

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

**Eighty-first Session
March 2, 2021**

The Senate Committee on Revenue and Economic Development was called to order by Chair Dina Neal at 1:02 p.m. on Tuesday, March 2, 2021, Online. [Exhibit A](#) is the Agenda. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Dina Neal, Chair
Senator Julia Ratti, Vice Chair
Senator Moises Denis
Senator Ben Kieckhefer
Senator Heidi Seevers Gansert

STAFF MEMBERS PRESENT:

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

OTHERS PRESENT:

Dylan Keith, Vegas Chamber
Hawah Ahmad, Clark County Education Association
Melanie Young, Executive Director, Department of Taxation
Shellie Hughes, Chief Deputy Director, Department of Taxation
Jeff Hardcastle, Nevada State Demographer, Department of Taxation
Jared Luke, City of North Las Vegas
Kelly Crompton, City of Las Vegas

CHAIR NEAL:

We will start with a work session for Senate Bill (S.B.) 24.

SENATE BILL 24: Revises provisions relating to workforce development.
(BDR 18-289)

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JOE REEL (Deputy Fiscal Analyst):

Senate Bill 24 was heard by the Committee on February 18 and is summarized on the work session document ([Exhibit B](#)).

During the hearing, the Governor's Office of Economic Development (GOED) proposed an amendment to section 1, subsection 4, paragraph (b), subparagraph (3). As written, GOED is required to make certain assurances that each business for which an applicant has submitted an application will provide a program of workforce recruitment and assessment that meets the criteria in subparagraphs (1) through (3). Subparagraph (3) requires that the business has not conducted any layoffs in the 12 months immediately preceding the date of the application. The proposed amendment revises the subparagraph to require the business provide a report outlining the basis for any furloughs or layoffs in the 12 months immediately preceding the application.

CHAIR NEAL:

I want to propose another amendment to cap the administrative fees in section 1, subsection 7 at 10 percent. That excludes the fee for marketing.

SENATOR SEEVERS GANSERT:

It makes a lot of sense to cap the administrative costs associated with this program.

SENATOR SEEVERS GANSERT MOVED TO AMEND AND DO PASS AS AMENDED S.B. 24 WITH BOTH AMENDMENTS.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR NEAL:

We will move into the bill presentations. I will open the hearing for S.B. 117.

SENATE BILL 117: Revises provisions relating to economic development.
(BDR 18-600)

SENATOR SEEVERS GANSERT (Senatorial District No. 15):

My presentation ([Exhibit C](#)) summarizes S.B. 117. The bill requires GOED to update the State Plan for Economic Development more often. I was serving as former Governor Brian Sandoval's Chief of Staff in 2011 when legislation was passed to reorganize economic development in Nevada. Part of that organization was the State Plan, a plan to look at a variety of industries and opportunities for the State. The original State Plan was published in 2012 and updated in 2021 by Governor Steve Sisolak.

Nevada has some great opportunities. When putting together a strategic plan, the State can assess the opportunity on a regional basis. Once the strategic planning is done, the opportunity must be met with workforce programs. It is critical to look at opportunities for current, new and transitioning workers and also put together programs that promote diversification and resiliency.

Diversification in the State has been discussed by GOED in great detail. Slide 4 of [Exhibit C](#) is the Hachman Index, which compares Nevada with some neighboring states. Nevada's score is significantly lower. The scores are based on our primary industries and the number of workers in each of those industries.

Slide 5 compares the diversification of northern and southern Nevada, along with unemployment rates. Washoe County, for example, has been working on diversification for years. Its industries are widely diversified and the unemployment rate is 5 percent. In Clark County, hospitality outweighs other industries significantly, and the unemployment rate is 10.4 percent. There is a definite corollary between diversification and unemployment rates. If we reevaluate our Plan on a regular basis, we can improve. It is difficult and will not happen overnight. We have to stay dedicated to it and update the Plan to stay focused.

