MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON REVENUE

Eighty-First Session
May 6, 2021

The Committee on Revenue was called to order by Vice Chair Teresa Benitez-Thompson at 4:06 p.m. on Thursday, May 6, 2021, Online and in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/81st2021.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Lesley E. Cohen, Chair
Assemblywoman Teresa Benitez-Thompson, Vice Chair
Assemblywoman Natha C. Anderson
Assemblywoman Shannon Bilbray-Axelrod
Assemblywoman Venicia Considine
Assemblyman Gregory T. Hafen II
Assemblywoman Heidi Kasama
Assemblyman C.H. Miller
Assemblyman P.K. O'Neill
Assemblyman David Orentlicher
Assemblyman Tom Roberts
Assemblyman Steve Yeager

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Senator Julia Ratti, Senate District No. 13
Senator Pete Goicoechea, Senate District No. 19

Minutes ID: 1184

STAFF MEMBERS PRESENT:

Russell Guindon, Principal Deputy Fiscal Analyst
Michael Nakamoto, Deputy Fiscal Analyst
Joe Reel, Deputy Fiscal Analyst
Terri McBride, Committee Manager
Gina Hall, Committee Secretary
Cheryl Williams, Committee Assistant

OTHERS PRESENT:

Stephen Aichroth, Administrator, Housing Division, Department of Business and Industry
Michael Holliday, Chief Financial Officer, Housing Division, Department of Business and Industry
David Paull, Senior Vice President of Real Estate Development, Nevada HAND, Inc.
Charlie Shepard, State President, AARP Nevada
Matthew Walker, representing Southern Nevada Home Builders Association
Christine Hess, Executive Director, Nevada Housing Coalition
Shane Piccinini, representing Food Bank of Northern Nevada
Pamela Hunter, Private Citizen, North Las Vegas, Nevada
William Brewer, Executive Director, Nevada Rural Housing Authority
Benjamin Challinor Mendez, Policy Director, Faith in Action Nevada
Dawn Christensen, Vice President of Communications and Corporate Responsibility, Nevada Resort Association
Marcos Lopez, representing Americans for Prosperity Nevada
Adam Young, Superintendent, White Pine County School District
Paul Johnson, Chief Financial Officer, White Pine County School District
Christopher Daly, representing Nevada State Education Association
Paige Barnes, representing Nevada Association of School Boards
Juanita Cox, Private Citizen, McCarran, Nevada
Janine Hansen, State President, Nevada Families for Freedom
Karen Waldman, Private Citizen, Pahrump, Nevada

Vice Chair Benitez-Thompson:
[Roll was taken.] I will open the hearing on Senate Bill 284 (1st Reprint).

Senate Bill 284 (1st Reprint): **Revises provisions relating to transferable tax credits for affordable housing. (BDR 32-651)**

Senator Julia Ratti, Senate District No. 13:
I represent Senate District No. 13, which is the heart of Reno and Sparks. I have downtown Reno, downtown Sparks, the University of Nevada, Reno—all the best places in the community—and I get to share that district with Assemblywoman Anderson, which is a great privilege.

I am excited to be here with you today to talk about Senate Bill 284 (1st Reprint), which I would describe as a clean-up bill to implement some lessons learned from some legislation we passed last session. As a reminder, in the 2019 Session we passed Senate Bill 448 of the 80th Session, which created for the first time ever a state Low-Income Housing Tax Credit (LIHTC), with the purpose of increasing the supply of affordable housing in Nevada. I only have two slides for you today [Exhibit C]. My intention is not to put you through an educational process or a significant slide presentation; however, I did want to mention where we are in terms of the availability of subsidized housing for folks who cannot compete in the market-rate housing market.

To give you an example of whom we are talking about when we talk about affordable housing, we are typically talking about a family or an individual not paying more than 30 percent of their income for their housing. What we know is if a person spends more than 30 percent of their income on their housing, then they have to start shorting other things. The first thing that goes is savings. If you are paying more than 30 percent on your housing, you are typically not setting aside any money for savings. The next thing often to go is health care. You will see seniors on fixed income start to ration their medication. If you are a family maybe you are no longer investing in your child's extracurricular activities. Thirty percent is a nationally recognized standard—if you are going to have a good, balanced family budget, do not spent more than 30 percent of your income on housing.

Then what we end up with in our society—particularly in Nevada right now—are rapidly increasing housing prices, rental rates having gone up significantly, and a group of people whose income just is not going to keep up. We are typically talking about senior citizens on a fixed income. I have a friend who worked his whole life. He did not necessarily work in high-wage jobs. His entire social security check that he lives on every month is $853. So for that individual to find a housing unit that is going to be 30 percent of his income or less becomes particularly challenging. This is not an individual who is going to go out and find a job that is going to earn him or her more income. They are generally sort of set. I think we would probably all agree as a society that we want to make sure senior citizens have a place to live.

It would be a very similar situation for a person on disability who, again is living on that fixed income, or in our world we have families who are trying to live on minimum wage, and a minimum wage just does not compete in market-rate housing at this point in time. So this is about the infrastructure that builds subsidized affordable housing so folks who are just not going to compete for market-rate housing have some options. That is the first thing.

The vast majority of that housing in the state of Nevada—95 percent—has been built using federal low-income housing tax credits. So this is a system that has been in place for years and years, and it works pretty well. It is not nearly enough, but it is not a system where the government goes in and builds housing. Honestly, we are not very good at building housing. That is not our best skill or our role, but rather we partner with private developers, some for-profit and some nonprofit, and we give them an incentive. What we do with the tax credit we give them is buy down the rate of the rent for that unit.

They will typically sign a contract with us where they agree to take the tax credit which they can use either to lower their taxes or sell it to somebody else. They will take the revenue from that tax credit and in exchange for getting that credit, will commit to keeping the rent affordable to a certain level of area median income (AMI) in a community for 30 years. That is generally how it works—they buy down that rate.

These deals are incredibly complex. It is a very niche group of developers who put these together. In southern Nevada, the one you may be most familiar with is a wonderful nonprofit called Nevada HAND. Nevada HAND builds a significant number of affordable units. We are talking about subsidized affordable units where the rent is going to be below market rate, and they build them with these programs. Those are the basics you have to understand, and for those of you who were here last session, I apologize for being repetitive, but I know we have some new members and I want to ensure everyone understands how tax credits work.

Looking at page 1 [Exhibit C], there are lots of layers of funding. I am going to quote Steve Aichroth, the Administrator of the Housing Division, who came up with a brilliant way to describe it—it is a lasagna. It is a lasagna of funding streams. When you are talking about putting together the pro forma for a subsidized affordable housing project, it typically will have all of these layers of funding. On the bottom we have HOME funds—a particular federal funding source. We then have the developer fee—the money the developer puts in. Next we have some of the tax credit equity. That is the program I was just talking about. Then we have a bond program. So they are layering all these layers of funding, and this is probably going to come as a huge surprise to some of you, but these federal dollars come with strings, strict rules, and limitations. For each one of those funding sources they are capped.

You can see to the right, where the red arrows go, the bottom one is limited by the amount of funds available. We just do not get a lot of HOME funds. Those HOME funds are awarded by the local jurisdictions and it is a very small amount. They are very valuable, though, because if your project has HOME funds in it, it qualifies for a property tax exemption, and that is typically very important to make the project pencil over the long run in terms of the operating costs of the project.

Next is the amount the developer puts in and that is limited by operational cash flow, debt service, and IRS [Internal Revenue Service] rules for housing tax credits. There is a number there where it works. The tax credit equity is limited by the IRS rules for housing tax credits and the tax exempt bonds are limited by debt coverage ratio. These are things that are immovable; we cannot do anything about it. If the cost of land goes up, cost of labor goes up, or cost of lumber goes up—and we happen to know all three of those things have been happening for quite some time—it often leaves us with a gap.

