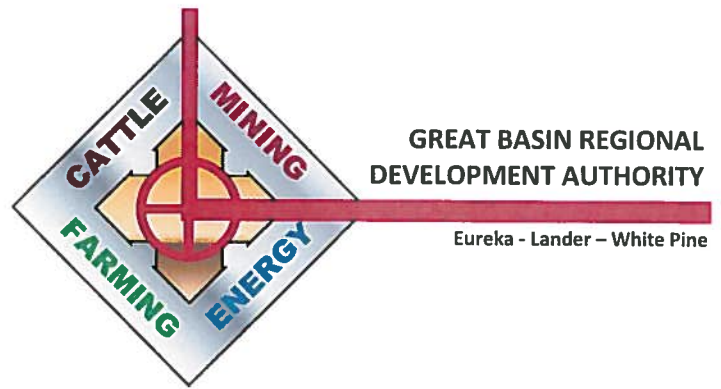


April 30, 2013

Nevada Legislation - 2013 77th Session
401 S. Carson Street
Carson City, NV. 89701-4747
ATTN: Assembly – Committee on Taxation



Chairwoman Bustamante-Adams and Committee:

White Pine, Eureka, and Lander Counties have recently formed the Great Basin Regional Development Authority. This initiative is based on the visions of AB-449 and the Nevada State Plan regarding economic development in Nevada. As the Chairwoman of this new Nevada Non-profit Corporation, our organization will adopt the mission to regionalize economic development efforts across county lines. This statement is in regards to our opinion of SJR15* and SB400 and their unintended consequences.

With 6,500+ mining jobs within our region, just under half of the states total employees within the Mining Industry, we feel the statements provided by Mr. Garza, Director of Community and Economic Development for White Pine County to his Commission, are factual based and realistic in opinions.

Based on FY 2011-2012 budgets, we have seen a decrease in the Nevada State Distributive School Fund in FY 2011-2012 from FY 2010-2011 by 10.19%, a decrease of \$10,154,271.00. It appears, based on State of Nevada, Department of Taxation, Annual Reports per Fiscal Years, the highest budget allocated since 2005 was in the amount of \$111,655,998.00 in Fiscal Year 2006-2007. Nevada has seen a decrease by 19.88% of \$22,192,290.00. Our organization agrees, that is a substantial amount of decrease that affects our educational system over a five year span.

However, what is the dollar amount of the short fall that needs to come back in the budget fund and what additional funds need to be added to provide for future development to allow Nevada to rank among the top ten best educational programs in the nation? Has an Impact Analysis been completed on the financial gains and burdens SJR15* and SB400 will have on Nevada? Will these measures create an over burdensome economic effect on the states Mining Industry while over funding the necessary amount required to make our educational system whole? Apparently, no dollar amounts have been targeted as a baseline to acquire into the fund.

I understand there are many other measures being acted on today that will bring a surplus of funding into the Nevada's educational budget in the near future. Have these dollar amounts been calculated and determined as to what percentage will be regained based on the shortfalls incurred by other efforts above these two Bill actions?

Great Basin Regional Development Authority understands measures need to be taken to improve our State Distributive School Fund allocation, but shouldn't we have a handle on what new balances need to be targeted and what are all the measures being enacted on now to meet those new balance demands. This only makes "good accounting" sense and allows Nevada to show "good stewardship" practices.

GBRDA is asking for your vote against SJR15* and SB400 until an Impact Analysis has been conducted. Please consider our opinion of SJR15* and SB400 and their unintended consequences.

