

STATE OF THE STATE ADDRESS

Remarks by Governor Jim Gibbons
to the 75th Session of the Nevada Legislature

Speaker Buckley, Majority Leader Horsford, Lt. Governor Krolicki, members of the Senate and the Assembly, Honorable Justices of the Supreme Court, Constitutional Officers, distinguished guests, and my fellow citizens: I stand here before you today resolved to uphold the responsibility you entrusted to me to lead Nevada through good times and turbulent times. I am here to discuss the state of our State and our plan to address the challenges we are facing.

But first, I would like to recognize some special Nevadans. We have ten newly elected members of the Assembly and the Senate with us, and I would like to welcome:

- Shirley Breeden
- Allison Copening
- Paul Aizley
- Marilyn Dondero Loop
- Don Gustavson
- John Hambrick
- April Mastroluca
- Richard McArthur
- Ellen Spiegel and
- Melissa Woodbury

I look forward to working with each of you in this session. And Senator Parks, I wish you the best in your new role as well.

For seventeen of you, this will be your last session, as term limits will require your retirement from your current positions. Nevada has benefited tremendously from your service, and I look forward to working with you to ensure that your final session is also your finest one.

Charles Hansen, Director of Nevada State Friends for K-9 is also here tonight. Nevada State Friends for K-9 obtained private donations from corporations and individuals to allow the Nevada Department of Public Safety to purchase its only specially trained dogs that are used to halt the flow of drugs and drug money on our highways, a vital step in our on-going efforts to keep meth and other drugs out of the hands of our children. Since the program's inception last month, the Nevada Department of Public Safety has reported it already seized more than:

- 6 pounds of meth
- 20 pounds of marijuana
- 7 pounds of ecstasy
- 2 pounds of cocaine
- \$450,000 in cash

This money is being deposited into a state seizure account that, over time, will allow the K-9 program to be self-funded and to become a revenue source for the State. Please join me in thanking Charles Hansen and the Nevada Friends for K-9 for their great work.

I would also like to take a moment to recognize the fine work done by the members of the California-Nevada Tahoe Basin Fire Commission over the past year and a half. That Commission was formed in response to the devastating Angora fire at Lake Tahoe during the summer of 2007. The Commission made ninety detailed recommendations, and I will be promoting legislation during the upcoming session to implement them. Several of the Commissioners--Allen Biaggi, Bud Hicks, Pete Anderson and Leo Drozdoff-- are with us tonight. On behalf of Nevada, I would like to thank them, Commission co-chair Sig Rogich, and all the other Commissioners and staff for their efforts to help preserve and protect the Lake Tahoe Basin.

We also have with us Lieutenant Colonel Daniel Waters of the Nevada Army Guard, who has served in Panama, Kosovo and Afghanistan. Lieutenant Colonel thank you for a job well done. Our country has been safe because of you and thousands of other brave members of our military forces. I salute you.

I would like to ask now that the veterans in our audience please stand and be recognized. As a veteran of two wars myself, I thank you on behalf of a grateful state and a grateful nation.

I also want to take a moment to acknowledge the sacrifices of those who can not be here tonight...Nevada military service personnel overseas fighting the war on terror. These members of our armed forces and their families endure great hardships to protect our country, and deserve our respect and thanks.

I also want to take this time to express our thanks to the members of Nevada Army Guard, 1st Squadron, 221st Cavalry. This armored reconnaissance squadron, led by Lieutenant Colonel John Cunningham, is in the process of preparing for deployment to Afghanistan in late April. This deployment of 600 soldiers will be the Nevada Army Guard's largest international deployment of one unit since World War II, and the fourth major mission for the 1/221st since 2001.

In addition, about 140 soldiers from the Las Vegas-based 1864th Transportation Company will be deploying to Iraq and Kuwait in April. Our prayers go with all of you.

Finally, I want us all to take a moment to remember our injured and fallen heroes. Many of Nevada's finest have suffered greatly while serving our Country, and some have made the ultimate sacrifice for our freedom. We cannot and do not forget their sacrifices for our nation. Thank you.

Today, Nevada faces historic challenges. Every day, people in our communities are seeing their work hours cut, their benefits and retirement programs reduced or eliminated, their tip and commission income shrinking, or their jobs eliminated altogether.