If this were the pro forma for an affordable housing project using all the funding sources available to this developer, what would be left as a hole is $3 million, and, but for that $3 million, this project does not get built. So even though we have already leveraged adding up $1.5 million, $2.8 million, $12 million, and $14.5 million in primarily federal funds—and the developer has to have some skin in the game—the project does not get built because we do not have that last $3 million.

That is the problem the state LIHTC program seeks to solve. Again, quoting Administrator Steve Aichroth with the Housing Division who came up with all these wonderful analogies, it is like walking into a Dollar Store with 97 cents. What can you buy? You are going to walk out empty-handed. But if you can figure out that last 3 cents, the world is your oyster. I will admit that this is an oversimplification because these are incredibly complex projects, but that is how affordable housing works.

Last session we did a big push and I am grateful to so many people who helped get this across the finish line, and for the first time ever we established the state's LIHTC program. We did a pilot project for four years, and we set aside $40 million in tax credits. That would generally be about three projects per year we would be able to build. Here is the crazy part. By doing that, we would be able to increase the production of affordable housing-subsidized units in our state with that amount of money by 60 percent because it is the small amount of money at the top of the lasagna [page 1, Exhibit C] that can increase production significantly—because again, it is an all-or-nothing system. If you cannot make it pencil, you do not build anything, so that is the first thing.

The next page [page 2, Exhibit C] gives you a sense of the return on investment. This is all the projects that are built in a typical year. For example, there were 6 one-bedroom units built at 50 percent AMI. That means those units are affordable to a person who has an income of 50 percent AMI or less. There were 369 one-bedroom units built at 60 percent AMI, 3 two-bedroom units built at 50 percent AMI, and 225 two-bedroom units built at 60 percent AMI. Of the total units built, the rent charged for those units is in the green column, so for a one-bedroom it would be $657. That is not rock-bottom cheap. There are people who need cheaper than that. In some cases we can layer this program with other programs to get them there, but this is still significantly better than market rate in most cases.

If you do the math on what those market-rate units would be, and we did not update this from two years ago so this is data from two years ago, the return on investment is probably higher now because rent has gone up even more. But you get the point that in that year, from just those units, that is the level of subsidy we are getting from the $40 million investment. If you do the math, for every $1 of state LIHTC, we generate $4 in rent subsidy over the life of that program, so the return on investment is really powerful. You spend the money once and the unit stays in play for 30 years set at that AMI.

So we start down the road to build ourselves some affordable housing in 2020 and the pandemic hits. There is a fiscal crisis, so the Housing Division did the appropriate thing and tapped the brakes; however, there was one project underway. Looking ahead, the problem is if we started pulling those tax credits, those come off the bottom line of the state. So only the one project got underway and there are $3 million of tax credits that have been allocated.

The interesting thing that happens is these state tax credits are built just like the transferable tax credit model. They can be used against the excise tax on banks and payroll taxes, the gaming license fees, or the tax on insurance premiums. You have to have a taxpayer in Nevada who has at least $3 million of tax liability. That taxpayer would buy that tax credit from the affordable housing developer. The Housing Division issues that tax credit to the affordable housing developer. That developer goes out into the world and sells them to a casino, insurance company, or a bank to pay their taxes, and the developer gets the money to build the project. That is how tax credit works.

The developers had to go out into the market with their first tax credit program. Traditionally, our understanding is that most tax credits are picked up by gaming companies. Well, gaming companies were not in a particularly good spot to be spending time thinking about buying tax credits in 2020, right? If there is any industry that has been hit the hardest, it would be gaming companies. Now you have this affordable housing developer who wants to sell tax credits. The gaming companies are not really working out, so they go to the banks. The banks have an interest in affordable housing because they have the CRA [Community Reinvestment Act of 1977] rules, and are often significant partners in terms of the financing of building affordable housing to help their communities. The banks try to get creative, but it was difficult to find a bank that had a $3 million tax bill they needed to pay because, a) they just do not pay that much, and b) it might be their subsidiaries that actually have that. If you are XYZ National Bank—you are the headquarters—and you have this bank over here and that bank over there, they are different entities and their taxes did not add up unless you could transfer that tax credit down to a subsidiary, so we learned that the hard way. There needs to be some transferability of these tax credits or it does not work as well. So that was the first problem we were trying to solve.

The second piece we were trying to solve, and what we learned, was the way the law was written. We were trying to be very cautious. We wanted to issue the tax credit on the back end. We wanted to be the last dollars in, to make sure you got everything taken care of, built the unit, get a certificate of occupancy, and then we will give it to you. In the investment world, money equals time, or time equals money, is what I should say. These projects typically take one and a half to two years to build out so you give this developer a tax credit at the back end. They have to go out in the world and try to sell it before they can build it. So now they are at a competitive disadvantage in the negotiations on selling the tax credit because the person whom they are asking to buy the tax credit cannot use it for some period of time.

We unintentionally decreased the value of our own tax credits. And there is no real good reason for us to do it because in this particular tax credit system, by the time a project gets its green light and all of the financing is in place, the likelihood of these projects going to the finish line is very high. You will hear from our housing specialist that these are very complex deals, and once all the financing is put together, the land, they are pretty reliable. They happen all the time. It is not a Tesla or an Apex. These projects we build year in and year out. They are the same group of developers. It is not somebody coming from outside of the state typically. What we are losing in the ability to negotiate a good price on a tax credit by banking at the very last thing in, we are not gaining anything in terms of ameliorating risk, so that was the second thing we learned and want to fix in this bill.

The third thing, and this is just a naive, sophomore error on my part when I was writing the bill, is I thought I was being good and responsible in saying we should try this for four years. I wanted a pilot program. Give me $40 million in tax credits, about $10 million per year, and at the end of that time we could evaluate it and see if we wanted to move forward again. So I put a sunset on it, thinking we would just do it for four years. What I did not understand was by putting that sunset in, when that four-year day hits, it gets wiped out of *Nevada Revised Statutes* (NRS), so all the work we had done to create this program, and all the learning we had done if you passed this bill, would just go away. The third thing the bill does is it removes the sunset. It does not ask for any more tax credits. It would be a future legislature's decision if they wanted to do more tax credits, but at least everything we had learned in terms of building this program and putting it on the books would still be in NRS, and future legislatures would be able to make that decision without our just wiping the slate and starting over.

I have a panel of experts who know a whole lot more about this than I do, but generally it is a good program, it is going to work, we hit a rough patch with the pandemic, we learned a few things on the first project that would help us to make it better, and we are asking for your support for cleanup on what is a particularly technical process of trying to build affordable housing in the state of Nevada. I will end there with the exception of asking Mr. Aichroth with the Housing Division, David Paull from Nevada HAND, and Mr. Holliday with the Housing Division if I said anything that was inaccurate, because occasionally I do not get it quite right. These are very complex.

Stephen Aichroth, Administrator, Housing Division, Department of Business and Industry:
Once again, Senator Ratti, you have hit it out of the park as far as describing exactly what this does. I do not have a whole lot to add other than I am not aware of any projects that have failed. To go back to something you alluded to earlier, once they get to the point where they are financially closed, the deal is extraordinarily solid. I will defer to Michael Holliday if he knows of any that have failed, but I am unaware.

Michael Holliday, Chief Financial Officer, Housing Division, Department of Business and Industry:
I am not aware. I looked through the Housing Division records and cannot find a project that made it through close, and financial close, then failed after that. There were some foreclosures during the last economic downturn, but the projects were fairly well into their life when that happened, but we do not have anyone who got money from the Housing Division and never built the project and never had occupants.

Senator Ratti:
I want to point out that David Paull with Nevada HAND is also with us. He is one of the folks who is developing these projects and has had the experience with the first round of tax credit programs. Mr. Paull, is there anything you want to add?