The economy had been quite robust until the Covid-19 pandemic. Slide 6 illustrates the trends in jobs and wages. We were gaining jobs and, more importantly, the average wage was increasing. In 2017, average wages for new jobs reached \$36.37 per hour. To spur the recovery, it is critical to update the State Plan and the workforce development that goes with it.

We have an extensive toolbox of incentives and tax abatements. We do a good job with them in ensuring the receiving businesses adhere to the Plan through

auditing and callback provisions, but it has been a decade since they were evaluated. It is important to review all incentives and abatements.

In testimony at this Committee's meeting on February 18, GOED testified that 70 percent of businesses coming to Nevada said the incentives and abatements offered were important factors in their decision. Slide 8 illustrates that while we may have abated \$334.7 million, the State enjoyed new tax revenue of \$1.5 billion. Incentives and abatements need to be smart, but they can have a net positive impact on revenue.

Senate Bill 117 requires that the State Plan for Economic Development be updated at least once every three years. Within the State we have regional development authorities (RDA), and the bill requires each RDA to present a plan to GOED at least every two years. Lastly, the bill directs the Legislative Commission to appoint a committee to conduct a study concerning existing tax abatements, exemptions and other incentives to ensure we are on track and aligned with the needs of industry.

CHAIR NEAL:

Is three years between Plan updates enough time to see if things are working?

SENATOR SEEVERS GANSERT:

Every two years is too frequent—it could be longer than three but not shorter. The most important thing is to consistently assess the State Plan. We do not have to start each update from ground zero, but we do need to at least review the Plan and update as necessary. The economy changes rapidly. With the pandemic, we have seen an acceleration in the transition to remote employment and artificial intelligence.

CHAIR NEAL:

Do you know the cost for GOED to update the Plan?

SENATOR SEEVERS GANSERT:

I understand it cost approximately \$200,000 to do the last update. That is money well spent. We are putting millions of dollars into workforce development programs—both State and federal. We need to make sure we are spending those dollars in the industries that will grow our economy.

The planning itself is not difficult, the important thing is consistency over time and keeping things updated so we can continue to progress, especially in southern Nevada.

SENATOR RATTI:

We are seeing an emerging body of research questioning whether tax incentives and abatements are a successful economic development tool. In the update to the Plan, will we examine whether we are offering the right abatements? Should abatements be part of the toolbox at all?

SENATOR SEEVERS GANSERT:

We need to look at all of the above. We did hear testimony from GOED that 70 percent of the companies said the tax incentives and abatements were a driving force in their decision to open in Nevada, but we do need to look at them and make sure they are operating as intended.

Another critical factor is looking at the average wage a business proposes to pay. We do not want just any jobs, we want jobs that enhance worker's quality of life and make Nevada's economy more resilient. If we offer incentives, we should look at factors such as wages, benefits and sectors. We cannot get enough healthcare providers. The emerging knowledge-based economy is crucial. All options should be on the table.

DYLAN KEITH (Vegas Chamber):

The Chamber supports S.B. 117. As the economy continues to change and see new advancements, it is imperative for Nevada to keep up as we strive to diversify Nevada's economy. As GOED oversees the State's preparedness to reach our goals, it is essential for the Office to receive regular, in-depth briefs and for plans to adjust accordingly. This bill ensures we continue toward a sustainable and diverse economy.

HAWAH AHMAD (Clark County Education Association):

The Clark County Education Association is in support of S.B. 117. We know now more than ever, that we must develop and diversify the Nevada economy. However, we cannot let another nine years go by to decide that economic development is a priority. By implementing S.B. 117, Nevada will ensure that there is flexibility to periodically revise the Plan to align with new and emerging industries.

If we were to suggest any changes to this bill, it would be to request that those updated plans provide specific information related to progress on diversifying the economy. Economic development is not necessarily synonymous with economic diversity. Our State's economy must diversify so we do not experience the same drastic downturn we have experienced by relying on only two industries.