Many of our fellow citizens are losing their homes, losing their retirement savings, and losing their ability to continue to work and prosper in our State.

For years, Nevada led the nation in population growth, led the nation in small business growth, and led the nation in job creation. Economic expansion brought prosperity to every sector of the economy, and our State was the envy of many.

We have been that "beacon on the hill" of hope for those who wanted to work hard and prosper. While right now our beacon may not be as easy to see, it is our responsibility to ensure that we can help bring back the bright light of success to shine across the state.

As we struggle through these tough times, we need to ensure that we are positioned to regain those lofty heights that we came to take for granted for years.

For many years, people believed that our State was "recession-proof." Unfortunately, this economic downturn has shown that this simply is not the case. When the nation and, indeed the world, are in economic turmoil, Nevada is also shaken by the tremors.

In fact, Nevada has actually fared worse in this national and worldwide economic crisis than many other states. The combination of tight credit markets, sharp declines in discretionary spending and record-low consumer confidence has caused our two major industries, construction and tourism, to suffer drastic reductions. The numbers are daunting.

The visitor count to our State normally increases every year. Instead, during the past twelve months, our visitor count to Las Vegas declined by over one million people, or 3.5%. To visualize that number, just look at the news clips of New Years Eve on the Strip. Officials estimate that over 290,000 people visited Las Vegas to bring in the New Year. Now imagine it empty, and you will have a good notion of how much our visitor count deteriorated just in November alone.

Our tourism destinations in other parts of the State have seen similar or worse declines as well. The Reno-Sparks area, for example, saw declines of nearly ten percent during the past year.

The fact is that when we have declining numbers of visitors, and they are spending less money when they are here, that impacts the incomes of people who work in the tourist industry as well as those who sell goods and services to those workers. It is a snowball effect that continues to impact the entire economy.

The national credit crisis has also had a huge impact on Nevada's economy. For a long time, the joke was that the State bird of Nevada was the building crane. Now, many construction projects have been scaled back or deferred because credit has dried up. Again, the loss of those construction projects has rippled through our economy.

Even our mining industry has slowed down following worldwide decreases in the price of minerals, such as copper, molybdenum and lithium. Copper, for example, has fallen from \$4.10 per pound to less than \$1.50 per pound in just six months, and some Nevada mines have slowed production and laid off workers.

With major declines in our premier industries, our State's unemployment rate has nearly doubled in the last year alone. While normally we enjoy an unemployment rate that is lower than the national average, our unemployment rate at the end of November was eight percent and significantly higher than the national average. Every one percent increase in unemployment means another 14,000 Nevadans have lost their jobs. Last year alone, more than 42,000 of our fellow citizens lost their livelihoods. And many of those who kept their jobs did so with reduced hours, lower wages and fewer benefits.

Reduced income for our residents has compounded our economic downturn. Business in our local restaurants is down significantly as is business in many of our retail establishments and service industries. Some companies and casinos that have been here for decades are closing their doors or scaling back their operations. We have even seen some of our state banks file for bankruptcy or be taken over by federal regulators.

The simple fact is that for most of the last year, our residents have paid more for gas, more for food, more to heat and cool their homes, and more for nearly every necessity of life. When you need to use every dollar to provide the basic necessities for your family, you do not have money for the "extras" in life. Too many do not even have money for the basics and are making decisions between heating their homes and buying needed medications.

I was particularly struck by a recent story in the Wall Street Journal about pawnshops and how good business was. It came as little surprise that the story talked about people selling or pawning items for short term loans to pay their bills. What was a surprise was that businesses were doing the very same thing – in some cases, pawning large and expensive equipment in order to obtain the funds needed to cover payroll and other expenses.

These are extraordinary times. As Governor, I must, first and foremost, look at the economic situation of our people in order to ensure that our state government does not “pile on” and make our citizens’ problems worse.

Nevada government should meet the needs of the people; people should not meet the needs of Nevada government.

Many of Nevada’s families and businesses are being stretched to their breaking point and making remarkable sacrifices in the face of the most difficult economic downturn of our lifetimes. Ladies and gentlemen, I will not ask these businesses and individuals to pay more when they have less.

