

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

**Eightieth Session
May 14, 2019**

The Senate Committee on Revenue and Economic Development was called to order by Chair Marilyn Dondero Loop at 2:34 p.m. on Tuesday, May 14, 2019, in Room 2134 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 Marilyn Dondero Loop, Chair
Senator Julia Ratti, Vice Chair
Senator David R. Parks
Senator Ben Kieckhefer
Senator Heidi Seevers Gansert

GUEST LEGISLATORS PRESENT:

Assemblywoman Teresa Benitez-Thompson, Assembly District No. 27
Assemblywoman Dina Neal, Assembly District No. 7

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Barbara Williams, Committee Secretary

OTHERS PRESENT:

Shani Coleman, City of Las Vegas
Michael Cathcart, City of Henderson
Alex Ortiz, Clark County
Bob Coffin, Councilman, Ward 3, City of Las Vegas
Delen Goldberg, City of North Las Vegas
Natha Anderson, Washoe Education Association; Nevada State Education Association

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Jodi Stephens, Reno-Tahoe Airport Authority
Derek Armstrong, Deputy Director, Office of Economic Development, Office of
the Governor

CHAIR DONDERO LOOP:

I will open the hearing on Assembly Bill (A.B.) 73.

ASSEMBLY BILL 73 (1st Reprint): Provides for the creation of a temporary working group in Clark County to address issues relating to homelessness. (BDR S-461)

ASSEMBLYWOMAN DINA NEAL (Assembly District No. 7):

When A.B. 73 was first introduced, it had a Real Property Transfer Tax (RPTT) and a sewer charge attached. The reason for the original amendment in the Assembly was the enabling language for the sewer charge. There is a city already using a sewer charge to increase its general fund. I also removed the Real Property Transfer Tax because of the part it plays in the Consolidated Tax Distribution.

With those changes, the bill provides for the creation of a temporary working group in Clark County to address issues relating to homelessness. The working group is required to submit a report to the Clark County Board of Commissioners and the governing body of each city in Clark County on or before October 1, 2020, with recommendations on methods to reduce homelessness in the County and funding sources to implement those methods.

The County Commission and each governing body receiving the report must hold a public hearing on the report and may accept, modify or reject each recommendation provided in the report. If the County Commission or a governing body rejects a recommendation, the reason for rejecting the recommendation must be set forth by that body on the record during the hearing. The bill becomes effective upon passage and approval.

The language in its current form was my way of trying to figure out the money. Stakeholders had vigorous discussion regarding the funding and the ways entities might work together.

In section 7.5, subsection 2, line 20 specifies the word "shall." There shall be a working group created by the entities to work together to find the funding.

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SENATOR KIECKHEFER:

Regarding the section on the Continuum of Care Program within the U.S. Department of Housing and Urban Development (HUD), is there already a relationship established? Has HUD provided any funding in the past?

ASSEMBLYWOMAN NEAL:

Clark County added that provision so any federal allocations would not be affected.

CHAIR DONDERO LOOP:

Is the October 2020 deadline going to give the working group enough time?

ASSEMBLYWOMAN NEAL:

The conversations are ongoing right now. The Department of Health and Human Services was at the table to discuss the use of section 1915(i) of the Social Security Act funds. There were conversations regarding shared resources and what different entities are willing to share. The timeline forces the conversation to proceed.

The issue of homelessness is not a jurisdictional problem. It affects everyone. Because it is crossing borders, there is a greater need for cross-border cooperation, rather than to maintain silos of isolation from each other. If you give too much time, entities find a reason to delay.

SHANI COLEMAN (City of Las Vegas):

We all know homelessness is an issue that many of our organizations deal with on a daily basis. In southern Nevada, there are 6,500 homeless people. About 67 percent of them live unsheltered on the street. They do not understand borders between jurisdictions and flow between the City of Las Vegas, unincorporated Clark County, the City of Henderson and the City of North Las Vegas. We agree with Assemblywoman Neal that a working group comprised of all jurisdictions is an effective way to address the issue.

A number of us have been involved in discussions around homelessness already. Assembly Bill 73 will help establish the framework for a regional approach by providing some high-level guidelines and goals for us to work toward.

MICHAEL CATHCART (City of Henderson):

We look forward to working with our partners in Clark County. Homelessness is an issue that affects all of us in southern Nevada.

ALEX ORTIZ (Clark County):

We appreciate that some of our concerns were addressed in the amended version of A.B. 73. As required in section 7.5, subsection 2, the working group must work in conjunction with the HUD Continuum of Care Program. To Senator Kieckhefer's question, this was added to ensure there was not a duplication of effort.