We suggest that the sponsor of the bill consider adding language under section 3 that emphasizes focus on the types of incentives that would help facilitate economic diversity. Our economy must diversify, and key to that is having a workforce with the education and skills to serve those industries and businesses. Nevada's K-12 system is the base of Nevada's higher education delivery system. We must strengthen the base. Now more than ever, as Legislators and the Governor chart a course of recovery, investing in our State's education delivery system is paramount. Accordingly, S.B. 117 is a step in the right direction in monitoring our economy in a timely and surgical way.

We look forward to doing all that we can to support economic diversification, workforce development and giving every student an opportunity to succeed.

CHAIR NEAL:

I will close the hearing on S.B. 117 and open the hearing on S.B. 74.

SENATE BILL 74: Revises provisions relating to the population total used in determining the distribution of certain taxes. (BDR 32-281)

MELANIE YOUNG (Executive Director, Department of Taxation):

Senate Bill 74 revises the provisions of *Nevada Revised Statutes* (NRS) where population is used in the calculation of certain tax distributions. This housekeeping bill cleans up language to align with how the Department is processing tax distributions. Over the past two years, the executive team has been working on reviewing our processes. This review is designed with making the Department as efficient as possible, in anticipation of our IT modernization project.

During an internal audit, it was discovered that the Department was not following the law. This bill removes the language enacted in 1999 for using the U.S. Census Bureau population numbers. The Department has not used those

population numbers in the State tax revenue distribution process. We have always used the State Demographer's certified population number.

SHELLIE HUGHES (Chief Deputy Director, Department of Taxation):

I will outline S.B. 74 in my presentation ([Exhibit D](#)). The bill clarifies that the Governor's certified population (GCP) totals are to be used in determining the allocation and deposit of proceeds of the Basic City-County Relief Tax (BCCRT). It also revises provisions governing the population totals used in determining the distribution of certain taxes. The requested changes are to statutes that govern the distribution of State taxes. The changes do not have any impact on how the population totals are determined, nor do the changes impact the local government's petition and appeal rights of the population totals.

Existing law requires that population totals be used for the distribution of certain taxes. In several provisions, such as NRS 360.690 and 377.057, the population totals to be used are the GCP, unless those totals conflict with the Census Bureau totals. In the case of conflict, the Bureau totals must be used.

Subsection 2 of NRS 360.285 provides that the Department must use the GCP for any tax collected "for apportionment in whole or in part to any political subdivision and the basis of the apportionment is the population of the political subdivision."

Section 1 of S.B. 74 amends NRS 360.690, subsection 8, eliminating, for certain taxes, the requirement to use the population totals of the Census Bureau in case of conflict with the GCP.

Section 2 amends NRS 377.055, clarifying that the population totals used to make these determinations are the population totals certified by the Governor annually.

Section 3 amends NRS 377.057, eliminating the requirement to use the population totals of the Census Bureau in the case of conflict with the GCP.

Section 4 provides that the bill is effective upon passage and approval.

The Department, through the State Demographer, annually determines the population of each town, township, city and county. Once the Demographer has determined the population, it is submitted to the Governor, who certifies the

population totals on or before March 1 of each year, as required by NRS 360.285.

The Department uses the GCP totals every year to determine the calculation of distributions for the BCCRT, the Supplemental City-County Relief Tax (SCCRT) and second-tier distributions to entities within a county remaining after base monthly allocations. Since the Census Bureau totals have never been used since the enactment of this language in the 1990s, the Department considers this to be a housekeeping matter.

An internal audit led to the discovery that the Department was not using the Census Bureau totals. However, we thought we were properly calculating these distributions because a similar provision, NRS 360.285, subsection 2, provides that the Department must use the GCP for any tax "collected for apportionment in whole or in part to any political subdivision and the basis of the apportionment is the population of the political subdivision."