Make no mistake about it: higher taxes will cost more Nevadans their jobs. It is not the role of the state government to put people out of work. Because when all is said and done, the prosperity of our State can only be truly measured by the prosperity of our people.

This does not mean we can turn a blind eye to our challenges or our responsibilities. State revenues are down thirty percent, and we must determine how best to live within our means, just like Nevada’s families and its small and large businesses are doing across the State.

We are not the only state facing tough times, and I am not the only Governor who is balancing a tough budget. Governors across the nation are coping with declining revenues. Some Governors are looking to raise income taxes, gas taxes, property taxes, sales taxes...taxes on nearly anything that people need, buy or own. Others are recommending that school days be limited, releasing thousands of prisoners early, drastically cutting state workforces, or saddling future generations with significant debt.

These are solutions that I just cannot accept and that Nevadans should not accept. In our State, tough times mean we work harder to stretch our resources.

We showed that resourcefulness with transportation projects during the past two years. In 2007, the Legislature agreed with my proposal to increase transportation funding by reallocating existing tax revenues, instead of imposing higher fuel taxes. The widening of I-15 in Las Vegas is well underway using those revenues. Future revenues from the 2007 transportation plan will allow expansions on US 95 and 395.

In the upcoming session, I will also ask the Legislature to endorse other creative and innovative ways to build critical infrastructure without raising taxes, such as public-private partnerships to add much-needed traffic reduction programs throughout the State, and particularly in Southern Nevada where traffic problems are the most severe.

Tough times always require tough choices, and we are definitely making tough choices in this Legislative Session.

Recently, the Economic Forum met and forecasted general fund revenues for the next biennium of \$5.7 billion. By law, as Governor, I am required to use those numbers in setting a budget for submission to the Legislature.

The budget that I submit today reflects our current economic realities. It is \$2.2 billion smaller than the one we submitted just two years ago. It is also a budget based on the money we have, without taking more from residents and businesses that are already making do with less. It is a budget that requires us to live within our means.

I take no joy in submitting a budget that eliminates, reduces, or changes many things that we have grown to expect in Nevada – many things we have taken for granted when times have been good, and many programs we have added when times have been great.

Many of these decisions have been agonizingly difficult. We have spent hundreds of hours working on these numbers to create a fiscally responsible budget that sustains us through the next two years and positions the State to regain our economic footing when the national and international economy rebounds.

We also worked to ensure that we gain the greatest possible efficiencies in government, prioritizing services and making certain that each available dollar is spent wisely. And for the first time in Nevada history, all the people of our State can view this budget themselves. The entire budget has been posted online at www.NevadaSpending.com.

I promised to bring transparency to your state government, and this is one of many steps we are taking to keep that promise. I encourage all Nevadans to look at this budget and offer your suggestions to your Legislators and to my office. This is your tax money and you deserve a voice in how it is spent.

This budget does not rely on creating an entirely new tax system for our State. Our existing tax system brought us record job growth and prosperity for decades. And, quite frankly, I have yet to see an example of any state that has a tax system that brings growth during good times and remains stable during downturns.

For those who suggest that we need a new tax system, I would ask them to show me a state that has what some call a more dependable, diversified tax system and that is not having the same kinds of revenue problems that we have.

I do propose that we establish a new spending system in our State, one that requires that we place a stronger cap on our budget increases in good times, so that we have the additional reserves needed to get us through the inevitable tough times without raising taxes.

The simple fact is that higher taxes kill economic growth and job creation. And I will not raise taxes today on people and businesses that are already struggling to get through these times, jeopardizing our State's growth and prosperity tomorrow. Higher taxes will just fuel the downward spiral, leading to more business closings, more job losses, and more foreclosures. Nor will I support a tax that targets only our profitable companies and industries. We need to retain and attract companies that offer stable, high-paying jobs, not send them to other states. I will not do it.

When I ran for Governor, I told the people of this State my views on taxes. I am honored that they elected me and trusted me to keep my promise to them.

Likewise, I will not unfairly balance this budget on the backs of those in our society who can least afford to shoulder the burden, either. We have an obligation to preserve needed services for our children, our families, our seniors, and our veterans.