In southern Nevada, the Program is managed by the Southern Nevada Homeless Continuum of Care Board. The Board is made up of representatives from governments, businesses, advocates, public housing agencies, school districts, social service providers, mental health agencies, hospitals, universities, affordable housing developers, law enforcement and other stakeholders that benefit the mission of ending homelessness in southern Nevada. It is not just about working with the homeless, the goal is to end homelessness.

The Board is responsible for overseeing Help Hope Home, southern Nevada's regional plan to end homelessness. The plan was designed through a collaborative process engaging local governments, community providers, faith-based organizations, local businesses and committed individuals who recognized a need to address the issues of homelessness.

Clark County Social Service Department is the regional social services provider that supports collaboration and creates efficiencies in services to address homelessness between all jurisdictions.

We believe this bill will provide a needed link between jurisdictions and other stakeholders in the area around the goal of ending homelessness.

BOB COFFIN (Councilman, Ward 3, City of Las Vegas):

I have with me 20 pounds of studies, plans, meetings and documents of all kinds. These are a product of the last four years of discussion regarding homelessness. The City of Las Vegas came to the Legislature asking for money for this purpose. We have already invested millions of dollars into the issue.

The original language of the bill, using the RPTT for funding, was not good. It is unreliable funding. The Council voted unanimously for what became A.B. 73. It put us in an awkward position when the bill was amended and defunded.

It is appropriate to continue with meetings and discussions and collaborations. These are words that we hear a lot, and maybe a document gets published. But then everyone goes home and the people on the streets are still there, breaking into our homes, befouling our public spaces and committing crimes. We need additional funds.

I submit my written testimony ([Exhibit C](#)).

DELEN GOLDBERG (City of North Las Vegas):

The City of North Las Vegas is in support of A.B. 73 for the same reasons you heard from my colleagues from the other municipalities in southern Nevada.

ASSEMBLYWOMAN NEAL:

I am trying to do the right thing with A.B. 73. It is not a problem for just one entity, it is everyone's problem. I urge your support.

CHAIR DONDERO LOOP:

Thank you for caring about our most vulnerable citizens. I will close the hearing on A.B. 73 and open the hearing on A.B. 400.

ASSEMBLY BILL 400 (1st Reprint): Revises provisions governing economic development. (BDR 22-803)

ASSEMBLYWOMAN TERESA BENITEZ-THOMPSON (Assembly District No. 27):

I will be working off the Proposed Amendment 5874 to A.B. 400 ([Exhibit D](#)). What I seek to do is hold back, and in some places stop, the abatement of the Local School Support Tax (LSST). Since 2011, when the Governor's Office for Economic Development (GOED) was created, there have been a number of different votes taken that resulted in abatements for businesses. Some of those I am very proud of and stand behind. Some have worked out well for the State, and others may not have materialized in the way we were promised. We were in different economic times.

Regardless of the type of abatement we were being asked to vote on, I was always concerned that we were diverting the LSST from the purpose for which

it was created. It was created to help keep local dollars in the school district where the business was located, first and foremost, but also to go back to the State's Distributive School Account (DSA). It would be meaningful to relook at the legislative position on abating the LSST. We have come to the point where we can have that conversation. We can still do good things for Nevada and offer enticing packages but without diverting the LSST.

Sections 11 and 12 of the bill, which govern the general abatements that may be granted by GOED under *Nevada Revised Statutes* (NRS) 360.750, are amended to allow a business applying for the abatements as a new business located in a county to be approved for abatements from the LSST, in addition to the abatements that may be granted under this section from the property tax, Modified Business Tax (MBT) and other local sales tax rates. An expanding business that is applying for abatements under this section, however, cannot be approved for abatements from the LSST.

We have been told by GOED that the abatements are critical in enticing businesses to move to Nevada. However, we cannot abate these much-needed funds forever. This bill allows GOED to grant an abatement for two years from the LSST. After the two-year period, it would come to the school district and the DSA.

The expanding businesses approved for abatements under NRS 360.750 would continue to be eligible to receive abatements from property taxes, MBT and all other local sales and use taxes except the LSST.

Under Proposed Amendment 5874, sections 11 and 12 continue to provide that a business may not receive more than one abatement as a new or existing business in a county in the State under NRS 360.750. The amendment adds additional language prohibiting a business from changing its name or identity in order to circumvent the restrictions on receiving multiple abatements. The idea is one and done. A company gets one abatement as a new company and can access one expansion abatement; after that, you really need to be thriving in the marketplace without the continued support of these abatements.