David Paull, Senior Vice President of Real Estate Development, Nevada HAND, Inc.:
Senator Ratti, I think you did an excellent job describing the program. I believe Steve and Michael are correct. In my ten years of developing affordable housing, there have been no projects I am aware of in Nevada that have reached financial closing that have not completed construction. I also serve on the Advisory Counsel of the Federal Home Loan Bank of San Francisco and am not aware of any projects in other states that have reached financial closing that have not completed construction. We put hundreds of thousands, if not millions, of dollars into free development for these things, and by the time they reach that closing, they are done deals and are going to get built, and everybody is incentivized to do that. Beyond that, I think Senator Ratti did an excellent job.

Senator Ratti:
I will end with for the 30 percent AMI folks, the extremely low income, for that population we have 18 units for every 100 we need. If you get up to the 50 percent AMI, which is slightly higher but still not very much money, we only have 40 units for every 100 that we need, so about 40 percent. There is a huge need and I would ask for your support.

Vice Chair Benitez-Thompson:
We will open it up to members of the Committee for questions.

Assemblywoman Kasama:
On the last page of the bill [section 2, subsection 1, paragraph (b)], it has to do with the $40 million. You have added the clause "would cause the total amount of transferable tax credits approved for all fiscal years . . . to exceed $40 million." Is this in here to remove any cap on that?

Senator Ratti:
I actually think it is the opposite. I will ask Mr. Aichroth to double-check, but I think if you start at the beginning of that chapter, it disallows any amount that would take us over the total $40 million because $40 million is the total that is authorized.

Assemblywoman Kasama:
Authorized per year?

Senator Ratti:
No, for the entire project.

Assemblywoman Kasama:
For the entire project?

Senator Ratti:
Last session we approved $40 million in tax credits. The intention was it would be about $10 million per year for four years. It did allow up to $13 million in a single year in case you were getting to December and there was a project that was ready. You could pull another project into that year, but no more than $13 million, and in total over the entirety of the project, no more than $40 million.

Assemblywoman Kasama:
Are you saying $40 million has been allocated and once that is used up, the program is over?

Senator Ratti:
It does not have an ongoing source of funding. A future legislature would have to decide if they wanted to issue more tax credits. I would hope you all gain enthusiasm for this project and as those dry up, there would be a conversation to see where we are as a state. I would say that is generally how we do tax credits in the state. There is not an ongoing revenue source. It does not become part of the base budget the way actual appropriations do. Subsequent legislatures make decisions that they want to allocate more.

Assemblywoman Kasama:
You extended the timeline but then the funding has to be searched for on a regular basis.

Senator Ratti:
That is correct. I am removing the sunset so that the NRS does not get swept off the books. The program will still exist but the actual allocation of tax credits, a future legislature would have to do. Right now we are sitting with $37 million left to allocate, so we are going to be good for this biennium and the next biennium, depending on how the program goes. Folks can look at it and hopefully there is a champion in the next biennium or in the following biennium who would come back and say this program is working really well, here is all the affordable housing we built, please allocate more.

Assemblywoman Kasama:
It is a good program and I agree, the partnership with private companies, incentivizing them to build them as efficiently as possible, it is a good program. Thank you for that clarification.

Assemblyman Hafen:
I believe your intent is to try to expedite these projects because there is a demand and a need now. My only concern is by removing the expiration of 2030, it removes the urgency for the developer to get it done within the next nine years or they would miss out on these transferable tax credits. Had you considered that idea? Could you try to address that to alleviate my concerns?

Senator Ratti:
The program as originally envisioned was a four-year pilot with $10 million per year. I think we are staying in the spirit of that. There is a natural cycle and a natural capacity for these projects, but I would let either Mr. Aichroth or Mr. Holliday talk about how many project

applications they get per year. We tried to start with a dollar amount that was not too big of a burden on the General Fund and was very likely to happen. I think we are trying to stay within the realm of what is possible. Of course, in the future if we see we can build more and build more quickly, we would always accept more. I will let Mr. Aichroth or Mr. Holliday talk a little bit about the cadence.

Stephen Aichroth:
In new construction projects we see anywhere from two to four come on board every year, and that is sort of where this was targeted originally. What we are hoping for is to increase that, as was indicated on the slides [Exhibit C], that these, but for dollars, would actually increase that by 60 percent as Senator Ratti indicated. What we are hopefully going to see is increased production, particularly when this flexibility is added into the program. To your concern about these tax credits potentially twisting in the wind a little bit, what our understanding is, if the bill comes to pass, when they are going to be issued, at closing they will almost immediately be put against whatever tax the purchaser of the tax credit is going to apply them to. That is our understanding of how this has worked historically. Hopefully that answers your question. Michael, do you have any additional commentary on that?

Michael Holliday:
The only thing I would add is that we literally have enough resources right now to fund that gap for two projects per year, and that is the extent of it. We get calls all the time for more applications than that, and as Senator Ratti mentioned, the state tax credit would potentially have increased our production by 60 percent, meaning that instead of two projects per year we could do up to five if we could get three extra. That was the contemplation for allowing up to $13 million, if we had a sixth project that came on line in one year, we would be able to fund that and then just take it short the next year so we could move the production as fast as we could and as quickly as we could. We have capacity issues to some extent about the number of developers who do this. It is very specialized, but we did think that five projects per year could actually be accommodated.

Assemblywoman Considine:
I think this is a great project. For clarification, your example here is the $3 million—the 9 percent—but that amount can change. It is not always $3 million. Does it depend on the total cost of the project or the cost of everything that would go into it? Is the $10 million or $13 million per year a ballpark estimate that could go up or down?

Michael Holliday:
That is correct. It is not always $3 million. We have several projects, depending on the size and cost of the project. To use Mr. Aichroth's analogy, the other layers of lasagna they have been able to secure, sometimes jurisdictions may have more or less of those other funding sources. The lowest I have seen is $1.5 million. We always cap our current gap funding at $3 million, and that is why we use that as a ballpark because we know that works. As costs increase, the number of units is probably the biggest factor that would change—what can we build for the same amount of funding that is available? It can vary. We have seen between $1.5 million and $3 million per project.

Senator Ratti:
You bring up a point that helps me to highlight one piece in the bill that I probably should have talked about, which is on page 6 [section 1, subsection 7], what I would call the new claw-back provision. At the end of the project, it has to be certified, all the costs have to be reported, and if our dollars ended up being more than what the project needed, there is a process to pull it back because any project is going to be estimates of what it is actually going to be. So I do think that is an important safeguard for this funding source and making sure that we can use it to its best ability.

Vice Chair Benitez-Thompson:
I am really glad to see this working. There are lots of conversations on the record from last session as to the logistics, how this would work, and how this plays out. One thing I have learned is when you are talking about tax credits, it is tricky. It usually takes a couple of cracks at it to make sure you get your language in the perfect spot.

For the record, so we can ensure that as we move forward we have legislative intent really laid out, on the affiliate piece and the subsidiary piece you have definitions in here. With the subsidiary piece, you have that they own 50 percent of the outstanding equity interest. Is that a common definition? Is that a definition we pulled from somewhere else living in NRS, or did we come by that definition through the experience of the past couple of years of the program?

Senator Ratti:
One of the first things I did was make sure the Housing Division was talking with the Legislative Counsel Bureau (LCB) Fiscal Division team to sort out some of these things. I am going to ask Mr. Aichroth or Mr. Guindon to comment on where the definitions came from.

Stephen Aichroth:
To my knowledge, that came from LCB Legal Division, defining exactly how that was going to be used. I cannot speak with full clarity to exactly how that subsidiary and affiliate definition was established.

Vice Chair Benitez-Thompson:
I know when we have had other conversations about other credits or benefits people might get, we kind of beg the question of if they did sell it downstream, paint a picture for us of who this is. Your example was specific to the financial institution piece. If we went more to the other side of it, the gaming piece, I was not quite sure how that all played out since most things are corporate now, but I can have Legal circle back on that. I think your intent is that they are pretty well invested and it would have to be a taxpayer in the state, otherwise it is a useless credit for them. Correct?

Senator Ratti:
Yes. If there was a casino chain that had multiple locations in a community, and each of those was individually organized but had the ownership structure that matched this definition, that is really what we are looking for. If there was a tax liability in four separate casinos, that the tax liability could be rolled up to get to the $3 million is the concept.