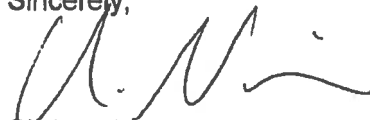
Respectfully submitted:


Laurie L. Carson

Chairwoman - Great Basin Regional Development Authority
Vice Chair – White Pine County Commission

| Distributions | 2010 - 2011 | 2011 - 2012 | Increase/ (Decrease) | Percent Change |
|--|-------------------------|-------------------------|-------------------------|-------------------|
| State General Fund | \$ 1,901,408,712 | \$ 1,835,497,264 | \$ (65,911,448) | -3.47% |
| State Distributive School Fund | 99,617,980 | <u>89,463,708</u> | (10,154,271) | -10.19% * |
| Local Governments | 2,437,051,401 | 2,606,151,627 | 169,100,225 | 6.94% |
| Other Distributions | 23,175,974 | 147,157,296 | 123,981,322 | 534.96% |
| Estate Tax Reserve, Endowment and Trust Funds | 116,964 | 29,239 | (87,725) | -75.00% |
| State Debt Service Fund | 12,837,953 | 13,588,784 | 750,830 | 5.85% |
| Total | <u>\$ 4,474,208,984</u> | <u>\$ 4,691,887,917</u> | <u>\$ 217,678,933</u> | <u>4.87%</u> |

Sincerely,



Christopher Nielsen
Executive Director

RESOURCE: STATE OF NEVADA
DEPARTMENT OF TAXATION
ANNUAL REPORT FISCAL 2011-2012

| Distributions | 2005 - 2006 | 2006 - 2007 | Increase/ (Decrease) | Percent Change |
|--|-------------------------|-------------------------|-------------------------|-------------------|
| State General Fund | \$ 1,903,859,244 | \$ 1,931,824,665 | \$ 27,965,420 | 1.47% |
| State Distributive School Fund | 94,428,822 | <u>111,655,998</u> * | 17,227,177 | 18.24% |
| Local Governments | 2,674,865,272 | 2,733,038,247 | 58,172,975 | 2.17% |
| Other Distributions | 21,102,872 | 21,717,431 | 614,558 | 2.91% |
| Estate Tax Reserve, Endowment and Trust Funds | 6,751,949 | 2,063,308 | (4,688,640) | -69.44% |
| State Debt Service Fund | 5,294,997 | 6,148,312 | 853,315 | 16.12% |
| Total | <u>\$ 4,706,303,156</u> | <u>\$ 4,806,447,960</u> | <u>\$ 100,144,804</u> | <u>2.13%</u> |

Sincerely,

Dino DiCianno
Executive Director

RESOURCE: STATE OF NEVADA
DEPARTMENT OF TAXATION
ANNUAL REPORT FY 2006-2007

White Pine County Community and Economic Development

Courthouse Annex • 957 Campton Street • Ely, Nevada 89301
(775) 293-6592 • Fax (775) 289-8860

April 19th, 2013

County Commission
953 Campton St.
Ely, NV. 89301

RE: SJR15* and SB400

Chairman and Board,

Our office has been researching to gain knowledge of the history, current status and the implications SJR15* and SB400 will have on rural communities. I have held conversations with Terry Rubald (Depart of Taxation), Michael Mears (Eureka County Assessor), and Todd Valline (Governor’s Office of Economic Development – Mining Specialist). Based on those conversations, I have concluded the following potential scenarios that could have a lasting effect on many Nevada rural community’s way of life.

The Article 10 of the Nevada Constitution, ratified in 1865, provided that only the net proceeds from mines (NPOM) and mining claims will be taxed. Between 1865 and 1989 the net proceeds from minerals tax rate was the same rate as the property tax in each county. In 1989 voters amended the Nevada Constitution to set the maximum net proceeds of minerals tax rate on royalties at 5%, separate from the local property tax with the exception to sand and gravel products. To further explain this Special Tax, NPOM revenue above \$4M will have a capped 5% tax, calculated at the following formula; Fixed County Property Tax Rate + Adjusted State Special Tax Rate = 5% NPOM Tax rate cap on production.

