

TAX TOPICS

A publication of the Nevada Taxpayers Association serving the citizens of Nevada since 1922

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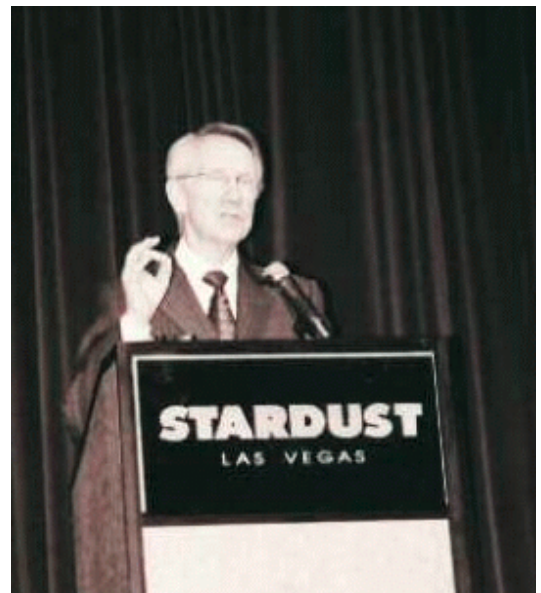
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SENATOR HARRY REID KEYNOTES NEVADA TAXPAYERS ANNUAL MEETING

Nevada's senior senator, Harry Reid, provided the keynote address for the crowd of more than 250 members and guests at Nevada Taxpayers Association's 80th annual meeting on February 19th at the Stardust Hotel Casino in Las Vegas.

Senator Reid thanked the Association and President Carole Vilardo for all the hard work that's been done to influence positive changes in Nevada's tax system and for the dedication to excellence the Association has shown for the past 80 years since the Association was founded. He said "the Nevada Taxpayers role in playing watch dog over fiscal policy in Nevada has been a very positive contribution".

Senator Reid said the national economy is starting to show signs of recovery from the events of September 11 and the economic slowdown which had been occurring. However, as part of the economic stimulus package, he felt that more should be done to help the people who have lost their jobs by extending the time limits of unemployment benefits and medical insurance. He also said that people who had left the welfare rolls to gain employment should be given unemployment benefits even though they had not worked a long enough time to qualify.



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Other key issues the Senator covered were:

- Infrastructure development should be part of the stimulus package to provide a way to repair our roads, bridges and other structures.
- The travel and tourism industry needs help nationally by extending tax credits for people who fly for business purposes.
- Our fuel dependency on other countries should be reduced by increasing fuel efficiency standards for automobiles and the use of alternative fuels rather than increasing domestic drilling.

CASHMAN GOOD GOVERNMENT AWARD

AND THE WINNER IS . . .

The 2002 Cashman Good Government Award was presented to the *Clark County District Attorney's Office Bad Check Diversion Unit*.

The Bad Check Diversion Unit assists businesses victimized by bad checks. The Unit prosecutes those offenders who have broken the law and secures full restitution for the victims at no cost to either the victims or the taxpayers. The offender fees collected make the Unit completely self-sustaining.

The Bad Check Diversion Unit was started in October, 1995 with one employee. Within six months the Unit had become self-supporting. The Unit now has 30 employees and collected \$23,275,522 in the year 2000. By dealing directly with businesses in Clark County, the Unit has eliminated the necessity of the involvement of police personnel leaving them free for street law enforcement functions. It also diverts non-violent offenders so that the limited police and court resources can be spent on violent and habitual offenders.

AWARD FINALISTS

*Russ Law, Chief
Operations Analysis Division
Nevada Department of Transportation*

Russ Law sought to improve fuel tax collection and ease the administrative burden for taxpayers. He chaired a subcommittee on the consolidation of fuel tax collections within State government. His analyses and recommendations were used as a basis for establishing fuel tax public policy, resulting in changes in Nevada law.

The change in the collection of diesel fuel taxes to the supplier level from the retailers' level produced \$11 million a year in previously uncollected tax revenue, which had largely been caused by tax evasion.

Mr. Law's work has also resulted in improved efficiency and accountability. By moving the collection of gasoline taxes to the Department of Motor Vehicles, State administrative costs are expected to decline by about \$1,000,000 per year and fuel suppliers' paperwork will be reduced. Suppliers will only have one State agency to deal with and all records will be kept in one place.

Russ also authored a report which will be used as the basis for changing the ownership of State highways and local roads to reduce the State's burden for maintenance.

*Scott Morgan, Director
Community Services/Parks & Recreation
Douglas County*

Scott Morgan created the Zephyr Cove Tennis Program by privatizing six outdoor tennis courts at Zephyr Cove Park. He came up with the program as a creative solution to the need for funds for capital improvements and the community's desire for increased programs and services.

Since a privatization contract for park and recreation services did not exist, Scott developed a new classification of contract for privatization. The result has been a 75% reduction in county staff time and maintenance costs. The number of services and programs have increased and a tennis professional has been added. Net revenues to the county have totaled over \$30,000 since the start of the program in 1997.

Mr. Morgan went above and beyond his normal job duties by creating the program independently, gaining approval from the advisory board, conducting a public education campaign, and completing a national recruitment for a qualified tennis professional, as well as implementation of the program.

