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State Treasurer



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

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STATE TREASURER PROPOSES ALTERNATIVE BUDGET

Carson City, NV. The State Treasurer and State Controller, Nevada's Constitutional Officers elected with fiscal and financial responsibilities, have reviewed the Governor's Executive Budget. The State Treasurer has proposed an alternative budget as outlined below.

Budgets speak to political choices as well as fiscal needs. What the State funds and how says as much about the state we want as it does about the government we need. Like a home budget, we make choices between what is necessary and what is nice. Do we live within our means or punt when we should say, "can't afford it today—maybe tomorrow."

The base budget for the next biennium is \$6.3 billion. Larger funding sources include \$2.25 billion in sales and use tax; \$1.5 billion in gaming taxes; and, \$671 in insurance premium taxes. The Governor wants to continue \$539 billion in "sunset taxes." He has also proposed \$570 million in new taxes (including business license fee, cigarette, slot tax and mining taxes) or about \$1.1 billion in additional taxes (\$7.3 billion total budget).

After careful review and analysis, the State Treasurer has proposed a budget of \$6.8 billion. This budget allows \$470 million in "sunset taxes" to continue for another two years; and, draws the line on two new taxes, specifically \$437.5 million in business license fees and \$14.6 million in mining MBT. Thus, we ask the Governor to prioritize and reduce his new expenditures by half as well as reducing business license fees due to sunset by \$70 million. The remaining \$540 million would be funded through a \$5 per passenger facilities fee at McCarran/Reno-Tahoe Airports (\$450 million over two years); \$35 million annually (\$70 million over two years) in increased gaming taxes; and, \$10 million annually (\$20 million over two years) in additional cuts to the over 200 agencies and boards which receive general fund support. We believe this proposed budget is fiscally sound while giving weight to the expressed will of Nevada voters.

Spending

Where is that additional \$1.1 billion being spent? The major items include:

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STATE TREASURER PROGRAMS

Governor Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Unclaimed Property
College Savings Plans of Nevada
Nevada College Kick Start Program

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- \$78.4 million for full day Kindergarten
- \$50 million for Victory Schools
- \$27.1 million for literacy
- \$36.2 million for social workers in schools
- \$48.4 million to give K-12 digital devices
- \$35.3 million for new buildings on university campuses
- \$40 million for Medicaid and managed care
- \$55 million to modernize the DMV
- \$230 million for public works construction, maintenance, and future planning

There are specific line items on the list (included in the above). Among them are:

- \$30 million to fund “Read by Three”.
- \$50 million for students in the most impoverished parts of our state.
- \$20 million in matching funding to encourage charter school organizations in Nevada.
- \$14 million in bond funds to build the Northern Nevada Veterans Home.
- \$76 million in new operating funds for higher education, plus \$24 million in bond funding for capital construction.
- \$100 million – “Zoom” Schools.
- Legislation that allows local governments to create smaller school districts in our urban counties, and consolidate school districts in our rural counties is important.
- Reward the best teachers and principals; strengthen the current pay for performance laws; and improve the teaching profession, and attract new teachers.
- Creation of an “Achievement School District” to manage failing schools in the State without regard to location.
- Support the Convention and Visitors Authority in Las Vegas
- Re-ignite the Governor’s Office of Science, Innovation and Technology.
- \$10 million to establish a true Gifted and Talented Learner allocation.
- \$36 million to combat bullying.
- Increase of \$1.8 million in 2011 to \$73 million in 2015 in overall funding to meet the needs of autistic children.

A budget reflects agreement on certain core objectives: where do we want to go, how do we get there, and why. For all the reasons the Governor mentions in his budget address, we certainly agree that one objective is to improve education in Nevada. But the Governor’s budget funds a vast expansion of the State’s educational system, a system that despite receiving generous funding in the past, has failed to deliver the goods. We note a State Controller’s study that underscores how the State has raised ample revenue in the past and funneled it to Health and Human Services and K-12 education—with results far below expectations. The report reminds us that throwing money at a problem will not solve it. Though a common belief in the political world, sadly, that is rarely the case in the real world. Beyond that, there are other objectives and groups that the State must take into account: bringing expenses into line with revenues; improving the lives of seniors and veterans; and investing in infrastructure beyond just filling potholes (to name a few). The list is long and the choices difficult.

We would ask the Governor to take a long, hard look at the above lists; and to prioritize, which expenses we need now, and which expenses can wait two years for further consideration.

Funding

The Governor's budget proposes several sources of revenue:

- \$132 million through changes to existing state law.
- \$540 million in "sunset taxes."
- \$438 million to modify the existing Business License Fee to a graduated scale.
- Increase MBT tax on the mining industry from 1.7% to 2.0%.

Nevadans soundly rejected a tax very similar to the Business License Fee—the Margins tax—in this past election. Moreover, Nevadans rejected changing the Constitutional cap on mining industry taxes in the 2014 election. In a democracy, shouldn't elected officials respect the express will of the people?

Can the Governor's funding ideas be replaced with other, less onerous taxes? Here are some ideas:

- \$70 million increase in gaming industry taxes in exchange for allowing \$70 million in business license fees to sunset. The gaming industry should be asked to step up to the bar to fund improving education in the State. That may well mean an increase in the slot machine license fee; or an increase in the overall 6.75% tax on gaming revenues; or other choices at the gaming industry's disposal.
- \$5 / person usage fee at McCarran / Reno-Tahoe Airports. 45 million annual visitors at \$5 per trip means \$450 million in additional revenue for the State over the 2015-2016 biennium. This usage fee covers about half of the revenue shortfall.
- Cutting up to \$20 million in expenses for boards, agencies, and other non-essential legacies. By our count, the State has over 200 agencies and boards that in some measure, receive funding from the State. We ask the Governor and Legislature to take a close look at these entities, and decide which ones we really need; which ones we might need; and, which ones should be defunded or privatized.
- Authorize \$2 billion in tax incentives and abatements to encourage private businesses to relocate and expand in Nevada. We applaud the Governor's success in bringing Tesla to Nevada; and, we are delighted with his announcement that SWITCH will expand its operations in the State. The Governor and Legislature should authorize these incentives to encourage other businesses to call Nevada home, generating increased revenue and jobs for our State.

Finally, we suggest that the Governor and Legislature prepare a comprehensive report on the State's expenses and funding mechanisms that will be ready for the 2017-2018 biennium.

We look forward to working with the Governor and the Legislature in building the "New Nevada."



Dan Schwartz
State Treasurer