This NPOM Tax encompasses Gold, Silver, Copper, Oil, Gypsum and other industrial minerals. Geothermal resources are considered mined minerals as noted, however, their tax rate are always taxed at the same rate as the local property tax rate of the county in which the plant is located. Clark County has the lion’s share of industrial minerals such as gypsum. Note below that Geothermal and Gypsum current operations have the highest percentage of allowed deductions to offset NPOM tax liabilities owed.

| Net Proceeds of Mines Revenue Based on Mineral Content | 2010 Actual Gross Proceeds | 2010 Actual Net Proceeds | % of Bus Deductions Allowed to Lower Tax Liability Owed |
|---|-------------------------------|-----------------------------|---|
| Gold/Silver | 6,642,609,597 | 2,991,061,386 | 54.97% |
| Copper | 488,799,008 | 199,094,719 | 59.27% |
| Geothermal | 145,265,422 | 26,097,565 | 82.03% |
| Gypsum | 11,732,807 | 383,821 | 96.73% |
| Oil | 26,665,355 | 16,357,939 | 38.65% |
| Others | 223,671,341 | 42,441,315 | 81.03% |
| Resource: NV Dept. of Taxation 2010-2011 Net Proceeds of Minerals Bulletin. | | | Average |
| | | | 68.78% |

The Geothermal and Gypsum Industry business and accounting practices of operational costs and allowable deductions against gross proceeds should be audited to compare to other industries as a quality control measure.

| Net Proceeds of Mines Revenue Based on Allowed Deductions to Reduce NPOM Tax Liability/County | 2010 Actual Gross Proceeds | 2010 Actual Net Proceeds | % of Bus Deductions Allowed to Lower NPOM Tax Liability | |
|--|---------------------------------------|-------------------------------------|--|---------------|
| Churchill | 90,172,051 | 22,652,197 | 74.88% | |
| Clark | 25,061,228 | 1,234,968 | 95.07% | |
| Douglas | 14,674 | 14,674 | 0.00% | |
| Elko | 658,437,891 | 272,099,007 | 58.68% | |
| Esmeralda | 14,976,018 | 7,015,362 | 53.16% | |
| Eureka | 2,585,910,792 | 966,181,387 | 62.64% | |
| Humboldt | 1,037,273,892 | 303,504,868 | 70.74% | |
| Lander | 1,802,810,096 | 1,023,033,616 | 43.25% | |
| Lincoln | 963,280 | 63,914 | 93.36% | |
| Lyon | 9,252,438 | 503,721 | 94.56% | |
| Mineral | 31,713,843 | 19,025,195 | 40.01% | |
| Nye | 483,635,832 | 176,531,168 | 63.50% | |
| Pershing | 176,734,046 | 59,145,409 | 66.53% | |
| Storey | 14,813,905 | 354,160 | 97.61% | |
| Washoe | 47,821,509 | 991,867 | 97.93% | |
| White Pine | 559,152,035 | 185,181,241 | 66.88% | |
| Resource: NV Dept. of Taxation 2010-2011 Net Proceeds of Minerals Bulletin. | | | Average | 67.42% |

Per the chart above, based on over one million dollars in gross proceed revenues, it appears Clark, Storey, Lyon and Washoe Counties have the highest averages for NPOM allowable deductions that effect their ability to benefit from NPOM taxes, yet these counties seem to have the most need for tax revenues. These top four counties with the highest percentages of allowable deductions against gross proceeds of minerals should audit each industry within its county lines to evaluate the difference in business and accounting practices as accustomed on average throughout all NPOM contributing industries in the state to potentially capture loss tax revenue?

In May of 2011, the State Senate voted to approve Senate Joint Resolution 15 (SJR15) (first year not to confuse with SJR15 presented in this year's session) that would eliminate the implemented 5% Special Tax Cap imposed and replace such taxes with an equal rate of assessment and taxation that shall be comprised of a just valuation for taxation on all property; real, personal and possessory. The two main groups behind changing the constitution to eliminate caps on mining taxation are the Nevada Teachers' Association and the Progressive Leadership Alliance of Nevada.

This new tax structure will affect all industries that extract and produce finished mineral products and sell those minerals and/or transport those minerals out of the state prior to selling. SJR15 was passed in 2011 and is being re-presented in the 2013 legislative session as SJR15*.

