

APPLIED  
ANALYSIS 

*Las Vegas*

LAS VEGAS  
CONVENTION  
AND VISITORS  
AUTHORITY

THE FISCAL IMPACT OF SOUTHERN NEVADA TOURISM:

# 2017

## VISITOR TAX CONTRIBUTIONS TO EDUCATION

**NOVEMBER 2018**

ECONOMIC IMPACT SERIES BRIEF





## EXECUTIVE SUMMARY

Applied Analysis was retained by the Las Vegas Convention and Visitors Authority (“LVCVA”) to review and analyze the economic impacts associated with its various operations and the overall tourism industry in southern Nevada. As reported in previous editions of the *Economic Impact Series Brief*, visitors to the region contribute more than \$2.2 billion in sales tax and industry-specific revenues that fund a wide variety of governmental services. A significant portion of these revenues provide funding for Nevada’s schools and universities. This brief focuses on visitor contributions to sales taxes, transient lodging (room) taxes, gaming taxes and other public revenues that fund education throughout the state.

- Visitors to southern Nevada accounted for more than \$1.0 billion in tax revenues dedicated to statewide education-related purposes in fiscal year 2017. This equates to an annual tax savings of \$350 for every resident in the state and \$958 for every household. Of the total education-related revenue generated by southern Nevada’s tourism industry, 75.5 percent of the total, or \$791.8 million remained in Clark County, equating to \$359 in tax savings for every southern Nevada resident and \$1,013 per household.
- Spending by the 42.8 million visitors who traveled to southern Nevada during fiscal year 2017 generated \$712.1 million in sales and use tax revenue, \$329.2 million of which funded education throughout the state. This amount includes \$229.1 million received by the Clark County School District (“CCSD”) via the 2.6 percent Local School Support Tax as well as state sales tax revenues that are deposited into the state’s General Fund and distributed through the Nevada Department of Education and the Nevada System of Higher Education.
- Transient lodging taxes, also known as room taxes, attributable to visitors generated \$267.0 million in revenue for education statewide. Most of that total, \$169.8 million, was derived from a 3 percent room tax rate that helps fund the state’s Distributive School Account. Another \$97.2 million in room taxes is distributed to CCSD’s Bond Fund for school construction.
- Gaming taxes and fees attributed to Clark County visitors produced \$295.9 million in statewide education funding. These revenues included the tax on gross gaming revenue and various gaming fees that are collected by the state General Fund before distribution to Nevada education agencies. They also included the annual slot tax, which generated \$17.6 million for the state’s Distributive School Account and \$8.0 million for higher education capital projects.
- The live entertainment tax generated \$64.4 million in Clark County for education. All live entertainment tax revenues are directed to the state General Fund before portions are distributed to the state Department of Education and the System of Higher Education.
- Property taxes on southern Nevada hotels and casinos generated \$92.4 million for educational purposes, all of which remained in Clark County. Of that, \$52.6 million was distributed to the CCSD general fund and \$39.7 million was directed to the district’s debt service fund.
- CCSD, charter schools and colleges in Clark County retained the majority of education-related revenues generated by the southern Nevada tourism industry. In all, they received \$791.8 million of the \$1.0 billion in total revenues. The remaining \$257.0 million was distributed throughout the rest of the state.

## EDUCATION FUNDING IN SOUTHERN NEVADA

From elementary schools to universities, the public education system in Nevada is funded by a combination of local, state and federal revenues. In southern Nevada, the Clark County School District (“CCSD”) receives a variety of direct local revenues, including room and property taxes, which fund classroom instruction and operations as well as school construction and other capital projects. The district also receives funding from the state Department of Education, including portions of sales, room, property and gaming tax revenue, as well as from the federal government. In total, CCSD reported \$3.3 billion<sup>1</sup> in revenue in fiscal year 2017.

The Nevada Department of Education funds school districts throughout the state through the Nevada Plan for School Finance and the state’s Distributive School Account and by providing grants for specific programs or activities, such as class size reduction, full-day kindergarten, Read by Three, Zoom Schools and Victory Schools. The department receives funding from many sources, including room taxes, slot taxes and the state General Fund. In fiscal year 2017, the Department of Education received \$2.5 billion<sup>2</sup> in total revenue.