There are several problems with using Census Bureau decennial totals and annual estimates, especially timing issues. The Governor's certified population totals for the current year are based on population totals from two fiscal years prior. Bureau decennial totals and annual census estimates are based on the current year. Would we use Bureau totals two fiscal years behind to correlate with the GCP totals? The Governor's certified totals are released March 1 for counties, incorporated cities and unincorporated towns. Bureau annual estimates for counties are released in March, and incorporated city estimates are released in May. The Census Bureau does not produce decennial totals or annual census estimates for unincorporated towns. Furthermore, census totals are continually updated, so it raises questions regarding on what date those totals should be retrieved.

Another problem is the mandatory language in NRS 360.285, which requires the Department to use GCP totals for any tax collected for apportionment where the basis of the apportionment is the population. While the census language in NRS 360.690 and NRS 377.057 deals with calculating population growth rate, it is inconsistent with the language in NRS 360.285. It is not clear why we would use the GCP for apportionment purposes and then use Census Bureau totals to calculate the population growth rate over a five-year period.

The language in NRS is unclear as to when Census Bureau totals should be used to determine if there is a conflict between Bureau totals and GCP totals. Is it every year, and we use annual census estimates instead of GCP totals, or is it every ten years, and we use decennial totals and then GCP totals in off years?

The decennial Bureau totals and annual Bureau estimates will always be in conflict with the GCP. Thus, according to NRS 360.690 and 377.057, decennial Bureau totals and annual Bureau estimates should always be used. Decennial totals would be used every ten years and annual census estimates would be used in off years. However, annual census estimates do not include estimated populations of unincorporated towns, so the GCP totals would have to be used for those population totals. This causes a problem because the GCP totals are calculated based on the population for the two fiscal years prior, and Bureau totals are calculated for the current year. We would have to determine if the statute requires that we use Bureau totals two fiscal years behind to correlate with GCP totals. Alternating between Bureau totals and GCP totals in the calculation of the revenue distributions becomes a difficult task. We would not have consistent statistical algorithms year to year.

If Census Bureau totals are only to be used in decennial years, the GCP totals could be used in the off years. This leads to two problems: inconsistencies in moving from the decennial Bureau totals to the GCP totals and a timing difference regarding the decennial Bureau totals based on the current year and the GCP totals based on two prior fiscal years. Additionally, the Bureau continually updates the totals, so totals for the same year can change. We would have to continually update the population totals when calculating the distribution.

Slide 7 of [Exhibit D](#) illustrates the legislative history of current law. Assembly Bill (A.B.) No. 721 of the 55th Session, codified as NRS 360.285, was enacted to require any tax collected for apportionment by population would be determined by the last preceding national census of the Census Bureau. Transition from one such census to the next was required on July 1 of the year following the year in which the census was taken. Every payment prior to such date shall be based upon the earlier census and every payment after such date shall be based upon the later census.

The language of NRS 360.285 was changed by A.B. No. 322 of the 62nd Session. It required that for any tax collected for apportionment, the

population would be determined by the Governor-certified population. Senate Bill No. 494 of the 64th Session allowed for the appeal of population determinations prior to being certified by the Governor and allowed the Department to hire a demographer. Assembly Bill No. 832 of the 65th Session changed the certification date to Feb 1, and A.B. No. 82 of the 66th Session changed the certification date to March 1.

The language of NRS 377.057 was codified by A.B. No. 369 of the 61st Session. It was enacted as part of a comprehensive tax reform package seeking to limit taxes on real property and increase sales tax. As originally enacted in NRS 377, the statute required the Governor to certify the population of each county annually. The statute did not contain any reference to the Census Bureau. Language was added to NRS 377.057 by S.B. No. 506 of the 67th Session, requiring that the Census Bureau totals be used if the Bureau totals were in conflict with the GCP. The bill was enacted to correct errors made in another Assembly bill from the prior session. In an amendment to the bill, the Census Bureau language was added. There is no discussion of the use of Bureau totals in the legislative history nor was there any discussion of any issues arising from the use of population figures certified by the Governor. Thus, it is unclear why this change was made.