Vice Chair Benitez-Thompson:
This was part of a conversation we had for the record last session, but it makes sense to have it again. Right now we know the Housing Division typically approves just a handful of projects, but we also know the tax credits can hit the sheets at any time. That is why I always get nervous about them, in the same way we never would have imagined any of the tax credits being used. In what world do people not immediately go cash in their tax credits? Now we have tax credits lying around that have not been turned in for the reasons of the pandemic that you talked about—the economic reasons. How likely or how probable would it be that you would see the opposite happen where all $40 million would be used, or $20 million would be used within the course of a year?

Senator Ratti:
I think in this case it actually benefited us. Oftentimes with a General Fund appropriation for a program, the program is going to roll along and it is very consistent, and if you are in the position of having to be in a special session and make cuts, it is very difficult. In this case, we did not even have to talk about these tax credits during the special session in order to achieve the savings by just tapping the brakes. There were no projects underway so the Housing Division was able to tap the brakes. In that case, we were able to slow down when they would hit the sheets, and that was a big benefit to the tune of about $7 million that did not get used in that year because the brakes were tapped. Other than that, my understanding is that the cadence of these programs is pretty consistent. It takes a year and a half to two years to get them from closing to hitting the ground, but now that the tax credit can be sold on the front end, I think you will see a lot more predictability about when that tax credit is likely to be cashed in. It will be on the front end of the project, not waiting for the project to make it through the construction cycle, permitting cycle, and everything else that goes along with that. Mr. Holliday, do you have any additional comments about that?

Vice Chair Benitez-Thompson:
I think that is good. Although it would be permissible by law, I think it is highly improbable but it is always something that you have to plan for. I think we have learned that sometimes things happen that surprise us. I just wanted to get it on the record that it is highly unlikely, highly improbable, and there is the approval process where they get the tax credits and now the trueup on the back end as well. If we had eight of these things coming in, there would be some notification to us that we have some good news, but it is going to be more of a hit in one year than we thought. There would be time. I saw some general head-nodding for the record. Yes.

Those are all the questions I had. Chair Cohen has returned. I am going to open it up for testimony in support. There is no one in the room. We will go to our presenters on Zoom. [There was no one.] We will go to the phones to hear from those in support and I will hand it back over to Chair Cohen.

[Assemblywoman Cohen assumed the Chair at 4:50 p.m.]

Charlie Shepard, State President, AARP Nevada:
I am the AARP Nevada State President. People of all ages need safe, decent, and affordable housing that will enable them to continue to live safely in their homes and communities as they get older [reading from prepared testimony, Exhibit D]. Nevada has a problem with the availability and access to affordable housing. We must create opportunities to increase affordable housing and this bill will do just that.

Nevada families of all ages have suffered during this pandemic, and we need to provide housing costs that allow individuals and families to live in a neighborhood without sacrificing other basic necessities such as food and health care. That is often the choice people must make when their housing costs are not affordable.

The use of transferable tax credits is one means to incentivize construction or rehabilitation of low-income housing. The provisions of this bill will assist project sponsors in applying for and utilizing these tax credits. This will expand the opportunity to provide affordable housing in Nevada. Older adults, who are often on fixed incomes, can become homeless if they are priced out of their housing. We must make sure our parents and grandparents can stay in their communities and live comfortably. On behalf of the 345,000 members across the state, AARP supports S.B. 284 (R1) and urges the Committee to pass it to help ensure affordable housing is available in Nevada.

Matthew Walker, representing Southern Nevada Home Builders Association:
I am testifying in support on behalf of the Southern Nevada Home Builders Association. I think it is evident from the past two hearings that Senator Ratti and the other proponents of the bill have not only worked diligently over the interim to ensure this program is extended, but have significantly improved and strengthened the program. We think it is a wonderful bill and we ask the Committee for your support.

Christine Hess, Executive Director, Nevada Housing Coalition:
The Nevada Housing Coalition is a statewide nonprofit whose mission is to advance and promote affordable housing for all Nevadans. Our members are in the north and south, urban and rural. Thank you, Senator Julia Ratti, the Nevada Housing Division, and Nevada HAND for your leadership, and thank you, Committee, for the opportunity to express our strong support of S.B. 284 (R1) today.

We have an extreme affordable housing shortage here in Nevada which long preceded the pandemic. We need more affordable housing and S.B. 284 (R1) expands our state housing tax credit tool box to provide flexibility for our development community and our state.

We would also like to emphasize that affordable housing is one of the drivers for economic development in Nevada. Our own children struggle to stay or return home to raise their families and pursue their careers due to a lack of affordable housing. Hardworking Nevadans face housing insecurity that impacts their ability to maintain steady employment or consider advancing workforce skills. And our communities are hampered in attracting new businesses when those firms see the challenge in accessing affordable housing for their workers.

The adjustments proposed in S.B. 284 (R1) are critical and these tax credits will make a tangible difference for Nevada workers and residents in the form of increased affordable housing development. We must build our inventory, not our deficit of affordable units.

Shane Piccinini, representing Food Bank of Northern Nevada:
We supported this work back in 2019 and I am grateful for the work Senator Ratti is doing on this issue in this legislative session. I do not need to explain to anybody in this hearing how important affordable housing is for people to be food secure. I really appreciate the hard work you all have put into it.

Pamela Hunter, Private Citizen, North Las Vegas, Nevada:
I am speaking on behalf of Nevadans for the Common Good. Prior to the pandemic, the National Low-Income Housing Coalition listed Nevada as one of eight states with the least number of affordable housing units for low- and extremely low-income individuals and families. Nevada had only 18 affordable housing units per 100 households earning 30 percent or less of the AMI. Households in this extremely low-income category include seniors, individuals with disabilities, and low-wage workers. Currently many low-wage workers in Nevada are experiencing extreme hardship, unemployment, and risk of eviction with few options for other housing if evicted. Households with an affordable home are more likely to be able to feed their families. A stable and affordable home is crucial for access to health care and other services.

Senate Bill 448 of the 80th Session created Nevada's Affordable Housing Tax Credit Program. This was an important step in addressing the shortage of affordable housing units in Nevada. Senate Bill 284 (1st Reprint) makes important improvements to this program that will help preserve housing units as affordable, or develop new ones. Nevadans for the Common Good thanks Senator Ratti for bringing both of these bills forward. Nevadans for the Common Good supported S.B. 448 of the 80th Session and supports S.B. 284 (R1) in this session. We urge you to pass S.B. 284 (R1).

[Exhibit E was submitted but not discussed and is included as an exhibit of the meeting.]

William Brewer, Executive Director, Nevada Rural Housing Authority:
I want to express many thanks to Senator Ratti for bringing this bill forward. Of course, you are aware that Nevada needs additional affordable housing. Senator Ratti showed you a capital stack for a bond-financed typical housing program [Exhibit C]. In order to get these projects into production, a funding gap has to be filled to bring the other 91 percent of the funding to bear fruit to build these projects. The state LIHTC was a giant leap forward for

Nevada—the first real investment by the state in affordable housing in decades. Unfortunately, the program needed a few tweaks to truly make it functional. Senate Bill 284 (1st Reprint) does that. At the Nevada Rural Housing Authority, we urge the Committee and the Legislature to pass this important legislation and we thank you for your support.

Benjamin Challinor Mendez, Policy Director, Faith in Action Nevada:
Faith In Action Nevada is a multifaith organization that organizes and advocates for social, racial, and economic justice, as well as an inclusive democracy in southern and northern Nevada. We are here in support of S.B. 284 (R1). Faith in Action were previously huge advocates back in 2019 for the system setting up and we would like to thank Senator Ratti for her continued work for affordable housing in general, and specifically for the housing tax credit. Nevada is in severe need for additional affordable housing units, and according to the National Low-Income Housing Coalition, that number is over 80,000 units. These units are for those whose income is at or below poverty level, and S.B. 284 (R1) will look to ensure we are providing those units to those who are in most need. Thank you for your time and we urge your support.

