

TAX TOPICS

A publication of the Nevada Taxpayers Association, serving the citizens of Nevada since 1922.

ISSUE 1-13

ELECTRONIC EDITION

MAY, 2013

Around the Corner: The End of Session

With sessions' end on June 3, there are still many issues waiting to be resolved. Chief among these issues, and of concern to our members, are the budget and tax bills and what they will look like. The next deadlines will be for second house committee passage of bills on May 17, May 24 for second house passage and May 29 for budget bill passage and exempt bills from committee.

Revenue

The Governor presented a general fund budget of \$6.6 billion for the next biennium. Immediately proponents of various program enhancements began citing the want/need for more revenue. Depending on who wants what, the most frequently discussed range of additional revenue is \$300 million to \$800 million over the biennium. In addition to program enhancements, other monetary issues include restoring employees' salaries, eliminating furlough days, etc.

Many hoped the Economic Forums' May Forecast would be at least \$100 million greater than the December forecast. However, the general fund revenue increase for the next biennium was only \$36.7 million and for the remainder of this biennium the increase was \$7.8 million.

Tax Drivers and Taxes

A number of legislators, including Senate Majority Leader Mo Dennis, have indicated they believe that at least \$300 million more is required to fund K-12 education for class size reduction and programs for English language learners. Some other legislators believe that at least \$600 million more is needed for education funding. Chief among that group is Senate Minority Leader Michael Roberson who, as of this writing, is expected to introduce an additional 10% tax on gold and silver production in Nevada before the end of this week (week of May 6th).

Last but not least there are a couple of legislators who would like to see an increase of at least \$800 million each year of the biennium, the amount the teacher's union said their initiative for a margins tax would raise. What makes the \$800 million an interesting number is the fact it now appears to have been pulled out of thin air. It is unknown if the \$800 million is a gross or net

amount. At the joint tax committees hearing on the initiative, economist Richard Sims of the National Education Association promised the Senate Chair of Revenue and Economic Development Ruben Kihuen he would provide the econometric model that was used to estimate the \$800 million. *To date nothing has been received!*

Assembly Speaker Marilyn Kirkpatrick has introduced her "clean-up" - expansion bill of the live entertainment tax titled "The Nevada Entertainment and Admissions Tax," which aimed at consolidating the two tax rates into one, eliminating exemptions, and broadening the base. It is bound to have special interest lobbyists coming out of the woodwork to restore and/or add exemptions. As all tax bills require a 2/3s majority vote to pass in each house, it is unknown if that margin can be met and if it is met, will it face a Governor's veto.

Other tax issues include: a sales tax increase of .15% for the "more cops" program in Clark County; the property and sales tax increase to provide facilities for

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91st General Membership Meeting and Biennial Legislative Dinner

The 97th annual general membership meeting was opened by Barbara Smith Campbell, outgoing chair of the Association who introduced incoming chair David Turner. Held on February 28 at the Carson Nugget, Governor Sandoval welcomed the 300 plus attendees that included legislators and members.

Thom Reilly, professor, author and former Clark County Manager and CEO, delivered the keynote address at NTA's Legislative Dinner. His thought-provoking talk brought the broad spectrum of issues relating to public sector compensation into focus for the audience.

Describing himself as a "passionate non-partisan," Reilly categorized the policies and financial issues surrounding public pay and benefits as "bipartisan issues." He warned that failure to make needed reforms will have a profound impact on the ability of state and local governments to function effectively.

Observing that public sector pay and benefits have become a significant part of the national conversation in not just the USA but Europe as well, Reilly told the NTA audience that 34 states, including Nevada at 71%, now fall below the "red flag" funding threshold of 80%, meaning those pension funds are in serious trouble. He further advised that new accounting rules requiring uniform calculations of net pension liability which go into effect for the 2015 and 2016 fiscal years may show those gaps as even bigger.

"Some analysts have suggested that state and local governments have significantly underestimated their pension costs since they do not use their investment assumptions to project future growth and measure what they will owe retirees in the future in today's dollars," Reilly stated. "This practice has been prohibited in the private sector since 1993. In addition, the typical public pension plan assumes its investments will earn average annual returns of 8 percent over the long term. However, actual experience has been much less, 5.7 percent over the last 10 years."

Citing specific examples from around the country that have proven to be short-sighted or conflict-of-interest decisions regarding funding and asset allocations of pension funds, Reilly stated: "The lack of transparency in adopting public worker wage and benefits decisions has been occurring without the press or public taking much notice. At the local government level in Nevada and elsewhere, more often than not collectively bargained wage and benefit agreements are typically placed on the consent agenda for approval. If the agreement is discussed, the only portion covered centers

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on the cost-of-living adjustments. More costly terms, conditions, and elements of the contract, which are buried deep within the agreement, are seldom, if ever, publically discussed. Independent analyses of the cost of the increase are rarely if ever provided nor is there any discussion on how these costs will be paid for in the future."

The age-old question of parity in public versus private level compensation is not so easily answered, according to Reilly. "While there is still a lack of consensus on what pay disparities exist and whether these differences are justified between public sector and private sector employees, there seems to be little dispute with regard to benefits. Public employees have traditionally received more generous benefits... benefits that have virtually disappeared in the private sector."