SJR15* would also remove the rights established to the counties that host these mining operations, with the ability to levy a Special Tax at the assessed Real Property Value of the minerals extracted and sold and/or transported out of the state, reducing their overall tax revenues to the county. This Special Tax revenue, when collected, was to be utilized in county government on specific “one-time” expenditures that did not pertain to normal operations of county functions to offset impacts created by these mining operations, to ensure a balance of new jobs created with community assets (schools, hospitals, housing, emergency services, humanitarian issues, etc.).

Below is a list of the financial support White Pine County has been able to assist different areas of needs within its community that may no longer be funded from this Special Tax if removed. Over the last (5) years, this additional income has increased our budgets by 49%. The rows highlighted in red are identified as “most at risk” to affect our community with negative impacts.

| White Pine County | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| GENERAL FUND | \$ 3,698,602.74 | \$ 4,385,579.14 | \$ 3,850,281.71 | \$ 4,132,801.33 | \$ 1,644,843.60 |
| AG DIST #13 | \$ 79,475.85 | \$ 93,284.01 | \$ 80,212.69 | \$ 86,801.10 | \$ 34,667.69 |
| EMS | \$ 79,475.85 | \$ 93,284.01 | \$ 80,212.69 | \$ 86,801.10 | \$ 34,667.69 |
| AG EXTENSION | \$ 22,707.38 | \$ 26,652.57 | \$ 22,917.90 | \$ 24,800.31 | \$ 9,905.05 |
| INDIGENT | \$ 227,073.85 | \$ 266,525.75 | \$ 229,179.10 | \$ 248,003.16 | \$ 99,050.53 |
| CAPITAL IMPROVEMENTS | \$ 83,052.26 | \$ 97,481.79 | \$ 83,822.26 | \$ 90,707.16 | \$ 36,227.73 |
| OPERATING DEBT | \$ 136,244.31 | \$ 115,535.64 | \$ 20,119.07 | \$ - | \$ - |
| SENIOR CENTER | \$ 45,414.77 | \$ 53,305.15 | \$ 45,835.83 | \$ 108,646.94 | \$ 49,525.27 |
| CITY OF ELY | \$ 25,909.13 | \$ 30,410.59 | \$ 26,149.34 | \$ 28,297.16 | \$ 11,301.67 |
| CHINA SPRINGS | \$ 16,803.46 | \$ 19,722.90 | 16959.26 | \$ 14,808.08 | \$ 5,546.83 |
| STATE INDIGENT | \$ 227,073.85 | \$ 266,525.75 | \$ 229,179.09 | \$ 248,003.16 | \$ 99,050.53 |
| STATE INDIGENT ACCIDENT | \$ 34,061.08 | \$ 39,978.86 | \$ 34,376.86 | \$ 37,200.47 | \$ 14,857.58 |
| HOSPITAL DISTRICT | \$ 1,226,198.78 | \$ 1,439,239.00 | \$ 1,237,567.14 | \$ 1,339,217.07 | \$ 534,872.88 |
| SCHOOLS | \$ 1,703,053.86 | \$ 1,998,943.07 | \$ 1,718,843.27 | \$ 1,860,023.70 | \$ 742,879.01 |
| SCHOOLS/BOND | \$ 565,413.88 | \$ 663,649.10 | \$ 570,655.96 | \$ 617,527.87 | \$ 246,635.83 |
| LUND TOWN | \$ 669.87 | \$ 786.25 | \$ 676.08 | \$ 731.61 | \$ 292.20 |
| MCGILL TOWN | \$ 3,122.27 | \$ 3,664.73 | \$ 3,151.22 | \$ 3,410.04 | \$ 1,361.94 |
| RUTH TOWN | \$ 783.40 | \$ 919.51 | \$ 790.68 | \$ 855.61 | \$ 341.72 |
| ASSESSOR TECH FEES | \$ 166,839.52 | \$ 195,826.28 | \$ 168,386.31 | \$ 182,217.07 | \$ 72,776.08 |
| | | | | | |
| TOTALS | \$ 8,341,976.11 | \$ 9,791,314.10 | \$ 8,419,316.46 | \$ 9,110,852.94 | \$ 3,638,803.83 |
| WPC Budget Total | \$ 14,108,491.00 | \$ 14,828,235.00 | \$ 17,176,068.00 | \$ 17,700,274.00 | \$ 18,679,368.00 |
| Percentage of Loss | 59.13% | 66.03% | 49.02% | 51.47% | 19.48% |

Secondly, below is a spreadsheet of the effects SJR15 (first year) will have on current rural county economics similar to White Pine Counties financial burdens if SJR15* gets passed by Nevada voters in November, 2014, putting their financial impact solutions at risk as well.