Dawn Christensen, Vice President of Communications and Corporate Responsibility, Nevada Resort Association:
This bill comes at a critical time when southern Nevada's median home prices have reached an all-time high. Demand for housing in northern Nevada remains strong and rental costs are rising, all of which continues to exacerbate the affordable housing shortage. So we very much appreciate Senator Ratti's leadership and work on this bill during a pivotal time for our state.

As home and rental prices soar and inventory is low, affordable housing continues to be an important issue for the resort industry, our workforce, and Nevada families. This bill helps increase the affordable housing supply through the opportunities these credits provide for private industry to help support the much-needed projects that will have an immeasurable impact for Nevadans looking for a place to call home. We support S.B. 284 (R1) and ask you to as well.

Chair Cohen:
As there are no further callers in support, we will hear from those in opposition.

Marcos Lopez, representing Americans for Prosperity Nevada:
I want to start off by saying I agree with the sponsor's intent, and we need to build more housing in general. Our primary objection is that we oppose tax credits in general—all tax credits. What tax credits end up doing is they chip away our tax base, and in the long run we are going to have to raise taxes, and calls for higher taxes will be raised. Secondly, this bill treats a symptom, not the cause. Housing is very much a supply-and-demand issue and we need to build more and we need to build more faster—any type of housing. Through economic filtering, we do see that prices and rents do get depressed and people are able to afford more housing, but the main cause of the increase of housing is land use and zoning requirements of local governments. I would encourage any member who comes back next

session to bring some form of a housing bill that addresses these issues and really preempts what local governments are doing because these regulations that local governments have is really the key driver of the cost of housing and housing construction.

Chair Cohen:
Seeing no one else in opposition in the room, we will go to the phones. [There was no one.] As there is no one in opposition on the Zoom call, we will go to those in the room who are neutral on the bill. [There was no one.] We will go to the phones for those who are neutral. [There was no one.] As there is no one in neutral on the Zoom call, do you have any closing remarks, Senator Ratti?

Senator Ratti:
Thank you for the generosity of your time.

Chair Cohen:
I will close the hearing on S.B. 284 (R1) and open the hearing on Senate Bill 395, which revises provisions governing the funding of capital projects by school districts in certain counties. Welcome, Senator Goicoechea. Please go ahead when you are ready.

Senate Bill 395: Revises provisions governing the funding of capital projects by school districts in certain counties. (BDR 34-815)

Senator Pete Goicoechea, Senate District No. 19:
I represent Senate District No. 19, which does include White Pine County. When you see a bill of mine with only my name on it, you know it is going to be a tough bill. I have to admit this is not your normal Republican conservative bill. I brought this bill forward for White Pine County. They are at the $3.64 statutory property tax cap on their tax rate. Having attended school in White Pine County, the last time they did a major addition to one of their buildings, I was in kindergarten. We are not talking about the high school. This was the middle school. Most of the middle school and elementary grades are in buildings that are well over 100 years old. I am a taxpayer in White Pine County, although I am not a voter in White Pine County. This bill will allow for a 25-cent override above the cap if it is voter approved.

The current tax base in White Pine County is a little over $400 million, with a couple hundred million dollars, depending on where the net proceeds of minerals tax is, so they would have a tax base of about $600 million. If they went to the full 25-cent levy, they would probably not be able to fund much of a bond even at that, even on a 25-year bond. But I am here to testify there is a true need in White Pine County. They need some schools. I have a number of people in White Pine County who are willing to testify and present their case to you this afternoon. All I can say is the bill, in itself, could impact 11 counties because the population cap is 45,000. Those counties start at Nye, Humboldt, and on down. I do not anticipate you will see a lot of support for this because again, people are concerned about their taxes and property tax, and again, the statutory cap of $3.64 is in place because that is the cap. This would allow them to go outside the cap, and also the bill does not allow for the abatements to be applied either on this 25-cent override.

I am just trying to quickly touch all the pieces in the bill that are really critical, then I will turn it over to the chief financial officer of the White Pine County School District, Mr. Paul Johnson, and I believe the superintendent of schools is also on the line. They can fill you in a little more to the need. Again, the key points are a 25-cent override outside the cap, voter approved, and only those counties under 45,000. It would require the school board to go to the board of county commissioners, place it on the ballot, and the voters approve it before it could move any further. With that, I will stand for any questions.

Chair Cohen:
Would you like your presenters to go first and then we will do questions?

Senator Goicoechea:
That would be fine.

Adam Young, Superintendent, White Pine County School District:
Thank you, Senator Goicoechea, for your introduction of this bill. I would like to make a few comments, further introducing Senate Bill 395. I am a White Pine-born-and-raised kid. I attended the University of Nevada, Las Vegas for both my bachelor's and master's degrees, and I am proud to call Ely, Nevada, my home. As the Assembly Committee on Revenue, you keenly understand the connections among industry, workforce, economic development, and world-class schools. As a superintendent and lifelong resident of one of Nevada's rural counties, these are things I understand too.

I meet regularly with members of local government and industry, as well as parents and students. In the White Pine County School District, we have developed a district performance plan that aggressively pushes toward world-class learning, including opening a STEAM [science, technology, engineering, arts, and mathematics] Academy, operating innovative real-life preparation programs, creating college- and career-ready specialists to stretch students toward their goals, and more. We are on our way and the possibilities are truly exciting. But imagine trying to persuade families to relocate to Ely when, upon touring our 1909 elementary school, they learn that fire suppression systems, ventilation—in the midst of a pandemic, no less—and campus security are limited due to the age of the facility and the cost of remodeling. Somehow, the innovation of a STEAM Academy, which enrolls one-third of the school's students, has a little less luster after such a tour.

Similarly, imagine emphasizing to employers our focus on equity and inclusive practices for children in our community when a tour of our 1913 middle school, which Senator Goicoechea referenced, reveals there is no ADA [Americans with Disabilities Act] access for two of the three floors and, again, based upon estimates from experts in the construction industry, the cost of remodeling is nearly equal that of building a new facility. Equity in theory and concept only goes so far unless there is equity in practice.

This bill simply allows for smaller school districts, many of which are already maxed out in bonding capacity as has been referenced already under existing law, to go to the voters of their county and secure very modest funding that will help remove structural barriers which limit their progression and inhibit economic development. Here in White Pine County, through the cooperation of our local governments, parents, voters, students, and industry, the proposed changes would allow us to seek funding to move our students out of facilities constructed prior to World War I (WWI) and into ones that match and support our vision of world-class learning.

Again, the bill does not do anything alone to raise taxes. Rather, it puts the decision in the hands of local citizens, and if approved by our local voters, the funds raised would be one small part of our strategic plan to replace these schools which, again, are more than a century old. Thank you for your consideration and thank you for your time today. I do not have any further introduction of this bill, so with your permission, I will toss it to our chief financial officer (CFO), Paul Johnson.

Paul Johnson, Chief Financial Officer, White Pine County School District:
Thank you, Senator Goicoechea, for bringing this bill forward. I have been the CFO for the White Pine County School District for about 25 years, and when I first started this job, we had voters in 1993 approve the construction of a new school to replace the White Pine Middle School. At that time we did not have sufficient funds to secure the bonds that had been authorized to build the school, so they sunsetted and disappeared. From that period of time I have been trying to figure out how to replace this school. Superintendent Young did a great job explaining that these are pre-WWI facilities. From that time we have looked at public-private partnerships. We have looked at grant opportunities, trying to secure federal sources, but we have not been able to secure an annual revenue stream sufficient enough to secure construction of a new school facility. At that time, it was simply the White Pine Middle School that was going to be constructed.