Codified as NRS 360.690, S.B. No. 254 of the 69th Session added language to require Census Bureau totals to be used if in conflict with the GCP totals. The legislative history contains no discussion as to why. Senate Bill No. 538 of the 70th Session clarified when Bureau totals were to be used.

In the Senate Committee on Taxation minutes of April 6, 1999, Theresa Glazner of the Department of Taxation testified that the GCP totals were used until the Census Bureau totals were released, after which the formula would be reestablished based on the census totals.

In the Senate Committee on Taxation minutes of April 8, 1999, there was a discussion about when Bureau totals should be used and whether using estimates may be unconstitutional. The Chair of the Committee clarified that when Bureau figures were current, they were used; in off years, the State Demographer would provide totals which were certified by the Governor.

The legislative history for NRS 360.690 appears to suggest the intent was to use decennial totals every ten years and Governor-certified totals in off years.

With S.B. 74, we would like to remove the language that indicates the Bureau of Census population totals will be used when they conflict with GCP totals. This language occurs both in NRS 377.057 and in NRS 360.690.

There will not be a negative impact if this language is removed. During our research, we found no instance where the Department used the Bureau totals. Based on the legislative history for NRS 360.690, the Bureau totals should have been used in 2000, 2010 and in 2020. This issue was brought to our attention by our internal auditor and not an outside party affected by the use of the Governor's certified totals.

The legislative history of NRS 360.690 suggests the Census Bureau language was added to reach more accurate population totals. However, there is no reference to why the language was added to NRS 377.057. With the addition of the Demographer to the Department in 1987 and the ability for local governments to appeal the population totals before they are certified by the Governor, these actions ensure more accurate totals will be reached.

Based on these reasons, we cannot determine any negative impact if the census language is removed in both statutes. In fact, we determined that there would be a positive impact if we removed the language:

- The change would harmonize NRS 377.057 and NRS 360.690 with other tax statutes such as NRS 360.285.
- No other allocation provisions in NRS 377 or NRS 360 reference using Census Bureau totals.
- Removing the language would assist in carrying out the original intent of NRS 377.057, as shown by the statute's legislative history.
- Removing the language would allow for timely, consistent and clear distributions.

In summary, we are requesting to remove the language in both NRS 377.057 and NRS 360.690 that indicates Census Bureau population totals will be used when in conflict with the GCP totals. We also request that the language in NRS 377.055 clarifies that only the GCP totals will be used.

Ms. YOUNG:

When our internal auditor brought this to our attention, we investigated the matter. Reviewing the legislation, the issues around implementation became readily apparent. We view this matter as a housekeeping item, since we have never used Census Bureau totals. The goal of this bill is to align the statute with our processes, with no impact to local governments. The way the statute is written, the calculation of the distribution process is mathematically problematic. We have outlined the timing issues that create logistical conflict. The Census Bureau does not determine the populations of towns and townships, which are used in our distribution of tax revenues. Since we have always used the Governor's certified population numbers and will continue to do so if this bill is passed, there should be no effect on local governments. The process by which the State Demographer develops population counts before the Governor certifies them affords local governments due process to appeal. The Department has defined regulatory processes governing how the population numbers are determined.

RUSSELL GUINDON (Principal Deputy Fiscal Analyst):

The tables I will be sharing were prepared by the Legislative Counsel Bureau Fiscal Analysis Division using information provided by the Department of Taxation. Committee staff have reviewed the information regarding the legislative history of the various sections of NRS. We concur there is no testimony on the record as to why the Census Bureau language was added to the SCCRT distributions in 1993, and it seems to have been carried forward into the Consolidated Tax (CTAX) second-tier Distribution calculation when that law was established in 1997.

The Census Bureau conducts its decennial census and then produces calendar year-updated estimates for states, counties and the cities within counties. The following charts illustrate issues the Department of Taxation is trying to remedy.