For example, our Health and Human Services budget preserves benefits for those who need state services. In fact, our Health and Human services expenditures now encompass thirty-four percent of our general fund expenditures compared to twenty-eight percent in the prior budget.

We have maintained Nevada Check-Up so low-income children can receive the health care they need and deserve. We have protected the eligibility limits for our long-term care program to ensure elderly Nevadans are cared for with the respect and dignity they have earned. We have sustained our Medicaid pharmacy program to ensure people can receive the prescription drugs they need to manage their health according to their doctor's orders.

And while we have had to reduce the intensity of service, our budget recognizes the value of personal care attendants who assist our elderly and disabled citizens so they can live in their homes instead of institutions.

And we protected the senior property tax rebate program, because so many of our most economically vulnerable seniors rely on this benefit.

We have also protected juvenile justice programs and child welfare programs. For example, Nevada's Early Intervention Services provides care for children up to age three who have developmental delays and disabilities. Unfortunately, growth in this program has exceeded its funding, and we have hundreds of children waiting to receive needed services. So I have included in my budget an additional \$6 million over the biennium to absorb this waiting list and accommodate the increased caseload we expect to see in each of the next two years.

It is difficult to add to some programs while we are taking from others, but without Early Intervention Services, many of these children would never be able to achieve their full potential. Nevada's children are our most precious resource and I will not allow those who need our help most to go without essential services. I will not allow these children to fall through the cracks.

This budget also maintains funding for the State's Child Care Assistance Program, which helps pay a portion of the cost of child care for low-income workers.

This budget also preserves programs for mentally challenged children and adults, health programs for women, benefits for seniors, and programs for our State's veterans, to whom we all owe a great debt of gratitude.

I also insisted that we protect the all-day kindergarten programs that we have in place in at-risk schools.

These programs are expensive, but we cannot responsibly cut them, either. We have an obligation to ensure that we take care of those who must depend on such vital state services.

We also have an obligation to make the best use of every tax dollar we spend. One prime example of stretching our dollars is how we have managed medications for the State's mental health programs. To this end we are utilizing a better process for identifying clients with Medicaid, Medicare Part D and private insurance options that will pay for prescription drugs instead of the State bearing the burden of those costs.

We also negotiated for more free medications from pharmaceutical companies, and we are working with our physicians to ensure they are prescribing the most economical and effective medications.

These and other measures let us save \$11.4 million during the current fiscal year, and I have budgeted similar savings for each of the next two years, as well. Finding savings this way has helped us avoid major service cuts in mental health.

Our budget also recognizes that the weak economy will result in caseload increases for core services from the State. As I noted earlier, we estimate that for every one percent our State unemployment rate climbs, another 14,000 Nevadans will have lost their jobs. Aside from the stark effect the loss of work has on these individuals and families, there is a tremendous impact on State programs. For example, for each one percent of growth in unemployment, we expect nearly 17,000 new enrollees in Medicaid.

This budget projects that the number of Medicaid enrollees will climb by more than 43,000 between today and the end of the next biennium. And we expect Temporary

Assistance for Needy Families to increase its enrollees by nearly one third during that same period. All such increases in caseloads are fully funded in this budget.

I am proud that we have been able to protect and preserve core Health and Human Services.

This budget also reflects my belief that public safety must remain a top priority, and we did not reduce funding that keeps Nevadans safe. In some cases, this meant that we had to restore some program funding, like funding for parole and probation officers, or we would be jeopardizing the safety of our citizens.

In order to be able to maintain funding for K-12 education and health and human services at viable levels, and to maintain public safety, we have had to make spending reductions in other areas.

For example, we had had to reduce state funding for Nevada State Higher Education, but we kept intact our Millennium Scholarship program. While higher education reductions will bring challenges to the system, I want to note that we are still spending 13.7% of our total general fund budget on higher education, as compared to the national average of 11.2%.

We also had to make funding reductions to our state parks and museums. However, our State and our people would lose too much if we closed these places completely. So, we kept at least partial funding for these facilities so that our families and schools can still access our parks and museums, even though during reduced hours or only during historic peak usage times.

The largest budget item in our State is personnel costs. And we simply cannot afford to keep payroll costs at their current level, much less increase them.