Over time we conducted a facilities assessment. We had the firm of Lombard/Conrad Architects, P.C. come in and do a facility assessment. They recommended replacement of the White Pine Middle School and major renovations for the David E. Norman Elementary School. At that time, the dollar amount was much smaller, but as the years progress, the difference between what we can afford and what school construction costs keeps getting bigger and bigger. We are at a critical point and we are really trying to find a solution. This is one proposed solution. We are open to any solution that will help us remedy the school construction issue we have. Currently, even if voters wanted to approve it, given the current tax structure, we could not even build the facilities. They do not even have the voice to do this. This bill would give voters a voice and provide some funding.

To give you an idea of some of the deficits in the facilities that we are looking at, I will read this from the facility assessment. Superintendent Young said there is:

- No fire and life safety suppression systems in those schools.
- Limited and noncompliant ADA accessibility.

- Poor indoor air quality and inadequate systems for fresh air flow.
- Inadequate and obsolete or piecemeal air-conditioning systems.
- Inconsistent and unreliable cooling and heating systems.
- Asbestos-containing materials in the floors, walls, plumbing, and ceilings.
- No outdoor parking and no playground facility at the White Pine Middle School.

There are a bunch more listed here:

- Lack of facility features designed to improve school security, student, and faculty safety.
- Lack of facility features that enhance the learning environment for students and staff.

There are others listed. So this is something we feel has to be remedied in the best interest of our community and in the best interest of our students, because inherent in these older facilities are obstacles that adversely affect our recruiting and retention of staff, adversely affect the student and staff performance in those facilities, and adversely affect economic development.

One of the choices our community is going to have is a tough choice—are they going to increase their property tax to be perhaps the biggest in the state of Nevada versus the quality of the schools. Both of those have some economic impact. It is a tough choice for voters. It is almost the lesser of two evils. Do you have an increased tax rate and improve your facilities or do not increase the tax and put up with the less than sufficient facilities we currently have? That is the summary of our position and our attempt to solve the dilemma we have.

Chair Cohen:
Senator Goicoechea, is there anyone else who is part of the presentation?

Senator Goicoechea:
I do not believe there is anyone else, at least not that I am aware of.

Chair Cohen:
We will go to questions from the members of the Committee.

Assemblywoman Anderson:
Thank you, Senator Goicoechea, for bringing this forward. I was looking at the 2019 budget from the White Pine County School District's capital asset sheet on page 18. I know this is not one of the exhibits. I just did a little bit of research on it. In there you mention the district has more than $60 million in deferred construction. Can you expand upon that a little more since that was from a year ago, or can somebody from the district do so as to what is the approximate amount that is truly deferred at this time? Also, has there been any discussion around some of the matching funds at the federal level? When it comes to rural school districts, that is sometimes a very difficult thing to be able to find. Could you expand upon both of those items?

Senator Goicoechea:
I will have the CFO of the White Pine County School District respond to that.

Paul Johnson:
The deferred cost is a reasonable estimate, but it is not a certified estimate from an engineering firm or architectural firm. To give you an idea of the deferred costs, the estimated cost we have for the construction of a new K-8 [elementary-middle school] facility—that would be the facility to potentially replace the White Pine Middle School and the David E. Norman Elementary School—the estimate we have from CORE Construction, certified by Lombard/Conrad Architects, P.C., is approximately $57 million. So the one school in and of itself is roughly the $60 million. The other improvements would be to the other schools that are around 1950 or 1960 vintage, that also need material improvements to their exterior facilities, playground and safety improvements, fire and life safety improvements, and things of that nature.

Assemblywoman Anderson:
I realize it is not part of this bill; however, is there a plan as to how to get the community to be involved in the discussion around this, or is this simply based upon the fact that you are seeing a problem, you want to try to start a discussion to be able to have a campaign where the whole community will be involved in creating this discussion as to how to raise the money, or is it automatically just going to be a ballot question of 25 cents?

Senator Goicoechea:
Clearly it is an effort to get the community behind the need, even though they recognize the need, to at least pay for a portion of this construction. Again, when you start talking about a $60 million school in a county of under 10,000, and you are talking about a tax rate hike of up to 25 cents, it is not going to get far. The bottom line is, I think it is trying to bring the community together. I think it is a step that we can show the state and/or other grants and applications that we are trying—we went to the override and we are trying to generate some money. Near and dear to me is the fact that even though I went to school in White Pine County, none of the children or grandchildren did, but the bottom line is I recognize the need there. Anytime your facilities are over 100 years old, when they were built before you started school, and I have been out of school a long time, it is a struggle. They clearly cannot meet the needs. I think more than anything, this bill was intended as an effort to generate some revenue and bring somebody to the table. There were some in the Senate who told me the reason they voted against it was because they felt the State had an obligation there more than what this bill was bringing.

Assemblywoman Considine:
From some of what I have just heard, it seems like there is a very clear need. How many other ways are there for capital projects to build schools? Is it only property tax or sales tax? Is there a limitation on how you can raise funds? I am curious as to why this suggestion.

Senator Goicoechea:
Can we go to CFO Johnson from White Pine County? They have been struggling with this for 30 years.

Paul Johnson:
That is one of the things we have been struggling over, trying to figure out what revenue source would be large enough to generate a sufficient stable revenue to secure bonds for school construction. In smaller communities, per-capita revenue does not amount to a lot. There are other fees on the books, franchise fees or residential construction taxes, which are per residential unit, or a per diem amount, but since there are so few people and such a small tax base, any revenue generated from other sources of taxes does not amount to enough annual revenue to secure bonds. The reason why property tax is being looked at is that is the largest piece, and levying a property tax creates the critical monetary mass that would secure a bond of sufficient size to help contribute to school construction.

Assemblyman Yeager:
Senator Goicoechea, I tend to agree with some of your Senate colleagues. I believe it is a state responsibility. As you know, I have had difficulty getting to a two-thirds vote for revenue that would help all of the state's counties, including White Pine County. Unless I am misunderstanding, or maybe I am misinterpreting the presentation and the sentiment, it sure seems like there is a bit of skepticism about whether voters in White Pine County would even approve this. I am struggling with this notion of why we would pass this out and send it to the voters if it sure sounds like there is very little hope that the voters in White Pine County would agree to additional taxation, or am I misreading the sentiment that this would be unlikely to get by the voters?

Senator Goicoechea:
I am not sure. Voters tend to be a little hesitant to raise their own taxes, but I think in a community like White Pine County and the City of Ely, the need has been there so long, I would hate to say, No, those voters would not approve it. Most of them went to school in the same facilities their grandkids are now going to school. I do not know how a person would vote on that. Yes, it is a significant impact. If you are going to bring a ballot question, asking a 10-cent override rather than the maximum 25 cents, you might as well bring some dollars to the table that would help negotiate some new construction and some bonding with outside sources.

Chair Cohen:
Mr. Young or Mr. Johnson, do you have anything you want to add to Senator Goicoechea's response?

Paul Johnson:
Maybe I am being overly optimistic. When I take a look at the history of our voters and how they have supported school construction over the decades, I think there is a probable chance that they would take a look at this and agree to improve the school facilities. But it is not

a slam dunk. I think it would be a tough decision to make, especially given the period of time we just came through, on the heels of a pandemic recession. Asking voters to increase their taxes may not be the best time, so we would have to give that some consideration.

I think it is something we are obligated to ask. We have a plan to secure the total amount of funding. We have submitted an application pursuant to *Nevada Revised Statutes* 387.3335, which provides that school districts that provide proof of certain emergency conditions can make an application to the State for financial assistance. We have been in contact with the State Treasurer's Office. We have been in contact with Senator Goicoechea and other representatives to try to figure out how we can get this quilt of funds put together in order for us to do this.

I do not know the answer to that. I do know that we have had a number of county commissioners come to us, unsolicited, in support of this. I have talked to the finance director for White Pine County who is hopeful we get this going as well. There is some optimism, at least in the people I have spoken with. I remain hopeful that this is a potential.

Assemblywoman Benitez-Thompson:
If the tax is passed and you get the extra 25 cents on every $100 assessed, you are probably going to have to build that up before you can use it, right? Is the intent to go ahead and bond on that the minute the voters pass it? I know there is a window in which local governments can do bonding. Tell me about that process and how that would work.