Table 1A ([Exhibit E](#)) shows the population estimates prepared by the State Demographer on the left side of the table. These estimates were certified by the Governor in July 2015 and July 2016, and were used to do the actual SCCRT guaranteed and nonguaranteed distributions for fiscal year (FY) 2017-2018. To the right are the Census Bureau current estimates for July 2015 and July 2016. I emphasize "current estimates" because the Census Bureau is continuously updating, revising and changing its estimates for these years.

Examining the data for Clark County, the growth rate based on the GCP is 2.26 percent. The Census Bureau estimates are lower, as is the growth rate. Looking at the data for Douglas County, the Bureau estimates are lower than the GCP, but the growth rate is higher. The distributions are done on the growth rate. Much of existing statute makes provisions for revenue distribution if the GCP and the Bureau figures are in conflict, but they will always be in conflict. It would be a statistical oddity if the Census Bureau and the GCP matched for every entity in the State.

I reemphasize that every jurisdiction has a process whereby it can petition for a review of the State Demographer's count. A plain reading of the statute would appear to always default to the Bureau estimates, and it is unclear what the intent was in the legislation. The legislation does not address the various timing issues that Ms. Hughes raised.

Table 1B of [Exhibit E](#) illustrates that for both Clark County and Douglas County, the GCP is higher than the Census Bureau estimates in FY 2015-2016 and FY 2016-2017. The growth rate, however, is lower. The SCCRT is based on growth rates, not the actual population count.

It is an oddity that of the taxes distributed on a per capita basis rather than growth rate, there are no provisions regarding conflicts with Census Bureau numbers. The BCCRT, Cigarette Tax and Liquor Tax are distributed on a per capita basis with no provisions for reverting to Bureau totals.

Table 2A ([Exhibit F](#)) shows the actual SCCRT distribution by jurisdiction for FY 2017-2018, based on the population counts of Table 1A. There are eight guaranteed counties shaded in green. These counties are guaranteed an amount adjusted each year by the lesser of one plus the growth in the Consumer Price Index and population or one plus the growth in the SCCRT collections from prior periods.

Table 2B shows the SCCRT distribution if it had been based on Census Bureau data. Table 2C shows the difference in distributions between the previous two tables. Under the provisions of NRS 377.057, the amount going to the guaranteed counties is calculated first, and the remaining nonguaranteed counties receive the balance. Table 2C shows the difference in calculations to be de minimis at less than \$14,000 across all the guaranteed counties. That

amount is spread across the nonguaranteed counties and reduces their share of the SCCRT.

Table 3 ([Exhibit G](#)) mirrors Table 2 for SCCRT distributions for FY 2018-2019. In that year, the net change for the guaranteed counties was a de minimis \$227,230.

The provisions of NRS 360.690 govern the second tier of CTAX distributions. The base amount is determined by NRS 360.680 for each local government entity. If there is more money than the base to distribute, it is deemed excess. There are statutory formulas and provisions for calculating the excess distribution for all entities.

Under the SCCRT, the distribution is based on the percent change in population for one year. For the excess distribution calculation, it is the average five-year growth rate in population. The average requires six years of population estimates. Table 4 ([Exhibit H](#)) compares the outcome of calculating using the GCP or the Census Bureau's estimates.

Page 2 of Table 4 breaks down local entities within counties. The Census Bureau only updates population estimates for counties and cities. The State Demographer is required to estimate population for towns and use five-year average population growth results to calculate the excess distribution shares for towns. Under current provisions, the Department would be forced to use a mixture of Bureau numbers for counties and cities, and the GCP numbers for towns.

Population is not involved in the CTAX Distribution to enterprise districts and special districts. Although these calculations are simple math, the math would result in oddities of the distributions. Had the Department disbursed distributions per NRS, there would likely have been amendments to fix this problem already.

Table 5 ([Exhibit I](#)) also uses the five-year average growth rates to illustrate the actual CTAX second-tier Distributions in the first column. It then compares that distribution to the distribution had it been based using Census Bureau estimates. The dollar difference is in the third column, and the percentage difference is in the fourth column. Looking at Carson City, the \$302 difference matches the amount on Table 2C. This is expected, and the difference gets pushed to the second-tier distributions. On average, the difference in dollars is de minimis.

