

STATE OF THE STATE MESSAGE



JIM GIBBONS

GOVERNOR

FEBRUARY 8, 2010

Hello, I'm Governor Jim Gibbons. I am always honored to speak directly to you. But the truth is, I would rather that the circumstances did not compel me to address you tonight.

The great inventor and statesman Thomas Edison once said, "Opportunity is missed by most people because it comes dressed in overalls and looks like work." This insight means a lot to me. My staff has been hard at work reviewing the state budget, the services our state government provides and the dramatic shortfall in state revenues. We are working on solutions to turn this recession into an opportunity to reinvent our State's government. We may never have an opportunity like this again. The dire economic situation we are facing now requires immediate action.

While there is some evidence to suggest that our nation is approaching the end of this economic decline, the fact is, this recession still has a crippling hold on Nevada. Nevada's unemployment rate is 13 percent. That's the second highest unemployment rate in the nation. More than 140,000 Nevadans have lost their jobs, and 90,000 more are projected to join the unemployment rolls over the next 18 months. Recent data shows a 4.6 percent drop in personal income for our residents.

For almost all Nevadans, their greatest asset is their home. Home values in Nevada plummeted 24.5 percent in the third quarter of 2009. That's the steepest decline of any state and more than 6 times the national average. Nevadans are losing their homes to foreclosure at a rate that is four times the national average.

These are just a few of the economic indicators showing the devastating impact Nevadans suffer each day. But you and I don't need statistics to understand the pain. Each of us knows someone who has recently lost a job. Each of us knows a family who has lost their home because they couldn't pay their mortgage. All across this state tonight families are sitting at their kitchen table talking about what they can and cannot afford. All across the state tonight, small business owners are making tough decisions, such as choosing between cutting benefits or keeping loyal employees.

As your Governor, my job is no different than that of your family or your business. You have your checkbook in one hand and your bills in the other, and you do your best to make ends meet. Nevada's General Fund revenues – money which we use to pay for important services like education, public health and law enforcement – dropped 17 percent in 2009. Between now and June 2011, the state General fund will fall about \$1 billion short of its \$6 billion budget. Just like Nevada's families, just like Nevada's businesses – it is time for Nevada government to face facts and make tough choices about the services we can and cannot afford.

This unprecedented economic situation is a crisis. Therefore, I will be issuing a proclamation convening a Special Session of the Nevada Legislature on February 23. This is not a responsibility I take lightly, this is an extraordinary time and we must take action.

This is not the first battle Nevada has faced. In fact, from our humble beginnings Nevadans have always beaten the odds. The first Nevadans survived overwhelming hardships to move west and seize the privilege of being the first to say "Home Means Nevada." Our State joined the Union

in the middle of the bloodiest war ever endured on American soil – the Civil War. Over the last 145 years, the independent spirit of Nevada has led us from tragedy to triumph time and time again. We are survivors. There is a reason our state flag says Battle Born. Our state, our people do not back down from a challenge. Neither will I.

In 2007, Nevada's economy began a downturn which I knew was not temporary. The Executive Budget I prepared in January of 2009 scaled back state government to weather this crisis. More importantly, the balanced budget I submitted imposed no new taxes and allowed no expansion of state government. The Nevada Legislature disregarded my solution. They raised taxes one-billion dollars, and they made government bigger. They made the wrong call. I vetoed their new taxes and their inflated spending. I thought it was wrong then. I KNOW it's wrong now. I planned responsibly. They gambled on new taxes and we all lost.

Despite the Legislature's new taxes, our state revenues continue going down. More taxes have not helped Nevada's economy. They never will. Even with \$1 billion in new taxes, the state budget is now nearly \$1-billion short. You tell me, did raising taxes work? NO.

Now, the State of Nevada MUST reduce spending by nearly \$900-million. I recently released dozens of proposals to get our budget back on track. I'd like to talk about a few of them with you tonight.

*Last year I recommended 6% salary reductions for all state workers. The Legislature imposed furlough days instead. The furlough program is not working. It is unfair because some state

workers have pay reductions and some don't. As we work through this budget, we will look for EVERY WAY TO SAVE MONEY. Many private businesses across the state have cut salaries in order to reduce layoffs or stay in business. New across-the-board salary reductions for state workers, may be necessary, but that will be a last resort. And just so you know, my entire staff in the Governor's Office has had their pay cut 6 percent. I am donating 6% of my own salary back to the state to be used for special awards for exceptional teachers.

*It is with deep sadness and disappointment that I must propose laying off several hundred state workers. Just like the layoffs in the private sector, state government must do the same. My heart is heavy about this because these are hard-working public servants who will have their lives severely impacted. We are doing everything possible to absorb people into other positions helping in our state safety-net of programs assisting those in need, but some layoffs are inevitable.