Senator Goicoechea:
I will let CFO Johnson respond to that. I would think with one year of collection, it is showing we came to the table and are willing to put our pound of flesh into this. Even with the total, I do not think we are going to be able to generate enough money to bond and build what is going to be required.

Assemblywoman Benitez-Thompson:
I appreciate that. If this tax passes and you start accruing money, what level of money would you need to collect in order to go out and bond against the project? It also sounds like you are waiting for some private funding.

The state had this recently. We said we were going to give a chunk of money for one of our NSHE [Nevada System of Higher Education] institutions to build a school. We were part of the money and a private donor was the other part of the money. We put our money out there and the private donor pulled back, so we had to pull our money back. They had to wait to find another donor and then we put it back in.

If you start collecting that money and the other pieces do not come together, you are still going to be collecting that tax. Once you start collecting the tax, you do not necessarily have a way to stop the collection.

Paul Johnson:
The on-again, off-again scenario actually happened when we were trying to raise money for our athletic field to finish our high school complex. I was worried I was going to lose my job because we had secured financing in one form but not in another form.

Our purpose, with respect to this, has a number of options. All of it is somewhat contingent upon our ability to get all of the funding available to construct a school. If the commission were to allow this to go to a vote of the people and we were able to collect revenue from this, upon passage we would get approximately $1 million per year based on the tax base, excluding the net proceeds of minerals tax. Including the net proceeds of minerals tax, it would be a bit more. The reason why I exclude that is because in the future we have no idea whether mining is going to remain here. Since I have been here, we have had three mining starts and stops. If we focus just on the $1 million per year, we would collect that, and if we were not successful in getting the entire amount to secure bonds, we would use whatever we could accumulate to do material improvements to the school facilities we currently have, and make them the best condition that we possibly can.

One of those things, for example, was we have a structural issue with our White Pine Middle School gymnasium floor. The substructure beneath the floor is such that our engineer said we cannot have large gatherings on this gymnasium floor for fear of catastrophic failure. That is one thing we would move to improve, to ensure we could do if we were not successful getting the total amount for a new school—but the new school would be optimal. Along that period of time, as we are collecting the $1 million, if we get to a point where we secure funding for a new school, we would attempt to bond to secure the bigger piece all at once. As Senator Goicoechea indicated, it is our local contribution and our skin is in the game, so to speak, to help solve our own problem.

Assemblywoman Benitez-Thompson:
So if the tax prevails and you are collecting the dollars but you cannot get the other pieces to come together, then you just have that fund that is being accrued which cannot be used for anything else. What are you going to do with the funds if you do not end up being able to bond on them? Would you bring a bill back asking for a different use of those funds or authorizing different use of those funds, or would you keep on accruing it, letting it grow, so it would be your sole source of funding?

Paul Johnson:
It would depend on the circumstances. We have such a large deferred capital need that the money we would receive on an annual basis, if we were not to secure it for bonds, we would use it on a pay-as-you-go basis to do capital improvements not only to those two facilities that we just referenced, but the other facilities we have in the school district. We have much greater capital demand than we have capital revenue. We would want to continue to use that and put it to the best use to improve the facilities and upgrade them to meet ADA, life safety, fire suppression, and all those other things.

Along the way, if we were fortunate enough through federal stimulus, state support, or donations to secure the sufficient funds to build the school, at that point we would bond and use those funds to complete the quilt, so to speak. Also, we have a 25-cent debt rate for bonds we already issued a few years ago for school improvements. That would roll off in about 10 to 12 years, so when that happens, if that were not replaced, our tax rate would then go back down to $3.64.

Senator Goicoechea:
I think a lot of this will be driven by the ballot question itself. I feel if you go to the voters in White Pine County and that funding is not committed for new school construction, and is just going to roll into a capital improvement fund that can be used anywhere, even though it is needed, I think it would be a lot more difficult to get this measure passed. I think the language in the ballot question itself will drive that. I am sure it is going to be for new school construction and the voters would approve it for that. I think if you just roll it into a fund and accumulate it for 20 to 30 years, or use it, it would make it very difficult to get the question passed.

Assemblywoman Benitez-Thompson:
I appreciate that. I went through a similar process in Washoe County. It is something lots of counties have tackled in lots of different ways and lots of different iterations. I get the need and I get that it is really tricky. I was part of those committees writing the ballot question, arguing for the money, and it took a lot to get it done. Ours was sales tax. Another county on the other side of the state tried it with sales tax and their voters said no. You get mixed responses all over the place. I get how it is a precarious proposition, but sometimes you just have to try your best and make your best argument and see where you land.

Senator Goicoechea:
Really, that is what this is about. This bill gives the people of White Pine County the opportunity to effect the change they need in their community, and if it does not pass, then we tried.

Chair Cohen:
I was wondering about the facilities that are there now. I understand the facilities that are there now are extremely old. I believe you said it would be more expensive to retrofit these facilities than to build new facilities. What is going to happen to these properties and can funds from that be leveraged in some way?

Senator Goicoechea:
I will let Mr. Johnson or Mr. Young respond to that. I am not too sure, but the high school is probably on the National Register of Historic Places.

Chair Cohen:
Former Assemblywoman Swank would tell you that does not mean the building cannot be utilized.

Adam Young:
As has been alluded to a couple of times, we have a plan but that plan is fluid and that plan is adaptable based on how things change as we go forward. We have had a number of discussions about the two different properties we are talking about. White Pine Middle School is currently located right in our downtown area. It is a very historic building. It is a place people have a great affinity for, as well as the David E. Norman Elementary School, which is in a little bit more of a residential area. We have contingencies for those, and some of those contingencies potentially involve sales of the lands and subdivisions for additional housing and whatnot. We have not gotten too deeply into the details of those different plans because we are in the very preliminary stages, and so much of what we are envisioning is dependent upon this bill that Senator Goicoechea has sponsored for us. The short answer to the question is yes, that is a possibility. The more in-depth answer is that it all depends on what sources of funds do become available, whether this bill is passed, and what the will of our community is.

Chair Cohen:
The fiscal note from White Pine County, Chief Deputy Finance Director Elaine Eldridge, claims a concern with an adverse effect on economic growth because of companies not being willing to move into the area if the tax rate is raised. Do you have any idea how this would affect economic development? I know there was testimony about it is hard to move people in or businesses in because of the schools being in the condition they are in. Can you add to that?

Senator Goicoechea:
Clearly I can understand the issue, but White Pine County is already over the cap by a couple of cents. They went through a severe economic hardship 20 years ago and the state took them over and ran them. They are accustomed to the chicken and feather scenario, is what I call it, you have a chicken today and feathers tomorrow. It is boom and bust. It is mining there. Again, do I think that would impact the relocation to White Pine County if there was this additional piece on the tax rate? No. You have to have a reason to be there, and whether it is a mine, the community, typically it would be a research issue. There are advantages to living in eastern Nevada in the rural communities. A lot of people are coming out of Clark County because of the land value. They are buying summer homes, or building them in White Pine County, so I do not think if they are doing that, an additional 25 cents on the tax rate is going to make or break it.

Chair Cohen:
Gentleman, did you have anything you wanted to add to that?

Paul Johnson:
I agree with Senator Goicoechea. There is a reason why people come to our area and it typically is not tied to how much property tax they are paying. I think the amount of money for a residential dwelling unit for the 25 cents would be nominal in a total dollar amount if you spread that over 12 months. But it is a dilemma. We know taxes affect economic development and we know schools affect economic development. Is a 25-cent increase in

property tax more of a detractive for economic development than the condition of our existing school facilities? I do not know the answer to that, but that is really the dilemma. All of us in education would say that improved school facilities would probably be more of an attraction than the 25 cents would be of a detraction.

Chair Cohen:
As I am seeing no further questions, we are ready to move on to testimony in support. Seeing no one in the room in support, we will go to the phones.