There are other shifts occurring here. As the five-year average population growth rates are changing, they will create winners and losers in excess distributions.

Senate Bill 74 does not change the process the State Demographer uses to arrive at population estimates or the review process allowed to local governments. The bill simply removes the confusion of the conflicts between GCP and Census Bureau totals and the ensuing implications to revenue expected by local governments.

SENATOR RATTI:

I want to see if I understand this bill, and more importantly, that local governments understand it. An auditor found a discrepancy between the way the Department of Taxation is calculating distributions based on population and the way the law is written. The Department of Taxation had two choices: either change the law or change the way it does the calculations. The conclusion has it not practical, due to statistical anomalies, to change the process; therefore, the law needs to be changed. Is that an accurate reflection of the intent of S.B. 74?

Ms. YOUNG:

Yes, that is an accurate summation of the bill.

SENATOR RATTI:

Would any local government see a change compared to how it was calculated the previous year?

Ms. YOUNG:

Our goal was to ensure the process was consistent and transparent, and local government should see no impact from the bill.

SENATOR KIECKHEFER:

Local governments have a process by which they can appeal the State Demographer's estimate. Can you talk about that process and how often it gets used?

Ms. YOUNG:

There are two processes. Each entity can appeal the Census Bureau estimates to the Bureau. Local governments can also appeal the State Demographer's

estimate. Appeal guidelines are outlined in NRS and the *Nevada Administrative Code* (NAC). If appealed, a dispute would be heard by an administrative law judge.

JEFF HARDCASTLE (Nevada State Demographer, Department of Taxation):

The State Demographer's estimates go to local governments on December 1 per NAC. There is a two-week period for them to review, provide feedback and ask questions. Following this period, there is a 30-day window for local governments and the State Demographer to resolve discrepancies. If no resolution is achieved, a hearing is held before an administrative law judge in the Department of Taxation. If the judgment reached does not satisfy local government, it can be appealed to the Nevada Tax Commission. March 1 is the deadline date for the Governor's certification.

Formal appeals in 2002 by the cities in Clark County did not go to a full hearing. In 2012, there was a hearing for the City of Mesquite. The City of Elko appealed in 2016, which also went to a hearing.

CHAIR NEAL:

I recall discussion of the CTAX in the Seventy-sixth Session, and changes were made. Were there any Committee meeting minutes in those discussions that referenced this particular issue?

MS. HUGHES:

I did not find any reference to the issue of Census Bureau population totals in Committee meetings in 2011.

JARED LUKE (City of North Las Vegas):

We oppose S.B. 74 as written and have submitted a letter and data ([Exhibit J](#)) to highlight our concerns.

We have had many discussions with the Department of Taxation. We understand that S.B. 74 is intended to be a housekeeping bill, but it proposes the removal of the dependence on the Census Bureau numbers. Those numbers serve as a check. We can argue legislative intent all day long, but the decennial census numbers should serve as a check for the GCP. Not doing so exposes the fact that there is a lack of checks in the State Demographer's regression model, the process by which the State Demographer arrives at a population estimate.

If the Census Bureau population totals are removed from NRS, what process or safeguard exists to check the Demographer's regression model and inputs that seem to change every year? For example, this year's regression model for Clark County provided five justified data ranges for a rate of growth between minus 0.4 percent and 13.2 percent. This range difference multiplies out to 625,000 residents for Clark County, more than the entire population of Washoe County.

This leaves the door wide open for interpretation. Without a transparent and reliable standard for inputs and a regression model, S.B. 74 will only add to existing confusion in regard to CTAX disbursements. It will overload the State and Department of Taxation with increasing appeals and review requests year after year.

The CTAX is one of the primary ways local governments provide equitable, essential services for the community and is heavily impacted by the population growth rate.