State of Nevada - Department of Taxation

| Net Proceeds of Mines Revenue (NPOM) | 2007-2008 | 2008-2009 | 2009-2010 | 2010-2011 | 2011-2012 | Estimated Revenue % |
|--|---------------|---------------|---------------|---------------|---------------|---------------------------------|
| | | | | | | Loss |
| | | | | | | 5 Year Ave as of 1/1/2015 |
| Total Paid by Mining Industry @ 5% | 74,129,804 | 145,449,950 | 168,695,319 | 242,605,014 | 253,311,919 | |
| Total State Fiscal Budget | 4,632,233,269 | 4,182,178,734 | 4,220,648,952 | 4,474,208,984 | 4,691,887,917 | |
| NPOM % of Revenue to State of Nevada | 1.60% | 3.48% | 4.00% | 5.42% | 5.40% | 3.98% |
| NPOM Revenue To Clark County | 42,187 | 101,020 | 82,856 | 3,413 | 110,102 | |
| Clark County Total Fiscal Budget | 5,797,853,294 | 6,263,804,987 | 6,449,346,546 | 6,251,671,997 | 6,020,179,983 | |
| NPOM % of Revenue to Clark County | 0.00073% | 0.00161% | 0.00128% | 0.00005% | 0.00183% | 0.00% |
| NPOM Revenue To White Pine County | 8,341,976 | 9,791,314 | 8,419,316 | 9,110,853 | 3,638,804 | |
| White Pine County Total Fiscal Budget | 14,108,491 | 14,828,235 | 17,176,068 | 17,700,274 | 18,679,368 | |
| NPOM % of Revenue to White Pine County | 59.13% | 66.03% | 49.02% | 51.47% | 19.48% | 49.03% |
| NPOM Revenue To Elko County | 1,207,086 | 6,910,260 | 7,265,521 | 5,367,652 | 9,124,327 | |
| Elko County Total Fiscal Budget | 83,142,536 | 95,049,243 | 88,271,439 | 82,824,746 | 56,559,319 | |
| NPOM % of Revenue to Elko County | 1.45% | 7.27% | 8.23% | 6.48% | 16.13% | 7.91% |
| NPOM Revenue To Eureka County | 9,946,215 | 25,224,068 | 19,262,444 | 28,712,022 | 25,678,553 | |
| Eureka County Total Fiscal Budget | 20,290,649 | 25,151,969 | 29,743,691 | 22,596,751 | 36,139,069 | |
| NPOM % of Revenue to Eureka County | 49.02% | 100.29% | 64.76% | 127.06% | 71.05% | 82.44% |
| NPOM Revenue To Humboldt County | 5,380,223 | 7,728,020 | 8,302,728 | 8,762,066 | 14,435,501 | |
| Humboldt County Total Fiscal Budget | 25,641,281 | 27,494,179 | 28,811,930 | 29,726,910 | 29,349,643 | |
| NPOM % of Revenue to Humboldt County | 20.98% | 28.11% | 28.82% | 29.48% | 49.18% | 31.31% |
| NPOM Revenue To Lander County | 3,067,539 | 4,774,734 | 31,699,278 | 61,201,369 | 58,470,736 | |
| Lander County Total Fiscal Budget | 22,063,306 | 19,791,010 | 21,093,355 | 25,031,554 | 41,868,397 | |
| NPOM % of Revenue to Lander County | 13.90% | 24.13% | 150.28% | 244.50% | 139.65% | 114.49% |
| NPOM Revenue To Nye County | 6,062,878 | 9,109,836 | 8,723,557 | 6,380,258 | 9,072,296 | |
| Nye County Total Fiscal Budget | 92,552,450 | 116,737,964 | 125,016,589 | 101,080,336 | 108,293,611 | |
| NPOM % of Revenue to Nye County | 6.55% | 7.80% | 6.98% | 6.31% | 8.38% | 7.20% |
| NPOM Revenue To Pershing County | 1,499,991 | 1,705,206 | 1,017,047 | 1,205,927 | 1,917,981 | |
| Pershing County Total Fiscal Budget | 10,396,264 | 11,863,756 | 13,083,158 | 13,377,610 | 13,489,563 | |
| NPOM % of Revenue to Pershing County | 14.43% | 14.37% | 7.77% | 9.01% | 14.22% | 11.96% |