Private businesses across the nation are laying off workers that they cannot afford to retain with their reduced revenues. In just the last six months, our nation has escalated from an annual job loss figure of 8,000 workers to an annual job loss figure of 2.6 million workers. There are more displaced workers than at any point in modern history, surpassing the losses reported in every recession since 1950. Some private companies are also reducing wages and salaries by as much as 20%. Companies just do not have the money to maintain existing payroll costs.

Likewise, our state government also does not have the revenue to maintain its current payroll costs. But instead of massive layoffs, I want to keep our people working and minimize the financial impact as much as possible.

We really have only two choices: we can either lay people off or we can keep Nevadans working. My philosophy as Governor has been and continues to be that we are served

best by keeping Nevadans working. This is why we instituted a hiring freeze in the Fall of 2007, when the first indications of our revenue shortfall materialized. That hiring freeze and other budget-reducing methods allowed us to preserve state jobs and minimize layoffs of our valued state workers and save money. I believed then and still believe now that this approach is best for our state workers and for our people.

Today, to balance our need to reduce personnel costs with our goal of saving jobs, our budget includes a temporary six percent pay reduction for state employees instead of wide scale layoffs. I take no joy in asking state employees to work just as hard for the people of Nevada, but for less money. And I make this pledge to our state employees and teachers:

I will restore salary levels as soon as we can.

I am also taking the same six percent reduction in my own salary and am asking the other Constitutional Officers and other branches of government to do the same.

We are also forced to freeze step increases and longevity pay. We cannot give raises with money we do not have. These increases, too, will be reinstated when we have the revenue to do so.

Only by taking these steps now can we preserve vital state services, take care of our most vulnerable citizens, and protect jobs. If we do not take the measures proposed in this budget, we will need to lay off thousands of state workers. I do not want to do that. We must keep Nevada working.

We are also going to reduce state government expenses through agency consolidations and by elimination of duplicate service providers. For example, we eliminate redundancy and provide better services for our citizens by bringing all the various Consumer Affairs offices into one agency and by combining government agencies, such as Tourism with Economic Development and the Division of Housing with the Division of Manufactured Housing.

Quite frankly, these consolidations work in the best interests of our State and should be undertaken regardless of our State's current economic condition. In good times or tough times, wasting taxpayer money is wrong.

That is why I am also proposing legislation creating a Sunset Commission – to systematically review agencies, boards, and commissions to ensure that their ongoing operations and budgets are justified. The Sunset Commission will also review existing tax exemptions and abatement programs. Accountability and transparency in government is always needed, and the Sunset Commission will ensure that the SAGE Commission's work continues even after the SAGE Commission expires.

But we also need creative solutions to protect the state general fund in the short term. That is why I am also proposing a temporary reallocation of some revenues from our most populous counties to the state general fund to help us through these challenging times. Our state employees and teachers are being asked to do their part to help the State through this recession, and it simply would not be fair to ask them to shoulder that responsibility alone.

However, we must also remember that many of our local governments have invested significant sums in the local government investment pool, and in December the Legislature and I agreed to use that pool as collateral for a line of credit to get the State through the first part of 2009. It is imperative that we stand by our commitment to preserve the integrity and solvency of that pool, and that is why I have included in my budget sufficient funds to repay half of that line of credit, with the understanding that the other half will be repaid in the 2012-2013 biennium.

At the beginning of this budget process, I stated, "Everything is on the table." We had a responsibility to look at the needs of our State and the effectiveness of each and every program in order to determine how we could get where we needed to be and still provide needed services. And we did that.

Last year, I also established the SAGE Commission to look in detail at how we could save money, streamline programs, and make our State more efficient. To date, this bipartisan group of people has made outstanding cost-saving recommendations and I am proud to announce that this budget has benefited greatly from those recommendations.

By adopting SAGE Commission recommendations, the taxpayers of Nevada will save approximately \$269 million in this budget and in excess of \$600 million over the next five years. We save \$157 million over the biennium just in changes to our benefits packages and also dramatically decrease our unfunded liabilities.

These are real savings for Nevada and allow us to ensure that our vital public services continue. I look forward to further recommendations from the SAGE Commission and will work to immediately implement further cost savings during the next two years.