*The Nevada State Prison in Carson City is 140 years old. It has outlived its usefulness. It is no longer safe and its operating costs are far too high. I am proposing closing the Prison and moving the inmates to other facilities in the state.

*Unfortunately, the gravity of our situation is so dire, we will have to make reductions to some healthcare programs. We are trying to combine programs that duplicate health services and we are making every effort to minimize the impacts of these reductions. I will protect programs that protect our youngest and most vulnerable citizens.

*I am also introducing the Education Gift Certificate. These will be available at many state facilities, like the DMV, or you'll be able to download one off my website. You can use the gift certificate to donate money to a non-profit organization that will make sure your money is spent ONLY on teachers' salaries. For those of you who can afford to help our teachers, I encourage you do it.

*I have had the honor of serving Nevada in both our Legislature and in the United States Congress. When I ran for Governor in 2006, I traveled across Nevada and spoke with many of you. I made you a promise. I guaranteed you I would not raise your taxes. Unfortunately, in the politics of today, such promises are a dime a dozen. But mine is not just a promise, it is a principle.

In this tough economy, we cannot ask our citizens to pay new taxes. They have nothing left to give. We cannot ask our businesses to pay more taxes. Many of them are struggling just to stay open. The only thing we can do – the right thing to do – is what you did at your kitchen table tonight. We must cut our state spending. We must reduce the size of state government. “No New Taxes” is NOT a cliché. To me it means more than that. It is a plan.

A plan that means limiting government to its core functions. It means recognizing that businesses do not exist solely for the purpose of funding government programs. It means that people are entitled to keep the money they earn and do not have to forfeit those earnings to some bureaucrat who decides that you are not spending your money correctly. I HAVE KEPT MY

WORD. I REAFFIRM MY WORD TO YOU TONIGHT. AS LONG AS I SERVE AS YOUR GOVERNOR, I WILL NOT RAISE TAXES.

As President Ronald Reagan once said, “No government ever voluntarily reduces itself in size. Government programs, once launched, never disappear.”

Just as Nevada’s real estate market inflated in value to an unsustainable level, so has our state government. Nevada’s tax base, Nevada’s population and Nevada’s job market can no longer pay for the bloated government services which were funded when Nevada’s economy was booming. More government spending and more government mandates are never the answer. With 13 percent of our citizens unemployed, Nevada cannot continue to fund government as we know it today. Society is changing. State government must change with it. We must focus on the important services which ensure life, health, education and public safety. We will have to eliminate programs and services which make some people feel good, but which we simply can no longer afford. We must cut government spending to ease the burden on our citizens and our businesses.

Despite the promise of economic recovery through the federal stimulus package, Washington has failed to help Nevada. Nevada ranks near the bottom of per capita federal spending, and we rank dead last in per capita stimulus funds. Although there is a perception that Nevada has clout with this Administration, Washington has turned a deaf ear to our problems.

As your Governor, I wake up every morning determined to get Nevadans off the unemployment lines and back into their homes. We can't rely on Washington, D.C. to lead us out of this crisis. We can't lean on county and city governments. They are struggling with their own revenue shortfalls. No government, alone, can lead us out of this crisis. Our people will. Our businesses will. Our independent spirit will. Nevadans will solve Nevada's problems.

One of the most important roles state government plays today is in economic development. Lieutenant Governor Brian Krolicki, state and local officials and my staff are working tirelessly to bring new businesses to Nevada to create good-paying jobs for our hardworking families. We are looking not only to expand our manufacturing base, but also to bring new green energy jobs to Nevada.

In addition to building facilities to generate solar, wind and geothermal power, we are also working to establish research and development facilities for newer, better green technologies. This will not only help our environment, it will create new, long-term jobs in Nevada.

More new jobs and green jobs will come with the establishment of Nevada as the recycling capital of the west. Technology exists today to convert 75 percent of all waste collected into recycled materials for construction and agricultural use. New recycling facilities will create jobs and generate clean energy. Right now, we are working with Carson City officials to make their community the first pilot project for this technology. When we launch this program statewide, we will eliminate landfills as we know them today and stop Nevada from becoming the dumping ground for California's trash.

Creating jobs and attracting tourists to Nevada are two of my top priorities. I have ordered the Nevada Commission on Tourism to present me a report within 30 days with their ideas and plans to get more visitors to come to Nevada. This will take quick and creative thinking to get results, but it is time for quick and creative action that gets results.

Also, I have ordered the Nevada Commission on Economic Development to present me with a report within 30 days with their ideas, plans and projects presently in the pipeline to encourage companies to locate or re-locate in Nevada...or encourage existing Nevada businesses to expand.