MS. YOUNG:

We met with Mr. Luke today as he shared his concerns. The Department has its regulatory process which outlines what the State Demographer uses as a model. Mr. Hardcastle has ongoing discussions with the local government planning departments to update population estimates.

We are willing to have further conversations to ensure the revenue distributed to local governments is done in a fair, efficient process.

MR. HARDCASTLE:

We had extensive conversations with the City of North Las Vegas. Johanna Murphy, Principal Planner for North Las Vegas, and her staff have been contributing to the local population estimates. Clark County is one of two jurisdictions in the State that does its own housing unit-based population estimate. We continue to work with them.

CHAIR NEAL:

Did you have a chance to see the letter and data that North Las Vegas put on the record as [Exhibit J](#)? It speaks to its concerns with the regression models and the wide range of population growth rate estimates that Mr. Luke mentioned.

MR. HARDCASTLE:

I did not see the exhibit yet, but it may be similar to the information provided in the appeal. Clark County staff put a great deal of effort into the local housing unit estimate. I present the population estimates to those staff members. I have always tried to be as transparent as possible in presenting the alternatives for the regression model. I want feedback on those models.

KELLY CROMPTON (City of Las Vegas):

After listening to the hearing, we have a bit more understanding of the intent of this legislation. While we agree with the presenters that there are mathematical oddities and a need for housekeeping within the law, we have concerns with the process used by the State Demographer.

We oppose S.B. 74 as written and oppose removing the decennial Census from the process. The Census Bureau data serves as a check on the State Demographer's population estimates.

The City of Las Vegas submitted an appeal to the State Demographer of its population estimates last year, based upon one of the allowable criteria in NAC 360.390—that an incorrect assumption was made in developing the proposed estimates. According to our appeal, the draft 2020 estimates were generated based on multiple runs of an economic regression model with multiple variable combinations. However, the outcome of these multiple runs ultimately selected was not the most statistically significant model. In fact, statistical significance does not appear to be the determining factor when selecting from multiple outcomes. The variables used in the economic regression model are inconsistent from year to year. The inconsistency in methodology results in the selection of data inputs that appear to be arbitrary.

We would welcome the opportunity to work closely with the Committee and the Department to ensure a better, more transparent, more consistent and more reliable process for determining annual population figures—which are critical in distributing taxes and formulaic grants from a variety of government agencies.

MR. HARDCASTLE:

I am submitting the packet ([Exhibit K](#)) sent to North Las Vegas, Las Vegas and Henderson as a response to their request for appeal.

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CHAIR NEAL:

Does this change prohibit using the Census Bureau's population totals or estimates for comparison?

MS. YOUNG:

The Bureau's totals are not prohibited from being used. In fact, the State Demographer uses some of the Bureau information to arrive at totals.

CHAIR NEAL:

I would direct concerned individuals to reach out to Ms. Young and her staff to work out the issues on the regression models. While that is an important issue, it is tangential to S.B. 74.

I will close the hearing on S.B. 74. Seeing no public comment, this meeting is adjourned at 2:34 p.m.

RESPECTFULLY SUBMITTED:

Barbara Williams,
Committee Secretary

APPROVED BY:

Senator Dina Neal, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Begins on Page	Witness / Entity	Description
	A	1		Agenda
S.B. 24	B	1	Joe Reel	Work Session Document
S.B. 117	C	1	Senator Heidi Seevers Gansert	Presentation
S.B. 74	D	1	Shellie Hughes / Department of Taxation	Presentation
S.B. 74	E	1	Russell Guindon	Table 1
S.B. 74	F	1	Russell Guindon	Table 2
S.B. 74	G	1	Russell Guindon	Table 3
S.B. 74	H	1	Russell Guindon	Table 4
S.B. 74	I	1	Russell Guindon	Table 5
S.B. 74	J	1	Jared Luke / City of North Las Vegas	Opposition Letter and Regression Reports
S.B. 74	K	1	Jeff Hardcastle / Department of Taxation	North Las Vegas Appeal Response