Resource: State of Nevada Department of Taxation Annual Reports 2007-2008, 2008-2009, 2009-2010, 2010-2011, and 2011-2012.

Finally, SJR15* would remove the exemption of patented mines from paying fair market value per Real Property Taxes. Unpatented mining claims shall no longer be exempt from fair market value per Real Property Taxes. And possessory mineral values on or below the ground will no longer be exempt from fair market value per Real Property Taxes, until recovered and becoming Personal Property and valued as such. This measure will have a negative effect on county and state revenues. It will cost each County Assessor Office many man hours to even develop a formula, defend itself in court against unfair tax practices and incur legal and administrative costs to impose and collect such fees while defending itself in court against mineral right holders.

This will create an unpleasant working relationship between the Mining Industry and local governments. Currently, in 2011, the Mining Industry has contributed more than 7,000 volunteer hours per rural community supports services, \$5.3M in financial and community support outside of Net Proceeds of Mine Taxes, improving educational and community service efforts. These current benefits will be at risk and we'll see reductions in contributions to the communities.

SJR15* (* second legislative session presented) has currently passed the Senate but has been referred back to the Senate, to then forward to the Assembly for review by the Committee on Taxation.

Senate Bill 400 coincides with SJR15*, in that, if SJR15* becomes enacted by the voters on November 4th, 2014, SB400, if passed, will impose the following changes.

1. All minerals (not just precious metals) on the surface or in the ground that have not been extracted from its natural state, will no longer be considered personal property awaiting to be retrieved and then assessed, but will now be considered Real Property, as it is attached to the ground surface in its natural state or is embedded in the ground and will have to be estimated for fair market value per a new formula so it can be assessed as Real Property along with the land mass itself.

Who will this effect?

| | |
|--|--|
| (24) Gold/Silver Mining Operations with | \$6,642,609,597 in 2010 Gross Proceeds |
| (1) Copper Mining Operation with | \$488,799,008 in 2010 Gross Proceeds |
| (15) Geothermal Mining Operations with | \$145,265,422 in 2010 Gross Proceeds |
| (3) Gypsum Mining Operations with | \$11,732,807 in 2010 Gross Proceeds |
| (17) Oil Mining Operations with | \$26,665,355 in 2010 Gross Proceeds |
| (4) Barite Mining Operations with | \$49,308,940 in 2010 Gross Proceeds |
| (2) Bentonite Mining Operations with | \$230,330 in 2010 Gross Proceeds |
| (5) Clay Mining Operations with | \$5,872,618 in 2010 Gross Proceeds |
| (8) Diatomaceous Earth Mining Oper. with | \$85,280,013 in 2010 Gross Proceeds |
| (2) Dolomite Mining Operations with | \$6,252,668 in 2010 Gross Proceeds |
| (2) Iron Mining Operations with | \$834,587 in 2010 Gross Proceeds |
| (4) Limestone Mining Operations with | \$32,052,620 in 2010 Gross Proceeds |
| (1) Lithium Mining Operation with | \$14,526,203 in 2010 Gross Proceeds |
| (1) Magnesite Mining Operation with | \$5,572,698 in 2010 Gross Proceeds |
| (1) Moly Mining Operation with | \$10,467,865 in 2010 Gross Proceeds |
| (3) Opal Mining Operations with | \$196,228 in 2010 Gross Proceeds |
| (2) Perlite Mining Operations with | \$1,412,846 in 2010 Gross Proceeds |
| (1) Salt Mining Operation with | \$776,790 in 2010 Gross Proceeds |
| (2) Silica Mining Operations with | \$10,797,148 in 2010 Gross Proceeds |

What will be the reaction to these (98) Nevada Corporations to these bills and will Nevada see a reduction within the 28,300 employees comprising the Natural Resources and Metal Ore Mining Industry with an existing Nevada 9.1% unemployment rate as of March 2013 (DETR)?