Christopher Daly, representing Nevada State Education Association:
We are in support of S.B. 395 as we represent educators in all 11 impacted counties by this bill, including White Pine County. I would like to make a couple of additional points. You have heard about the school facilities in White Pine County, but more than half of the small rural school districts have capital needs that could benefit from this legislation. Obviously, there are a couple of school districts on this list that likely would not need to access this, with significant mining revenue, but rural school districts are also potentially looking at a freeze in their overall budget support with the new funding plan. Although we would like to avoid that and adjust the hold harmless in that bill regarding [unintelligible], districts have to be creative. One final point is that while many Nevadans, including rural Nevadans, are hesitant about raising taxes, when you can assure the voter the taxation is going to directly benefit their community schools and their kid's school, they are much more likely to support that tax proposal.

Paige Barnes, representing Nevada Association of School Boards:
We are here in support of S.B. 395. This bill provides some much-needed support and local authority to increase local revenue and support school construction throughout our rural communities. This is an important measure to support our rural school districts and the students within them. We encourage your support for the bill.

Chair Cohen:
As there are no further callers on the line in support, we will move to those in opposition. [There was no one in the room or on the Zoom call]. We will go to the phones for those in opposition.

Juanita Cox, Private Citizen, McCarran, Nevada:
I am from Storey County, one of the 17 counties. This body chooses winners and losers, which is unfortunate. Storey County was one of the losers when you gave money to Tesla and we did not get money for ten years for our schools. I hope you consider this for the other 11 counties, but only 10 of them would be possible losers. I am in sympathy with the White Pine School District. It is understandable that they are trying to do this, but you are implicating the rest of us.

Elected Republican representatives have taken an oath to uphold the *Nevada Constitution*, and also follow the Nevada Republican platform. As chairwoman of the National Platform Committee for Nevada Republican Party for 2020, I am reminding those officials of our "no more taxes" platform, and this is also at the national level.

This bill seems to believe that by allowing the people to up their property taxes somehow lets them out of their obligation of no more taxes. Furthermore, how is this specified, 11 rural counties, to equal protection under the law. Again, there are 17 counties. The property tax cap is supposed to be uniform. There is nothing uniform about changing certain counties' tax caps and others no change. I respectfully request that you vote against S.B. 395.

Janine Hansen, State President, Nevada Families for Freedom:
We oppose S.B. 395, which will allow 11 rural counties to raise their property taxes above the cap. Even though this allows for a vote by the people, we know how it works, that government combines using their resources to work to promote a vote in favor of raising taxes. According to the Institute for Policy Innovation in the United States, the total U.S. tax burden, including federal, state, and local taxes, and hidden taxes, is equal to 56 percent of annual personal consumption spending. Fifty-six percent is more than a person spends on housing, food, health care, transportation, education, and recreation. How can people possibly take care of themselves and our families when government takes 56 percent of our income, and now wants more?

There are many very excellent alternatives to spending more money on schools. Choice in education not only saves taxpayers money but improves the academic achievement of students. Arizona introduced Empowerment Scholarship Accounts in the 2011-2012 school year, originally reserved for special-needs children. The program has since been expanded for children in failing schools. The program is ground-breaking in its flexibility for how the account can be used. Money in the account, awarded by the State, can be used for tuition, textbooks, tutors, online classes, home-school materials, and more. An analysis from the Goldwater Institute shows the state saves $12 million per year for every 5,000 students who utilize the Empowerment Scholarship Accounts.

I live in Elko County, which will not be affected by this tax, but I have noticed numerous businesses in Elko that have closed permanently during this last year of emergency shutdowns. How many more homeowners have lost their homes, jobs, or businesses, and therefore are behind on their mortgages and will lose their homes because they cannot even pay their property taxes? This is no time to raise taxes. Please do not further burden the people in the rural counties with property taxes above the property tax cap. Vote no on S.B. 395.

Karen Waldman, Private Citizen, Pahrump, Nevada:
I oppose S.B. 395. I understand the downside of an outdated and crumbling school, but what I do not understand is why this was not on your radar decades ago. If my house were built in 1914, I would be remiss to kick the can down the road until it fell apart. I would have to set

aside money each month to save for the inevitable upgrades it would need, such as a $20,000 new air-conditioning unit, and not wait until the unit failed and I could not afford to replace it. That is what people who are not using other people's money do. I am curious how many other funds have come into these districts and have been spent foolishly or wasted. I know at one time the Clark County School District had actually lost school buses—that is right, they lost them. They did not know where they went. That does not inspire confidence to give more money for schools.

I simply do not believe there has not been any money over the years that could have been cut from the budget and set aside for this without coming now with your hand out for taxes to be raised. I am opposed to raising the property taxes on our home. When will you ever learn that the well of the public trough is not a bottomless pit for you to keep dipping into and taking because you cannot manage the money you have. When my husband and I both lost our jobs due to the extremely poor job Governor Sisolak did with his harmful lockdowns and the control he exercised over all of us, we had to slash our budget and live on savings we cannot replace. Under the guise of only 25 cents per $100 of assessed valuation, that means an increase of $250 per year for our home, and it is not an expensive home. We simply cannot afford to have any more tax increases. And yes, we know this would continue to go up every year because it is based on an assessed valuation that continually rises. This amount would be due starting with the August tax bills, and there simply is not any way to make money appear out of thin air, especially with no jobs and the cost of living skyrocketing . . . .

Chair Cohen:
Your two minutes are up. Can you please wrap up?

Karen Waldman:
It is not your money, it is our money we have worked for and saved for. Stop robbing us blind and work with what you have, just like your citizens have to do.

Chair Cohen:
As there are no further callers on the line in opposition, we will hear from those in neutral. Seeing no one in the room or on the Zoom call in neutral, we will go to the phones. [There was no one.] Senator Goicoechea, would you or your co-presenters like to make any closing remarks?

Senator Goicoechea:
The basics of the bill are: Up to a 25-cent override; only affects those counties under 45,000, which is 11 counties in the state; and again, voter approval. We are just asking to please pass the bill and give the people of White Pine County a chance to make the decision of yes or no.

Paul Johnson:
I would like to thank Senator Goicoechea, you, and the Committee, for helping us try to find a solution to a problem we are trying to resolve.

Adam Young:
Thank you for the time. Thank you, Senator Goicoechea. We appreciate any support you can give us.

[Exhibit F was submitted but not discussed and is included as an exhibit of the meeting.]

Chair Cohen:
I will close the hearing on S.B. 395. Committee, we were going to do a review of the Economic Forum, but given the hour and we have many members who have to go to the Assembly Committee on Ways and Means briefing and the like, we are going to roll that. I will open the hearing for public comment. There is no one in the room for public comment, so we will go to the phones. [There was no one.] Are there any comments from the members of the Committee? [There were none.] We have handled all the bills that have come over from the Senate so far, but I am sure we will be getting more. We will let you know when we schedule our next hearing. We are adjourned [at 6 p.m.].

RESPECTFULLY SUBMITTED:

____
Gina Hall
Committee Secretary

APPROVED BY:

____
Assemblywoman Lesley E. Cohen, Chair

DATE: __________________________________

EXHIBITS

Exhibit A is the Agenda.

Exhibit B is the Attendance Roster.

Exhibit C is a copy of a PowerPoint presentation titled "Multi-family Housing Finance - 4% Capital Stack (201 Units - 198 at 60% AMI, 3 at 50% AMI)" presented and submitted by Senator Julia Ratti, Senate District No. 13, regarding Senate Bill 284 (1st Reprint).

Exhibit D is written testimony presented and submitted by Charlie Shepard, State President, AARP Nevada, in support of Senate Bill 284 (1st Reprint).

Exhibit E is a letter dated May 5, 2021, submitted on behalf of Nevadans for the Common Good, in support of Senate Bill 284 (1st Reprint).

Exhibit F is a packet of emails submitted by various individuals in opposition to Senate Bill 395.