The Nevada System of Higher Education (“NSHE”) manages the state’s post-secondary institutions, including University of Nevada, Las Vegas,

and University of Nevada, Reno. In fiscal year 2017, the system received \$898.9 million<sup>3</sup> in revenue for its state-supported operating budget. About two-thirds of this amount was appropriated via the state General Fund, while the remaining amount was generated via other sources, including student tuition, registration fees and federal grants.

As the state’s largest industry, the tourism sector generates a large share of funding across all levels of the education system. In southern Nevada, significant portions of revenue in fiscal year 2017 were sourced to spending on rooms, entertainment, dining and shopping by the 42.8 million visitors who traveled to the region. Additional revenues were provided by property taxes generated by the region’s hotel and casino properties as well as gaming taxes and fees. In fiscal year 2017, the southern Nevada tourism industry generated an estimated \$1.0 billion in revenue for education-specific purposes statewide. It is beyond the scope of this analysis to examine revenues from the general taxes and fees that apply to all businesses, which makes the \$1.0 billion estimate relatively conservative as it does not include these general tax revenues from the many businesses that are related either directly or indirectly to southern Nevada’s tourism industry.



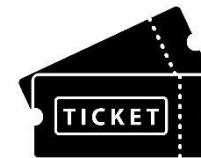
**Sales and Use Tax**  
**\$329.2 million**



**Room Tax**  
**\$267.0 million**



**Gaming Taxes and Fees**  
**\$295.9 million**



**Live Entertainment Tax**  
**\$64.4 million**



**Property Taxes**  
**\$92.4 million**

<sup>1</sup> Clark County School District Comprehensive Annual Financial Report, FY2017.  
<sup>2</sup> Nevada Open Checkbook, openbudget.nv.gov.

<sup>3</sup> Ibid.

## SALES AND USE TAX

In 2017, southern Nevada visitors spent an estimated \$34.8 billion on a wide range of categories, including lodging, food and beverage, local transportation and shopping.<sup>4</sup> Of that total, an estimated \$10.0 billion in spending in food and beverage and shopping was assumed to be subject to the sales and use tax.<sup>5</sup> That amount equaled 24.1 percent of the \$41.5 billion in taxable retail sales in Clark County in 2017 and 17.3 percent of the \$57.7 billion in taxable retail sales statewide.<sup>6</sup>

The sales and use tax revenue generated by southern Nevada visitors provides both direct and indirect funding to education. Direct funding is generated by the Local School Support Tax (“LSST”), a 2.6 percent sales tax and use rate that applies statewide to goods sold at retail. Revenue produced by the tax is distributed to the school district in the county where the retail sale was made. In Clark County, the LSST produced \$948.9 million in revenue in fiscal year 2017, of which an estimated \$229.1 million

was sourced to visitor spending. LSST revenue is deposited into the Clark County School District general fund, which funds district operations.<sup>7</sup>

Spending by southern Nevada visitors indirectly produced an additional \$100.1 million in combined sales tax revenues for education in Nevada. This revenue is based on the estimated \$196.6 million in sales tax revenues generated by southern Nevada visitors that flowed into the state General Fund in fiscal year 2017. General Fund revenue is distributed to many state agencies and departments, including the Department of Education and the System of Higher Education.

Based on the proportion of visitor-generated sales tax revenue in the General Fund, southern Nevada visitor spending produced an estimated \$73.2 million for the Department of Education and \$26.9 million for the System of Higher Education.

**Exhibit 1**  
**Education-Related Sales and Use Tax Revenue Distribution – FY 2017**  
(Revenue Collections from Clark County)

Source	Rate	Total Revenue	Tourism Revenue	Tourism Share	Distribution
Local School Support Tax	2.6 percent	\$948.9 M	\$229.1 M	24.1%	Clark County School District (General Fund)
State Sales Tax	2 percent <sup>8</sup>	\$421.9 M	\$73.2 M	17.3%	Department of Education (various funds)
State Sales Tax	2 percent <sup>9</sup>	\$155.4 M	\$26.9 M	17.3%	System of Higher Education (various funds)
<b>Total Tax Collections</b>		<b>\$1,526.1 M</b>	<b>\$329.2M</b>	<b>21.6%</b>	

<sup>4</sup> Las Vegas Convention and Visitors Authority, Economic Impact Series 2017, “The Economic Impact of Southern Nevada’s Tourism Industry and Convention Sector.”