2. All existing unpatented mines and mining claims will no longer be exempt from Real Property Taxes and the land mass and its forecasted minerals residing on the ground or in the ground in its natural state, will be taxed as Real Property Tax, regardless if the property is undisturbed and in its virgin state.

Current unpatented mine and mining claim property stakeholders registered at the Bureau of Land Management, whether for any of the (20) minerals stated prior, have spent a nominal amount of funds to obtain these rights and/or continue to hold these rights, in some cases, for more than (100) years passed on by generations as an inherited asset.

Many of these real property right holders have managed to control their claims with minimal fee's required to continue their rights. Many claims are for recreational use by families for weekend excursions from populated areas into rural communities that capture the tourism type of income to its tax base.

To place a burden on each real property right holder, whether for future commercial use or not, may have a negative effect on the federal, state and local economy as many right holders will relinquish their claim rights based on not willing to incur the costs above what has been levied to continue to occupy the property rights to ownership. Based on past data of the percentage of successful mines that have been developed from the percentage of unpatented mines and mining claims, it may be said that that percentage is very low.

With that being said, will SB400 have a negative effect on the tourism economy, so dependent by this state, where a majority percentage of the existing claims will be released back to the Bureau of Land Management with no revenue to BLM or County?

It has been stated that the implementation of SJR15* and SB400 are not intended to create damages to counties dependent of NPOM revenues to help with special needs within the communities that normally would not have access to funding resources to offer their needed services into the community to offset the burdens placed on these communities by the presence of mining employees and their families. The NPOM has been a blessing in that it has allowed rural communities, with industrial minerals and precious metal mining operations, to offset impacts imposed by these mining operations within the community that hosts them.

This availability of funds has been the resource tool utilized to create harmony among mining operations and their communities. However, if and when NPOM revenues are lost, many community services currently offered will no longer be able to sustain service operations within their respected communities. We have seen these comments made in reference to statements of record provided by local hospital facilities and school districts. Healthcare and education are major initiatives receiving positive attention from our federal government, yet our state government could make decisions that would further this problem in Nevada.

On February 22, 2013, the State of Nevada Legislative Counsel Bureau drafted a response to Senator Michael Roberson, addressing questions the Senator had concerns with SJR15*. Brenda J. Erdoes, Legislative Counsel, addressed the Senator's questions with statements that do not reflect the same interpretation from the Mining Industries legal counsel. Therefore, the State of Nevada is under the perception that it has the right to continue to levy the Mining Industry with a tax to replace the lost revenues to the state and local governments from the current NPOM. The Mining Industry disagrees with the States opinion to levy any Special Tax based on current law AND not imposed and/or protected against, by the Nevada Constitution.

If the Mining Industry does not agree with Counsel Ms. Erdoes statements and refuses to pay a Special Tax outside of normal business operations for all business's in whole that is no longer justified in the Nevada Constitution, are local government going to suffer from the timeframe of years this issue could be in litigation? The answer is YES! And once this issue is settled, since NPOM have been collected a year in advance, the Mining Industry will need to be given an additional year after resolutions had been agreed upon before like-type payments would be made.

Lastly, what has been the percentage of local government success in collecting real property taxes from BLM managed real property right holders with no avenues to lien BLM held public lands or assets held by the right holder in different states and countries outside their markets? The answer is "VERY LITTLE COLLECTION PERCENTAGES HAVE BEEN GAINED."