In section 12.5, which contains the provisions in NRS 360.753 allowing for abatements of personal property tax and local sales and use taxes for businesses relating to aircraft, two changes have been made. First, the maximum length of the abatement is decreased from 20 years to 10 years.

Second, the language prohibiting abatement of the LSST by GOED is modified to allow GOED to provide an abatement from the LSST only if the GOED Board approves that abatement by a two-thirds majority.

Right now, the aircraft abatements can last 20 years, which is a long time. I will argue that a 10-year abatement is still a healthy abatement. The bill does give discretion to GOED to grant that abatement by a two-thirds majority vote if it deems the arrangement deserving.

The same provision is available to data centers. By a two-thirds vote, GOED may grant LSST abatements to data centers.

In section 18.5, the amended provisions restricting the abatement as described in the bill do not apply to abatements granted and applications filed before July 1. That gives businesses working on applications the heads-up to get them in.

There are several parallel sections within the bill because the effective date of one set of abatements ends and a new effective date begins. For example, section 5 deals with NRS 274.310, which is the historically underutilized business zone. Section 6 is a parallel to section 5. Section 7 deals with enterprise community abatements, and section 8 runs in parallel.

On page 16 of [Exhibit D](#), section 11 details the various incentives. That is where a new business gets a two-year abatement on the LSST. After that, we will collect it. This section also removes the LSST abatement for an expansion business.

The idea behind these abatements has always been to offer economic incentives to grow an economy that would not otherwise grow. The State needed to intercede in order to help business. Language was interjected in a previous session which addressed the unemployment rate. It adjusted the unemployment rate for counties where projects can be incentivized with abatements. The language on page 20 allows abatements for a business moving from one Nevada county to another with a high unemployment rate.

Section 12.5 deals with the aircraft business abatements. On page 28 of [Exhibit D](#), the language allows GOED to grant an LSST abatement if a two-thirds

majority of the Board approves it. Section 13 mirrors that language for the data centers.

I have looked at the numbers; without the LSST, the expansion abatements are still healthy. We are leaving GOED with some attractive tools for economic development. If the Committee has questions, I would be happy to share these numbers with you.

SENATOR SEEVERS GANSERT:

Does the reduction of abatement term from 20 years to 10 years relate only to the aviation industry?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

The general economic incentives are just two years, which is where we see the biggest use of the expansion abatement. The aircraft abatement was for 20 years, and it felt right to reduce that to 10. The data center abatement was already at ten years, and we made the aircraft abatement match that.

SENATOR SEEVERS GANSERT:

The new funding formula changes the LSST. Would the money not abated be pooled with other funding sources?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

That legislation is prospective. This bill would go into effect July 1 and be in effect for the upcoming biennium. As we contemplate all the future funding, these measures would already be in place.

SENATOR KIECKHEFER:

Does the bill carve out the LSST for the aviation industry?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

The LSST is not abated unless two-thirds of the GOED Board approves it. The maximum length of the abatement is reduced to ten years.

SENATOR KIECKHEFER:

Is the LSST available to data centers?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

Yes, with the same two-thirds vote.

SENATOR KIECKHEFER:

Is the LSST carved out from any general abatement packages, aside from aviation and data centers?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

Yes, that is correct. Under the general economic incentives, the LSST comes out of expansion business completely and is allowed for two years for a new business.

SENATOR RATTI:

On the general economic incentives, LSST is out of expansions altogether. It is available to new businesses for a single two-year period. The LSST remains available to data centers for a ten-year period but only with a two-thirds vote of the GOED Board. It remains available to aviation projects for a period of ten years, but only with a two-thirds vote of the Board. Is that correct?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

Yes, that is correct.

SENATOR RATTI:

Do we have any information as to how often there is a split vote on the GOED Board? Is it always unanimous?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

The GOED Board is comprised of 11 members. A two-thirds vote would be 9 of the 11. As the Board composition is changing, my goal would be a healthier, more robust conversation by the Board about when it is appropriate to allow the LSST abatement. The bill gives the Board much more flexibility than the way the law is written now, which is "shall."

SENATOR RATTI:

The language now says GOED will give the abatement if the company qualifies. This bill gives the Board some discretion, is that correct?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

We are touching the abatements available for the historically underutilized areas which are on the books for one to five years. There are no existing abatements in that category.