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> LSST revenues are directed to the school district in the county where the revenue is generated. These revenues are counted as “inside” local funding that offsets the state share of education funding under the Nevada Plan for school finance.

<sup>8</sup> Revenue includes collection commissions state receives on locally distributed sales taxes such as the Basic City-County Relief Tax.

<sup>9</sup> Ibid.

## TRANSIENT LODGING TAX

The transient lodging tax, more commonly referred to as the room tax, is applied to the daily rates and fees that guests pay at hotels and motels across Nevada. In Clark County, the average room tax rate in 2017 was approximately 12 percent,<sup>10</sup> though the specific rate varies by jurisdiction and property type. The room tax in Clark County generates revenues that support a variety of governmental functions and agencies, including tourism promotion, transportation and education.

Education-specific room tax revenues are derived from two components of the tax in Clark County. The first is a 1½ percent room tax rate that generates revenue for the Clark County School District Bond Fund and is used for school construction and other capital projects. In fiscal year 2017, this portion of the room tax produced \$97.2 million<sup>11</sup> in revenue from visitors.

The room tax in Clark County also includes a 3 percent rate that generates revenue for the Department of Education’s Distributive School Account. This rate was enacted in 2009 under the authority of Initiative Petition 1, a voter-approved measure to increase school funding. Revenue collected under the 3 percent rate is directed to the Supplemental School Support Fund before transferring to the Department of Education’s Distributive School Account, which provides statewide funding for basic support of public schools, special education, class size reduction and other programs. In fiscal year 2017, this portion of the room tax in Clark County produced \$169.8 million.<sup>12</sup>

In total, the room tax paid by Clark County visitors generated \$267.0 million for statewide education programs and local school construction.

**Exhibit 2**  
**Education-Related Transient Lodging Tax Distribution – FY 2017**  
(Revenue Collections from Clark County)

Source	Rate	Total Revenue	Tourism Revenue	Tourism Share <sup>13</sup>	Distribution
Transient Lodging Tax	1½ percent	\$101.2 M	\$97.2 M	96.0%	Clark County School District (Bond Fund)
Transient Lodging Tax	3 percent	\$176.9 M	\$169.8 M	96.0%	Department of Education (Distributive School Account)
<b>Total Tax Collections</b>		<b>\$278.1 M</b>	<b>\$267.0 M</b>	<b>96.0%</b>	

<sup>10</sup> Senate Bill 1 of the 30th Special Session of the Nevada State Legislature raised the Clark County room tax rate by 1.38 percentage points to fund Las Vegas Stadium construction and the Las Vegas Convention Center expansion and renovation project. Collections under this increase began in early 2017 and are reflected in the revenue figures contained in this report.

<sup>11</sup> Las Vegas and Convention Authority Entity Distribution Report, FY2017

<sup>12</sup> Ibid.

<sup>13</sup> It is assumed that Southern Nevada residents account for 4 percent of room taxes in Clark County.



## GAMING TAXES AND FEES

Nevada levies a variety of taxes and fees on gaming operations throughout the state. These revenues directly fund a significant portion of the state’s General Fund, and a share of those revenues flows to schools and colleges via the Nevada Department of Education and the Nevada System of Higher Education.

In fiscal year 2017, \$1.5 billion<sup>14</sup> in General Fund revenue was appropriated to the Department of Education, including an estimated \$282.8 million in revenue from gaming taxes and fees. Clark County visitors accounted for 70.0 percent of statewide funding allocations sourced to gaming taxes and fees, totaling \$197.6 million. General Fund contributions to the System of Higher Education equaled \$541.6 million,<sup>15</sup> of which \$104.2 million would be proportionally sourced gaming taxes and fees based on the general allocation of state General Fund revenues. Clark County visitors generated \$72.8 million of that total. In all, gaming

taxes and fees from southern Nevada visitors provided \$270.3 million for the state Department of Education and the System of Higher Education.

