

Report To
The 65th Nevada Legislature
From

GOVERNOR'S COMMISSION TO STUDY
THE FISCAL AFFAIRS OF STATE AND LOCAL
GOVERNMENTS IN NEVADA

February 10, 1989

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The Honorable Lawrence Jacobsen, Chairman
Legislative Commission
Nevada State Senate
401 S. Carson
Carson City, NV 89710

Dear Senator Jacobsen:

Pursuant to Section 3 of Assembly Bill 397, enacted by the 1987 Legislature, the Governor's Commission to Study the Fiscal Affairs of State and Local Governments in Nevada submits herewith its findings and recommendations to the 65th Nevada Legislature.

Respectfully Submitted,



Kenny C. Guinn, Chairman
Commission to Study the
Fiscal Affairs of State
and Local Governments
in Nevada

The Governor's Commission to Study the Fiscal Affairs of State and Local Governments in Nevada was created by Assembly Bill 397 of the 1987 session of the Nevada Legislature. The purpose of the Commission was to review the report entitled "Fiscal Affairs of State and Local Governments in Nevada" prepared by The Urban Institute and Price Waterhouse.

The Commission has read and discussed the report and recommends as its broad general policy, with certain reservations, that the Legislature adopt this report as a base study, and further, initiate specific "tax alternatives" recommended by the Study.

Nevada is the fastest growing state in the union and projections by the Census Bureau indicate that this growth will continue throughout the next decade. We on this Commission are fully cognizant that substantial tax revenues are required to fund this growth. However, as a citizens committee, we do not feel that revenues should only be allocated to growth. We encourage the Governor and Legislature to give consideration to increasing revenues to support existing programs that are now falling behind, such as:

- .Education
- .Mental Health
- .Public Safety and Prisons
- .The Environment, Conservation
and Natural Resources
- .The War on Drugs
- .Services to the Aging

The Commission emphatically and categorically rejects the implication some have drawn from the Study that current revenues are sufficient to fund present expenditure requirements. Independently, the Commission expresses its unanimous opinion that the

current level of services in critical areas bearing on the quality and dignity of life in this State is inadequate. We believe therefore that the Legislature must, with the tools provided by the Tax Study, examine and implement changes to the tax structure of Nevada which will enhance available revenues.

In the current biennial budget there are two new revenue sources that stand out:

\$41 million dollars in new gaming taxes; and
\$52 million dollars in anticipated and budgeted mining taxes.

Without the foresight of the 1987 Legislature enacting the above \$93 million in additional revenues, there would be a substantial shortfall in the current budget. The message is clear that the current Legislature needs to anticipate new additional revenue requirements, for this biennium and beyond.

We recommend the widening of the tax base be a paramount consideration. Two areas of the Tax Study stand out as potential sources of new revenue. We believe without ruling out other taxes, that a reasonable and broad-based business tax or a broadening of a sales tax base, coupled with some reduction of the sales tax rate, is appropriate. We believe that one of these two proposals should be developed by the Legislature as an alternative to the school teachers' corporate tax initiative which may be presented to the voters of Nevada on the November 1990 General Election Ballot.

The Commission accepts the Tax Study not only as an exhaustive inventory of revenue sources available to the State but also as a guide to the relationship among such resources. The Study provides the tools whereby the Governor and Legislature with the support of the people of Nevada can construct a fair and adequate tax structure for the future.

The Commission endorses the theme of the Tax Study that the state/local tax system as presently constructed is unfair and that it needs a thorough sorting out. A relaxation of the revenue and spending caps would allow local governments to plan a prudent and systematic process for the development of infrastructures required to service citizens at the local level. We, as a Commission ask the Legislature to begin immediately a process of returning control of local revenue issues to local government.

The Commission strongly encourages the Legislature to enact such tax legislation as it deems appropriate to avoid:

1. Constitutional constraints;
2. Earmarking of revenue; and
3. Other similar restrictions that will reduce the flexibility of future lawmakers in dealing with unforeseen developments.

Due to constraints on the Commission's time, it was imperative that any conclusions of the Commission be stated in summary fashion. The Commission members represented a broad base of Nevada citizens with divergent interest and views. Therefore, the unanimous agreement of the Commission's position should be given serious consideration by all interested parties. The Commission members will be available as individuals and/or as a collective body for any hearings or discussions with the 65th Nevada Legislature.