I want you to know, that nearly every day, I meet with business owners in Nevada to see what I can do as Governor to get them to expand their businesses here and create new jobs. We MUST take advantage of the tourism, convention, and construction infrastructure we already have in place in Nevada.

A core function of Nevada state government is education. Our K-12 schools and the Nevada System of Higher Education make up 54% of all General Fund spending. But we can't solve a \$1 billion hole in a \$6 billion budget if half of that budget is off the table.

In 2004 I co-authored the Education First Initiative, to require legislators to fund education first and to prevent them from holding education hostage in budget negotiations. As a graduate of Nevada public schools, I am firmly committed to improving K-12 education in Nevada. Our education system is the intellectual infrastructure for Nevada's future. Improvement will require

new ideas and fresh resolve. It's time to stop whining that education in Nevada doesn't work because of a lack of funding. We need to quit throwing money at programs that haven't worked and don't work for our children.

In early January I unveiled the Gibbons Education Reform plan. My plan calls for parents, teachers and communities to be responsible for their local schools and in control of their children's education. Bureaucrats and politicians in Washington, D.C. and Carson City, whose ideas of education reform start and end with writing a blank check, have no business dictating how your child is educated. We need to empower local school boards and parents to make decisions which are right for their children so they can decide how their kids are educated. Nevada taxpayers spend billions of dollars on education. It's time to let local school boards, teachers, and parents have a voice in how that money is spent.

The cookie cutter, one-size-fits-all approach to public education has had its time and proven that it doesn't work anymore. What works in Las Vegas, may not work in Winnemucca or Tonopah. A good idea in Elko may not make any sense in Sparks or Mesquite.

Despite 20 years of state imposed student-teacher ratios in first, second and third grade, student achievement in Nevada has not improved. The Nevada Department of Education recently announced 142 of the 613 public schools in Nevada qualify as the "worst" schools in the nation. That means 23 percent of our public schools are failing.

I WILL NOT accept that. If 142 of our schools are not making the grade, what we are doing doesn't work. Throwing more money at this system won't change anything. Continuing to allow unions to dictate Nevada's education policy doesn't work. We need true reform. We need change. We need to rethink how we deliver public education in Nevada. We need to make better use of existing resources. We need to empower local school boards to use their money to deliver the right programs to our kids to achieve the best results. Programs like class size reduction and full-day kindergarten are based on good intentions, but programs cannot be judged on their intentions. They must be judged on their results.

Under my Education Reform plan, these programs will not be eliminated, only the mandate from Carson City will. If a local school board decides a program works for their kids, they can do it. And they will have the flexibility to do it, not because the government tells them, but because they decide it is best for their students.

For the past 25 years, Nevada schools struggled with increasing enrollment. Fundamental issues like having classrooms for students and scrambling to get desks and textbooks became the issues of the day. In the current school year, student population has dropped. We now have a golden opportunity to catch our breath and rethink how we can best provide education to our children. I request the Nevada Legislature give my Education Reform plan a fair hearing in the upcoming Special Session.

The economic crisis we face cannot be fixed with gimmicks or gadgets or temporary patches. The problem IS our system. We MUST find a permanent solution. We must commit to a

fundamental evaluation of what problems require government intervention and what problems we must fix ourselves. We must accept that limiting government means expanding personal responsibility. Nevada state government cannot afford to be all things to all people. I am asking state employees to do more with less. I am asking our teachers to do more with less. I am asking our Legislators and Constitutional Officers to do more with less. I am demanding our programs work or be eliminated. And I will ask our citizens to accept less from government and to take more personal responsibility. Government must make sacrifices, just like your family and just like our businesses. There are no easy answers. Anything easy has already been done. We have to make hard choices, and we need your support.

I am up to this challenge. I will never surrender. I am not a quitter.

I have already released many of my recommendations to reduce state spending and I will continue to release specific facts, details and plans to solve the immediate fiscal crisis. My staff continues to work to develop a long-term, sustainable plan to reduce the size of state government and the services we offer so that our revenue will support the government services Nevadans truly need.

We are in the middle of the greatest economic crisis of our generation. It won't last forever and there will be a recovery. Not tomorrow. Not next week. And things may get worse before they get better. But we will survive. We will overcome. And we will emerge with a state government that is leaner and smarter. A state government that works FOR us, not AGAINST us.

I am convinced better days and brighter futures are ahead for all of us.

Together we'll pull through this. We share the same spirit. We are Battle Born. We are One Nevada.

God Bless our great nation, God Bless our troops, and God Bless OUR great State of Nevada.

Thank you and good night.