When I selected the members of the SAGE Commission, I admit that I expected such a stellar group to produce wonderful results. They are surpassing even my high expectations. This bipartisan group is volunteering their time and significant expertise for the betterment of our State. They are earning thanks from every Nevadan, and I want to make sure that my thanks are added now.

I chose the members of the SAGE Commission based on recommendations from the leaders of both parties, and we ensured that the Commission's membership included people from various political and professional backgrounds. Consequently, the SAGE Commission is an excellent example of how a bipartisan, diverse group of people can

work together to solve problems and identify creative solutions. I hope that we can follow that example during the upcoming Legislative Session.

We needed two special sessions in the past year to address revenue shortfalls from the last budget. Many said we could not account for nearly \$1.5 billion in shortfalls without raising taxes or harming government services. But we did.

We started by making across the board reductions, and our government agencies absorbed those reductions. We also worked on raising revenues through existing taxes.

Our tax amnesty program brought in over \$40 million. Of those funds, almost \$9 million of delinquent local school support taxes were collected, providing much needed relief to education funding.

But as the national and state economy continued to deteriorate, even those steps were not enough. We needed to take additional measures to balance our budget, as required by our Constitution, which is when I asked the Legislature to work with me.

I reached across the aisle to work with leaders of both parties just last month to ensure that the solutions we implemented were the best possible for our State. I pledge to do the same now. And I ask that members of the Legislature look at this budget with an open mind and in good faith.

As we proved in December's Special Session, Nevada is served best by cooperation among her elected leaders. Grandstanding and partisan bickering help no one in this State, and Nevadans deserve better.

I believe this budget provides a fair and responsible solution that balances the need to provide vital services with the need to reduce our spending to the level our State can afford.

I also want to let the people of our State know that we are looking beyond our borders for ways to jump-start our economy. For example, Governor Schwarzenegger and I have discussed working together to obtain federal assistance to build a high-speed train to connect our states, which we agree will be mutually beneficial to our citizens.

I am also reaching out to our federal representatives for help. Along with the Governors of other states, I met with President-elect Obama to discuss how the federal government can best help ensure that the country recovers quickly from the economic downturn. During that meeting, I stressed that federal spending on important infrastructure projects is needed to get people back to work quickly. I also stressed that time is of the essence and that this is no time for the red tape that can delay needed action.

I would also like to take this opportunity to wish President-elect Obama every success. He will be dealing with an economic environment that is, at best, challenging and we will all benefit when our nation's economy turns around.

I have also had numerous communications with members of our federal delegation concerning how federal aid and Medicaid reimbursement increases can help our State, and I am encouraged by those discussions.

While we built this budget assuming certain levels of federal funding, we are hopeful that we can obtain increased federal funding to defray some of our expenses, particularly given the severe impact of the national downturn on Nevada's economy. If this funding materializes, we can put back into our budget funding for many educational and other programs that we simply cannot afford with existing revenues.

I also pledge to you that if our economy turns around during this budget cycle, I will restore funding to programs and salary levels to our state personnel. Special Sessions can be called in good times, too.

I would like to take a moment to thank all of the agency heads, department heads, and cabinet members who worked so hard with me during the past few months to create this budget. I also want to single out Budget Director Andrew Clinger and his entire staff for their tireless work putting together a balanced budget under very trying circumstances. We have had to make some very tough decisions, and I thank you for all your hard work.

We remain resolved to do our best to serve the needs of the people of our State, and I commend each person who worked with me to find these solutions.

I also commend the Legislature for your efforts to reduce the cost of government. Initially, the budget for this upcoming session was set at \$20.5 million. But you agreed to reduce the amount appropriated in Senate Bill 1 for Legislative Session costs to \$15 million, and I commend you for that.

Now, I resolve to work with each and every one of you to meet our common goal: to ensure that Nevada provides vital services for our people while regaining positive levels of economic growth, job creation, and prosperity.

I ask that each and every one of us remember that we are all in this fiscal crisis together, and we will find the solutions together.

I also want to remind everyone that this is not the first time that Nevada has faced major economic challenges. For example, Nevada faced worse problems during the mining depression of the 1880-1890s and during the Great Depression.