Additional direct education funding is provided by the annual slot tax, a yearly \$250 fee for each slot machine in the state. The first \$5 million in revenue is distributed to the Capital Construction Fund for Higher Education, 20 percent of revenue is earmarked for the Special Capital Construction Fund for Higher Education and the remaining revenue is deposited into the Department of Education’s Distributive School Account.<sup>16</sup> Clark County visitors accounted for 60.2 percent of annual slot tax collections, thus the amount of revenue attributed to southern Nevada tourism in fiscal year 2017 totaled \$3.0 million that was allocated to the Capital Construction Fund for Higher Education, \$5.0 million to the Special Capital Construction Fund for Higher Education and \$17.6 million to the Department of Education’s Distributive School Account.

**Exhibit 3**  
**Education-Related Gaming Taxes and Fees Distribution – FY 2017**  
(Revenue Collections from Clark County)

Source	Rate	Total Revenue	Tourism Revenue	Tourism Share <sup>17</sup>	Distribution
Gaming Taxes and Fees <sup>18</sup>	Various	\$240.9 M	\$197.6 M	82.0%	Department of Education (various funds)
Gaming Taxes and Fees <sup>19</sup>	Various	\$88.7 M	\$72.8 M	82.0%	System of Higher Education (various funds)
Annual Slot Tax	\$250 per machine	\$21.4 M	\$17.6 M	82.0%	Department of Education (Distributive School Account)
Annual Slot Tax	\$250 per machine	\$9.8 M	\$8.0 M	82.0%	Higher Education Capital Construction Funds
<b>Total Tax Collections</b>		<b>\$360.9 M</b>	<b>\$295.9 M</b>	<b>82.0%</b>	

<sup>14</sup> Nevada Open Checkbook, openbudget.nv.gov.

<sup>15</sup> Ibid.

<sup>16</sup> NRS 463.385.

<sup>17</sup> It is assumed that locals account for 18 percent of gaming revenue in Clark County. For more detail please see the April 2018 brief of this Economic Impact Series.

<sup>18</sup> Includes gross gaming revenue percentage fees and other gaming-related taxes and fees.

<sup>19</sup> Ibid.

## LIVE ENTERTAINMENT TAX

The Live Entertainment Tax, also known as the LET, is a 9-percent levy on admissions to entertainment events at gaming and non-gaming venues in Nevada, such as music concerts, performance acts and sporting events. State law provides a number of exemptions to the LET, such as games for professional sports teams based in the state, certain sporting events involving Nevada college or high school teams and nonprofit or charitable events.

Similar to the majority of revenue from gaming taxes and fees, LET revenue is not directly distributed to education-specific budgets. LET revenue is collected in the state General Fund before being appropriated to the Nevada Department of Education and Nevada System of Higher Education. In fiscal year 2017, \$129.3 million was collected statewide via

the LET, with \$102.3 million attributed to gaming properties and \$27.0 million from non-gaming properties.<sup>20</sup> The majority of LET revenue (97.8 percent) was sourced to Clark County.

Of the \$1.5 billion in General Fund contributions to the Department of Education, an estimated \$48.1 million was sourced to LET based on its proportional contribution of General Fund revenue. Southern Nevada's contribution to that amount totaled \$47.0 million. The System of Higher Education received \$541.6 million in General Fund revenues, of which \$17.7 million was sourced to the LET. Clark County accounted for \$17.3 million of that amount. In total, southern Nevada produced and estimated \$64.4 million in LET that was ultimately used to fund education programs in Nevada.

**Exhibit 4**  
**Education-Related Live Entertainment Tax Distribution – FY 2017**  
(Revenue Collections from Clark County)

Source	Rate	Total Revenue	Tourism Revenue	Tourism Share	Distribution
Live Entertainment Tax	9 percent	\$47.0 M	\$47.0 M	100.0%	Department of Education (various funds)
Live Entertainment Tax	9 percent	\$17.3 M	\$17.3 M	100.0%	System of Higher Education (various funds)
<b>Total Tax Collections</b>		<b>\$64.4 M</b>	<b>\$64.4 M</b>	<b>100.0%</b>	

<sup>20</sup> Economic Forum, December 3, 2018, Forecast.

