Neal:**

That is a good question. I think Mr. Guindon wants to take a crack at that.

**Russell Guindon:**

I can attempt to answer that because I worked closely with former Assemblywoman Bustamante Adams on this bill during the interim before last session. I think the language here was to be structured so that they would be required to meet at least once to review the tax expenditure report and they could go to that report. Then the body, from that report and having the Governor's Office of Economic Development come in and present something, could decide what they wanted to tackle each interim. Do they want to go look at sales tax abatement during one interim? Then they could come back the next interim and look at property tax abatements. So it puts on a requirement that they must meet at least once and review this stuff. Then they can decide as a committee if they want to go further, but they do not have to. If you think about it, after a few years, maybe they come in during an interim and determine that there is nothing here this interim. We reviewed the tax expenditures report and we are done. But they get to choose what they want to do and that will determine somewhat the scheduling of meetings that will be needed to accomplish what they choose they want to do.

**Assemblyman Daly:**

I do not really have a question, but a comment about something I think should be added to the bill in section 7, subsection 4, paragraph (g), line 26 on page 4 where it says, "Any other matters that, in the determination of the Committee, concern incentives for economic development in this State." I know that would catch what I would want you to add or at least think about, but I think it would be better if it was specifically in there, and that would be one of the things that has long been an issue for some of us. A lot of these incentives include that a company has to pay the state average wage to the workers that are on the project—not building the project, but the workers who are employed by the company receiving incentives. They also have to provide health insurance. I know that was in the Tesla and the Faraday deals. I think that should be specifically in the bill as one of the things to look at and evaluate. It is an important incentive. So you would look at things like what constitutes health care? How is that being calculated? What types of people are included in the average? Are they including the guy who makes \$200,000 per year to offset the guys who are making \$12 per hour? Those types of things I think should be also evaluated if you are going to look at these incentives and the effectiveness. Rather than being in a catchall in

paragraph (g), that would be a specific group. Then you can have the catchall for anything else. I was on the subcommittee one session.

**Assemblywoman Neal:**

I think that is a good idea because I know the purpose of the catchall was to catch everything else. I know the language that was listed on page 4, line 7 was "Whether the incentive for economic development is accomplishing its purpose, intent or goal" because in most of the tax incentive legislation that we passed, we made those requirements for them to perform and to receive the abatement. They had to do something to get rights, so there was a certain amount of investment. I see where you are going with that because recently, regardless of the average wage that they claim they paid, we have seen reports within the tax expenditure where people assumed that they were making \$25 per hour and some of the abatements have proven that maybe they were making \$14 per hour and that was not necessarily envisioned within the abatement. When people said "high-paying job," \$14 was never considered to be a high-paying wage in this state. I agree with you, Assemblyman Daly.

**Assemblyman Daly:**

Thank you. It is just as a comment, because that was my first thought. It has been a thorn in the side of people from my position. Just as an example, going back—and I do not even know if you know, but there is a Starbucks roasting plant in Douglas County. They received tax incentives through former Lieutenant Governor Lorraine Hunt. It goes back quite a way. They were basically required to have a minimum average wage. I think there are around 40 to 50 people at work in the plant, and they were including the upper management people who were making considerable amounts of money, yet the average worker on the job was making \$16 per hour. I think that is something that should be specifically named that the committee would want to look at and keep the other as a catchall. Thank you.

**Chair Jauregui:**

I have one other question. It is more for clarification for me. It is section 8, subsection 5: "Request books, papers, records and other information from state or local governmental agencies, including, without limitation, the Nevada System of Higher Education." Is that just being able to request documentation for the committee to be able to function or do their job?

**Assemblywoman Neal:**

Yes. With the way the incentives have grown and changed, there are documents that I do not think the committee could get that are confidential because there was legislation we passed in 2013 and 2015 that had certain provisions that certain documents were confidential. But this would include all of the information that would help the committee do the evaluation or comparison. I know that the Nevada System of Higher Education [NSHE] was probably included because there are Workforce Innovations for a New Nevada funds that tie to, I would say, an incentive that allows NSHE to partner with the local government in order to produce a program or stand-up program. I know that information would be helpful to wrap them in. For example, say we did a stand-up program for manufacturing. We should want to know what was agreed to, if there was a memorandum of understanding, if there were any

additional items that were outside of what the statute allows them to do, so we can review. I think one of the key provisions in this bill is it allows to compare and contrast. I think it is super helpful to be able to compare different programs. They might even be under the same umbrella to see if they are performing or not performing.

**Chair Jauregui:**

Committee, do you have any other questions? Seeing none, we will open to testimony in support.

**Dagny Stapleton, Executive Director, Nevada Association of Counties:**

We do support this bill and thought it was important for us to get on the record about it. We did work with Assemblywoman Bustamante Adams last session on this bill and supported it then. Many of the abatements granted by the state are for local sales use and property taxes. Those revenues are how we fund the many important services the counties provide, so we welcome the review and analysis of tax abatements proposed in A.B. 444. Such an analysis would ensure that we can gain a full understanding of the costs and benefits to the state, counties, and our communities of the abatements. I want to thank the Assemblywoman for bringing this bill. I would be happy to answer any questions.

**Chair Jauregui:**

Committee, are there any questions? Seeing none, is there anyone else in testimony for support? [There was no one.] [Written testimony in support of Assembly Bill 444 by Chaaron Pearson was submitted but not discussed ([Exhibit E](#)).]

We will open to testimony in opposition. Seeing none, is there anyone here to testify in neutral? [There was no one.] Assemblywoman, do you want to give closing remarks? [She did not.] I will close the hearing on Assembly Bill 444.

Our next item on the agenda is public comment. Is there anyone who wishes to give public comment? Seeing no one, Committee, I will see you on Thursday for the ethics omnibus bill at 4 p.m. We are adjourned [at 4:28 p.m.].

RESPECTFULLY SUBMITTED:

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Catherine Bodenstein  
Committee Secretary

APPROVED BY:

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Assemblywoman Sandra Jauregui, Chair

DATE: \_\_\_\_\_

## EXHIBITS

[Exhibit A](#) is the Agenda.

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

[Exhibit C](#) is a document titled "Tax Incentives: Tax Abatements Programs Fiscal Years 2015 and 2016," prepared by the Office of Economic Development, Office of the Governor, submitted by Assemblywoman Dina Neal, Assembly District No. 7.

[Exhibit D](#) is a conceptual amendment for Assembly Bill 444, submitted by Assemblywoman Dina Neal, Assembly District No. 7.

[Exhibit E](#) is testimony in support of Assembly Bill 444, dated April 18, 2019, submitted by Chaaron Pearson, Senior Manager, Economic Development Tax Incentives, The Pew Charitable Trusts.