We pulled out of the mining depression in large part based on reclamation projects that allowed agricultural development.

We pulled out of the Great Depression with a combination of Federal Assistance, legalized gaming, and the “one sound state” campaign, which focused on attracting businesses to Nevada by publicizing our business-friendly climate.

We also weathered the downturns in the 1980s, early 1990s, and survived the aftermath of September 11, 2001. Historically, we have emerged from economic challenges stronger through diversification.

We can do the same now by focusing on developing our bountiful renewable energy resources and becoming an energy exporting state. Nevada has the talent, expertise, resources and creativity within its borders to not just meet our own power demands, but to export clean electricity to our neighbors.

Northern Nevada is our geothermal capital and southern Nevada is our solar capital and everywhere in between we can harness our wind resources. Our opportunities in this area are endless.

What we must do, and what I am focused on, is bridging the gap between our current capabilities and our renewable-powered future while economically meeting our current power needs.

To move to this future, we need to overcome the challenges caused by long permitting processes, inadequate transmission infrastructure, and limited incentives. We need to overcome those challenges now, or in ten years, Nevada’s powerful energy future will still be just talk here, but reality in other states.

I spoke two years ago about making Nevada an energy producing state, and we have not been idle since then. We are making progress in all of our major challenge areas, and my energy bill will bring us even closer to our goal.

We have already streamlined Nevada’s permitting process for the development of renewable energy.

We also created the Renewable Energy Transmission Access Advisory Committee to identify renewable energy zones, review our current transmission capabilities, and identify ways to ensure that our renewable resources are brought efficiently and cost effectively to the market. Additionally, my 2009 energy bill is designed to push us to the leading edge of this growth industry. It includes provisions to further streamline the permitting process, particularly for small projects.

Over the years, we have learned that incentives work to help foster renewable energy investments. Hence, as part of my energy bill, I propose to increase our renewable portfolio standards requirements and to extend our renewable energy tax credits by five more years.

I also propose that we implement other much-needed incentives to bring renewable energy development to Nevada, including economic incentives such as tax abatements for renewable energy manufacturers, renewable energy research and development, and for companies that actually build the much-needed transmission lines.

Finally, we are currently in the process of creating a public-private partnership to pursue funding to build needed transmission lines. That partnership will include voices from the executive branch, the legislative branch, local government and private industry, working together to ensure that renewable energy transmission lines are built and built soon.

These kinds of economic incentives for diversification have helped Nevada pull out of recessions in the past, and I have no doubt they will bring businesses and jobs to our State now.

Considering the importance of renewable energy to our economic future and to job creation in our State, I am hoping that legislative leaders and private industry will work with me to make Nevada a world leader in producing clean and renewable energy.

We always do our best for the people of this State when a united government works with business leaders to create growth industries. Ladies and gentlemen, energy is an essential element of Nevada's future.

Even in these most trying of times, I see a future filled with promise and possibilities. I see a future in which we build for a better tomorrow, but never forget about the good works and endless sacrifices that provide our solid foundation.

I see a future in which a pro-business and pro-resident tax structure keeps Nevadans working and a future where a smaller government means more efficient government.

I see a future in which a resilient and resourceful Nevada – a Battle Born Nevada – proves once again that her prosperity has been no accident. Her prosperity is a result of the creative spirit of her people.

I am not going to stand before you this evening and tell you that the road ahead is easy or that we will all agree about how to address the very real challenges that confront us. What I will tell you is that I believe in Nevada and its people, and I am willing to work for you, and with you, to preserve what we all hold dear.

While no one knows exactly when this economic downturn will end, I assure you it will

end. Growth, investment and renewed consumer confidence are not going to come from my office or this chamber. They will come from you, the people of Nevada, and businesses who also believe in our State.

My pledge to you this evening is simple, I will take down whatever barriers I can, I will keep as many people working as I can, and I will do everything in my power to make tomorrow better than today.

Two years ago, I stood before you and spoke of One Nevada. A Nevada united, not one divided by regional or partisan differences.

I stand here tonight and ask...again...that we work together as One Nevada for our common good. Only together, can we ensure that our State weathers the economic storm and moves quickly to economic recovery and prosperity.

Thank you, god bless you, god bless Nevada and good night.