That taxpayer services are necessarily being curtailed to meet soaring pension costs, according to Reilly, is compromising the responsibilities of local and state governments to citizens and may ultimately be decided by the courts. "The responsibility of government is to ensure that citizens receive essential services and it is this principle that should drive the debate and inform the development of effective solutions."

Thom Reilly's book "*Rethinking Public Sector Compensation; What Ever Happened To The Public Interest?*" was published by M.E. Sharpe Inc. in 2012. To read the full text of his speech to NTA, go to: www.nevadataxpayers.org and click on "Whats New."

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the Washoe County School District; the parcel tax of \$2.00 per acre to construct vocational schools; and an interim study on a services tax.

And while all this discussion is going about how much money over the Governor's recommendation is wanted, there are a number of tax abatement bills and the film tax credit bill, that if passed will reduce revenue available for the general fund and have some legislators looking to replace the revenue with increased tax rates!

Sixteenth Annual Cashman Good Government Award

Also recognized at the dinner were the finalists for the 16th Annual Cashman Good Government Award. Announced as the winner of the Award and receiving grateful recognition from Nevada's taxpayers at the dinner was. . . .

THE FUNDAMENTAL REVIEW PROJECT OF THE WASHOE COUNTY MANAGER'S OFFICE

Under the direction of a Citizen Committee, Washoe County completed a comprehensive Fundamental Service Review that evaluated every program and function to increase efficiency and reduce costs. The project included identification of 64 recommendations totaling \$26.8 million in potential savings, reflecting more than 50 interviews and 1800 employee suggestions. The project is now being successfully implemented in a multi-stakeholder environment, with a staff team meeting bi-weekly to manage the effort under the citizen committee. Thus far, \$1.06 million in savings has already been realized. For more information, go to: http://www.washoecounty.us/mgrsoff/Fundamental_Review_Project

Congratulations to the other finalists in this year's Cashman Good Government Award contest:

City of Las Vegas Business Licensing Department

Ms. Teri Preston, Manager of Leasing Services, Department of Administration

Elko County Public Works Technicians

The 2014 Cashman Good Government Award will be presented in February 2014 at the Association's annual meeting and luncheon in Las Vegas. If you would like to be put on the distribution list for notification when nominations open this fall, send an email to info@nevadataxpayers.org with your name and return email address.

A Special Thank You to the Sponsors of the 2013 NTA Legislative Dinner

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IN MEMORIAM - JOHN MARVEL 1926-2013

We note with regret the passing of long-time supporter and NTA Board Member Emeritus and former Assemblyman John Marvel on March 16 at the age of 86. Marvel served in the Legislature for 26 years, including time as minority leader and chairman of the Ways and Means committee, until his retirement in 2005. He had suffered from several health problems over the past six years.

First elected in 1979, Marvel was a champion of the rural areas he represented. Remembered by his gravelly voice his representation in the Assembly was first and foremost as a Nevadan and looking collectively at the state as a whole, but never forgetting his ranching heritage and rural constituency.

Our Condolences to his family.

NTA Officers and Board Elected

At the annual board meeting also held on February 28, the following officers were elected for the coming year:

Chairman: David Turner, 1st Vice Chairman: Tim Cashman;
2nd Vice Chairman: Jack Stanko; Secretary: John Gianoli;
Treasurer: Keith Pierce.

Reelected by mailed ballot to 3-year terms on the NTA Board: Mike Benjamin, Las Vegas; Barbara Smith Campbell, Reno; John R. Gibson, Las Vegas; Jay Kornmayer, Las Vegas; Robert List, Las Vegas; Berlyn D. Miller, Las Vegas; Dean Rhoads, Tuscarora; George Smith, Las Vegas; Jack Stanko, Reno; and Scott Swain, Las Vegas. Amelia McLear, Sacramento, CA was newly elected to the Board.

They join continuing Board Members: Larry W. Bennett, Carson City; Michael J. Brown, Washington, DC;

Randy J. Brown, Reno; Sharon Byram, Esq., Greenwood Village, CO; Timothy Cashman, Las Vegas; Jim Dickey, Reno; John C. Gianoli, Ely; Fred D. Gibson, Jr., Las Vegas; Terry K. Graves, Las Vegas; M. Kent (Tim) Hafen, Pahrump; Karen Haller, Las Vegas; Joshua Hicks, Reno; Jan Jones, Las Vegas; Jennifer Lewis, Las Vegas; Ann Lynch, Las Vegas; Rob MCoy, Las Vegas; William J. McKean, Reno; Monte L. Miller, Las Vegas; Ann O'Connell, Las Vegas; Kevin Orrock, Las Vegas; John H. Pettibone, Reno; Keith Pierce, Reno; Tony F. Sanchez III, Las Vegas; Liisa Lawson Stark, Sacramento, CA; D. J. Steines, Greenwood Village, CO; David Turner, Reno; and Darren L. Wilson., Las Vegas.

Emeritus Directors are: Robert Campbell, Gardnerville; T.J. Day, Reno; Charles A. Lenzie, Las Vegas; James L. Murphy; James Y. Robertson, Carson City; and Tito Tiberti, Las Vegas.

TAX TOPICS

Is a publication of the

NEVADA TAXPAYERS ASSOCIATION

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