## PROPERTY TAXES

Property taxes provide a significant source of funding for local school districts in Nevada. In Clark County, the property tax rate includes two components that are dedicated to funding education. A tax rate of 75 cents per \$100 of assessed property value is dedicated to school operations, and a rate of 55.34 cents per \$100 in property value is imposed to support school capital programs and meet debt service fund obligations for that program.<sup>21</sup>

In fiscal year 2017, the 75-cent rate generated \$442.4 million in revenue for the CCSD general fund,<sup>22</sup> while the 55.34-cent rate produced \$333.6 million<sup>23</sup> for the district’s debt service fund. In all, property taxes accounted for \$776.0 million in school district revenue. In Clark County, hotels and hotel-casinos account for 1.4 percent of improved acreage but

11.9 percent of all taxable value.<sup>24</sup> This figure approximates the tourism industry’s share of property taxes paid, though it is relatively conservative as it does not include many other tourism-related businesses in Southern Nevada. By applying the 11.9 percent share to property tax collections, hotel and hotel-casino properties generated \$52.6 million in revenue for the Clark County School District’s general fund and \$39.7 million for the district’s debt service fund.

Note that this amount is an estimate that is not adjusted for potential tax exemptions or abatements. In total, property taxes attributed to southern Nevada’s hotel and casino properties produced an estimated \$92.4 million in revenue for the Clark County School District.

**Exhibit 5**  
**Education-Related Live Property Tax Distribution – FY 2017**  
(Revenue Collections from Clark County)

Source	Rate	Total Revenue	Tourism Revenue	Tourism Share	Distribution
Property Tax	75 cents per \$100 in assessed value	\$442.4 M	\$52.6 M	11.9%	Clark County School District (General Fund)
Property Tax	55.34 cents per \$100 in assessed value	\$333.6 M	\$39.7 M	11.9%	Clark County School District (Debt Service Fund)
<b>Total Tax Collections</b>		<b>\$776.0 M</b>	<b>\$92.4 M</b>	<b>11.9%</b>	

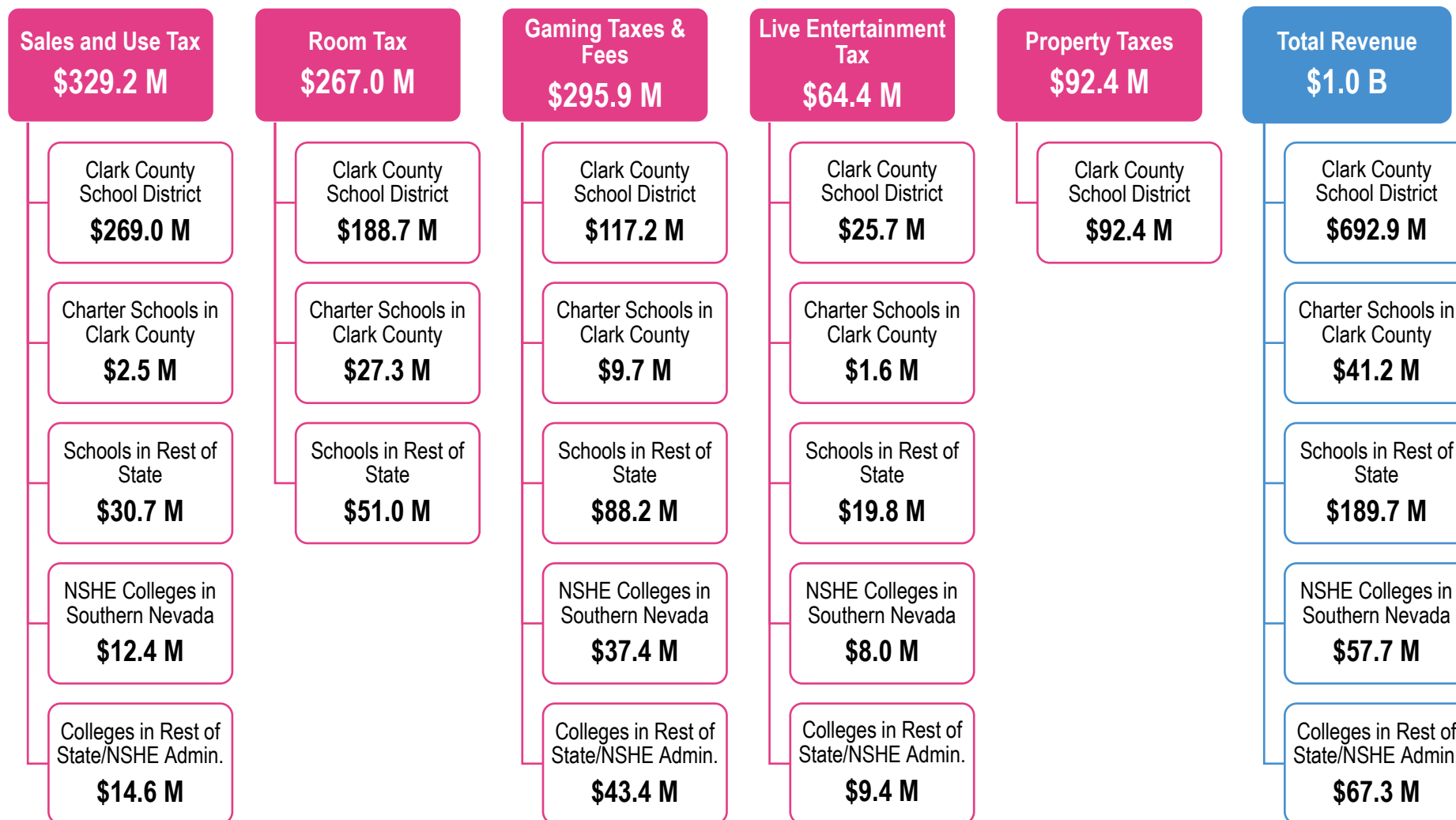
<sup>21</sup> Nevada Department of Taxation, Local Government Finance Redbook, FY2017.  
<sup>22</sup> NRS 387.303 Report, FY2017.