The point being, you may find that a low percentage of success has been achieved by local governments to collect real property taxes on BLM managed real property assets, being able to lien assets outside of their markets due to budget constraints to travel and administrative costs to continue to lien assets every six months as required by law to be enforceable by Title Companies, etc.

Secondly, it is impossible to lien Bureau of Land Management issued property rights to unpatented mine and mining claim right holders related to SJR15* and SB400 initiatives expecting to impose new real property tax levies. This statement would pertain to BLM issued Oil and Gas Lease rights as well.

How long could the State and the Mining Industry be in litigation to resolve the dispute regarding NPOM taxes to be levied and how will this period of time, without such payments, have an effect on all local government finances, including our metropolitan areas, as well as our rural communities? Based on the last (5) years of NPOM's collected, the State's budget has increased by an average of 3.98 Percent. Can the state afford this loss as well?

State of Nevada - Department of Taxation

Net Proceeds of Mines Revenue (NPM)

Total Paid by Mining Industry @ 5%
 Total State Fiscal Budget
 NPM % of Revenue to State of Nevada

| | 2007-2008 | 2008-2009 | 2009-2010 | 2010-2011 | 2011-2012 | Estimated Rev % Loss 5 Year Ave |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|------------------------------------|
| Total Paid by Mining Industry @ 5% | 74,129,804 | 145,449,950 | 168,695,319 | 242,605,014 | 253,311,919 | |
| Total State Fiscal Budget | 4,632,233,269 | 4,182,178,734 | 4,220,648,952 | 4,474,208,984 | 4,691,887,917 | |
| NPM % of Revenue to State of Nevada | 1.60% | 3.48% | 4.00% | 5.42% | 5.40% | 3.98% |

Resource: State of Nevada Annual Budget Reports.

In conclusion,

The Geothermal and Gypsum Industry business and accounting practices of operational costs and allowable deductions against gross proceeds should be audited to compare to other industries as a quality control measure to potentially provide additional revenue to those counties in need.

The top four counties with the highest percentages of allowable deductions against gross proceeds of minerals need to audit each industry within its county lines to evaluate the difference in business and accounting practices as accustomed on average throughout all industries.

SB400 may push many or all of the existing (98) Nevada Mineral Mining Corporations to close their doors in Nevada and potentially layoff 28,300 Nevadan's based on their inability to produce profits acceptable to their investors, due to the new implemented real property tax burdens on unknown mineral values on the surface and/or in the ground in its natural state.

SB400 will have a negative effect on the tourism economy, so dependent by this state, where a dominant majority percentage of the existing unpatented mines and mining claims, if and when are released back to the Bureau of Land Management, with no revenue to anyone afterwards.


It is impossible to lien the mineral rights issued by the BLM office to right holders willing to pay a small fee to hold such rights annually with unknown amounts of potential minerals available in their natural state.

How long will litigation prevent the access to tax funds to replace those funds that are currently being paid by the Special Tax per NPOM's and what effects will it have on the budgets of the State and all local governments, including the metropolitan areas in the interim?

This litigation process and the lack of support to the local governments addressing the impacts imposed by the mining operations within their communities will create a negative working relationship between the local governments and mining operations staff, reversing the collaborated partnerships that have been created over years of supporting each other.

There has to be an answer to improve funding to educational initiatives. I would suggest assessing the districts educational budgets first, within each district, and make sure there is uniform spending per pupil on instruction, nutrition and welfare before looking outside to rectify budget shortfalls. Review the "Nevada Annual Report of Accountability" <http://nevadareportcard.com/> available online per each county and school district and compare, overall, these areas of financial expenditure accountability identified in these reports; Instruction, Instruction Support, Operations, Leadership, and Total Expenditures.

What measures have been put into place to improve communications among all school districts to share assets, equipment, teacher county (foreign) exchange cross training within state boundaries, federal grant initiatives to address nutrition as a multiple county collaboration, etc.? Are farmers in the north providing fresh local grown foods to the schools in the south? Is there a website our school district can review available assets Clark County School District has available for sale so we don't buy outside the state?

Respectfully Submitted, 
Jim Garza - Director - Community and Economic Development
White Pine County, Nevada