SENATOR KIECKHEFER:

What is your specific goal in bringing forward A.B. 400?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

My goal is to make sure we are, in as many ways as possible, allowing the LSST to be collected. We should not be allowing the perpetual abatement of that funding in our statutes.

SENATOR KIECKHEFER:

Did you think about revising the eligibility guidelines for the abatements? You could limit it to businesses committing to higher wages, for instance. That would enhance the ancillary benefits of the abatements and produce value for the community.

ASSEMBLYWOMAN BENITEZ-THOMPSON:

I have thought about this in many different ways. What I kept coming back to was my level of discomfort with abating and diverting the dollars we collect specifically for schools. We are at the point where the LSST provides a more meaningful benefit.

SENATOR KIECKHEFER:

The LSST is 2.6 percent, the State rate is 2 percent. The abatement would be between 4.6 percent and whatever the county optional sales tax rate is. We created the aviation and data center abatements specifically within the sales tax base because those industries have high capital expenditure costs. Have you investigated the surrounding states we compete with to compare?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

When A.B. 400 was heard in the Assembly Committee on Taxation, there were references to losing our data centers and aviation industry to Arizona. We did explore Arizona's abatement incentive packages. Nevada is a more inherently friendly State in which to do business. In Arizona, the tax rate changes by zip code. It is more complicated, and Nevada looks great by comparison. Our data center abatements are competitive with theirs. Unfortunately, data centers and aviation are two of the most mobile industries—those most likely to pick up and move when the economic climate changes.

I would prefer to see businesses excited about coming to Nevada. They will appreciate what the LSST does for its communities. Nevertheless, the bill gives

GOED discretion. My hope is that it will stimulate a rigorous discussion about reciprocity.

CHAIR DONDERO LOOP:

Can you discuss section 19 and the rolling dates?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

This section says the A.B. 400 will not apply to abatements granted before July 1. Existing agreements will continue.

NATHA ANDERSON (Washoe Education Association; Nevada State Education Association):

We support A.B. 400. It is a step to help school funding. We all realize the State has some issue in this area. Because of abatements offered a few years ago, Storey County has lost \$70 million. That is a small school district in which that amount of money would have had a great effect. We urge your support.

JODI STEPHENS (Reno-Tahoe Airport Authority):

We are neutral on A.B. 400 but would like to see the effective date move from July 1, 2019, to July 1, 2020. The airport is in negotiations with some tenants looking to do some expansions and had assumed the abatement packages would be available.

Ms. GOLDBERG:

The City of North Las Vegas has been working with GOED and has some concerns with the bill. However, we do appreciate the intent of the sponsor and her willingness to work with stakeholders. We share her commitment to education.

DEREK ARMSTRONG (Deputy Director, Office of Economic Development, Office of the Governor):

We are in neutral on A.B. 400. I know the sponsor was trying to find the balance between the right policy for economic development and funding education. Senators Kieckhefer and Ratti had the right idea in boiling this bill down to three categories. Because our Office still has discretion for the LSST in aviation and data centers, we are okay with that portion of the bill. Our major concern is with the general incentives and the different treatment of new and existing companies in the State. Our Office has always said these incentives are meant to be temporary.

ASSEMBLYWOMAN BENITEZ-THOMPSON:

I will send to the Committee members the information regarding what the expansion abatement packages would have looked like if A.B. 400 had been in place. It goes a long way to demonstrate that we still have tools to attract business to Nevada. We are close to finding that right spot between economic development and education funding.

SENATOR SEEVERS GANSERT:

What were your thoughts on the proposal from the Reno-Tahoe Airport Authority regarding moving back the dates?

ASSEMBLYWOMAN BENITEZ-THOMPSON:

I will talk with them some more. The aircraft abatements are 20-years long. The vendor at the airport is actually under the general abatement and not aviation. The aviation abatements are quite recent, and none are anywhere near the 20-year mark. We need to see what package of incentives it came in through.

Remainder of page intentionally left blank; signature page to follow.

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CHAIR DONDERO LOOP:

I will close the hearing on A.B. 400. This meeting is adjourned at 3:28 p.m.

RESPECTFULLY SUBMITTED:

Barbara Williams,
Committee Secretary

APPROVED BY:

Senator Marilyn Dondero Loop, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	3		Attendance Roster
A.B. 73	C	2	Bob Coffin / City of Las Vegas	Written Testimony
A.B. 400	D	37	Assemblywoman Teresa Benitez-Thompson	Proposed Amendment 5874