<sup>23</sup> Clark County School District, Comprehensive Annual Financial Report, FY2017.  
<sup>24</sup> Clark County Assessor Records



## EDUCATION FUNDING DISTRIBUTION





Depending on the source of education funding, some revenues are distributed directly to local school districts while others are collected at the state level before being distributed to each of the Nevada's 17 school district pursuant to the Nevada Plan for School Finance by and through the Distributive School Account. The chart below illustrates the final distribution of education-specific revenues generated by southern Nevada's tourism industry in fiscal year 2017.



## RESIDENT TAX SAVINGS ATTRIBUTABLE TO TOURISM INDUSTRY

In fiscal year 2017, visitors to southern Nevada and the tourism industry generated \$2.2 billion in tax revenues, \$1.0 billion of which were directed to education-related purposes throughout Nevada, including basic school support, new school construction and higher education funding. Of total education-related tax revenues, \$791.8 million flowed to schools and colleges in southern Nevada. The table below illustrates the tax savings realized due to the revenues produced by the southern Nevada tourism industry.

Exhibit 6  
Education-Related Tax Savings – FY 2017

	Statewide	Southern Nevada
	<b>\$350</b> Per Resident	<b>\$359</b> Per Resident
	<b>\$958</b> Per Household	<b>\$1,013</b> Per Household
	<b>\$1,947</b> Per K-12 Student	<b>\$2,087</b> Per K-12 Student
	<b>\$1,144</b> Per College Student	<b>\$829</b> Per College Student

## METHODOLOGY

General information on taxes and tax rates were obtained from the Nevada Department of Taxation, the LVCVA Finance Department, the Clark County Assessor's Office, and various government publications.

Data on visitor estimates and spending was obtained from the Las Vegas Convention and Visitors Authority's Visitor Profile Study prepared by GLS Research. Adjusted visitor spending estimates were developed by AA; refer to the March 2018 brief of this Economic Impact Series for further detail. Additional detail regarding estimates of visitor contributions to various public revenues are also contained within the May 2018 brief of the Economic Impact Series.

Note, totals may not sum due to rounding.

## ANALYSIS LIMITATIONS

This analysis used the best available data to estimate the share of various transportation-related tax revenues attributable to the tourism industry. It relies heavily on data reported by third-party data providers; and, although we have no reason to doubt the accuracy of these data, they have not been subjected to any auditing or review procedures by AA.

In some cases, data were either incomplete or inconsistent. Efforts were taken to minimize the impacts of these challenges, and we believe the analysis provides a fair and reasonable response to the fundamental question presented.

Finally, it is important to note that this is a preliminary undertaking that will be supplemented by on-going and future analyses. This report is not intended to be comprehensive and may not be appropriate for all purposes.