A DAY OF MEETINGS

In addition to the annual meeting and luncheon, the annual Board of Directors meeting and Policy Advisory Committee meetings were also held on February 19, 2002.

Annual Board Meeting

NTA's annual board meeting was held the morning of February 19, 2002 at the Stardust Hotel Casino in Las Vegas. The budget for 2002 was approved and the results of the election of board members were provided to the group. Re-elected to serve another term as officers of the Association were: Fred Gibson, Chairman; Tito Tiberti, 1st Vice Chairman; Ann Macfarlane, 2nd Vice Chairman and T.J. Day, Secretary/Treasurer. In other action the board amended the bylaw provision which required no greater difference than 10% between board members from Clark County and board members representing the rest of the state. Additionally, the board approved the first of three sets of fiscal recommendations to be sent to the Governor's Task Force on Tax Policy. Please note: the Association's recommendations as well as others received by the Task Force are available by logging onto the legislative web site as follows:

www.leg.state.nv.us

Click onto interim meetings and then scroll down to the "Governor's Task Force on Tax Policy".

Policy Advisory Committee Meeting

Guy Hobbs, Chairman of the Governor's Task Force, presented the goals of the Task Force and participated in a discussion with PAC members of issues the Task Force will be deciding.

Board Member Barbara Smith Campbell, who is also Chairman of the Nevada Tax Commission, provided the members with an update on the major issues which are before the Department of Taxation. PAC Chairman David Turner, also a member of the Nevada Tax Commission, joined in the discussion of those issues, which included the mandatory 10-year review of all regulations. Also discussed were the Amnesty Program approved by the Commission which started February 1 and will run through June 30, and the ongoing computer problems which led to deferral of action on an attorney general opinion clarifying when the collection allowance is allowed on use tax.

NTA BOARD - 2002

Board members elected (or re-elected) for three-year terms were:

Larry Bennett, Larry Bennett & Associates
Mark Brown, Brown & Partners
Michael Brown, Barrick Goldstrike Mines, Inc.
Timothy Cashman, So. Nev. Harley Davidson
Donald Clark, Donald Clark Associates
Lou Emmert, Sprint
James Endres, AT&T
Donald Karras, Newmont Mining Corporation
Marsha Lindsey, Nevada Bell
Anne Macfarlane, ArcForm Group
John Marvel, HD Ranch
Ann O-Connell, State Senator
Doug Ponn, Sierra Pacific Resources
Daniel Van Epp, The Hughes Corporation
Howard Wells, Jr., Wells Cargo, Inc.

They join the following board members who are mid-term.

Barry Becker, Becker Realty
Barbara Campbell, Mandalay Resort Group
Robert Campbell, The Campbell Company
Randall Capurro, Layne & Associates
Margaret Cavin, J & J Mechanical, Inc.
T. J. Day, Hale, Day, Gallagher Company
Fred Gibson, Jr., American Pacific Corporation
John Gibson, American Pacific Corporation
Terry Graves, Graves Communications
Joseph Guild, Attorney at Law
Tim Hafen, Hafen Ranches, Inc.
Amy Hill, Wal-Mart Stores
Wayne Horiuchi, Union Pacific Railroad
Robert List, The Robert List Company
Michael Maffie, Southwest Gas Corporation
Charles McCrea, Jr., Mikohn Gaming Corp.
Berlyn Miller, Berlyn Miller & Associations
James Murphy, Grant Thornton
Dean Rhoads, State Senator
Laura Schulte, Wells Fargo Nevada
Mike Sheppard, Michael Clay Constructors
George Smith, Bank of America
Allan Stipe, Sunrise Hospital
Scott Swain, McDonald, Carano, et al
Tito Tiberti, J.A. Tiberti Construction Co.
Tim Treichel, Georgia-Pacific Corporation
David Turner, Turner, Loy & Co., LLC

NEVADA NOT ALONE IN BUDGET WOES

Nevada is not unique in its quest for more state revenue as it faces a revenue shortfall of approximately \$100 million as of this writing. Talk of budget shortfalls is a common occurrence in most states. The following is a snapshot of how the economic downturn has affected some of the other states.

From *The Wall Street Journal* "Tax Report" by Tom Herman, January 23, 2002: **Many States Struggle As Economic Storm Clouds Remain Dark, A Report Says.** The recession has opened "large gaps" in the budgets of at least 42 states, says a report to be issued soon by Nicholas W. Jenny of the fiscal studies program of the Nelson A. Rockefeller Institute of Government in Albany, N.Y. Moreover, states "will have not much good revenue news to help them" during the next few months, Mr. Jenny writes. "Thus, we expect to see few, if any, significant tax cuts enacted in 2002." Conversely, "we may see additional significant tax increases – even though most state lawmakers are reluctant to use this option," the report says. States are likely to dip into budget reserves and tobacco settlement funds to help balance their budgets. But "it is likely that the budget season in 2002 will be long and difficult." The institute is the public-policy arm of the State University of New York.

On March 29, 2002, *The Cincinnati Enquirer* headline read "Ohio treasury runs dry - again – Deficit could hit \$1.2B in 2003". "Saying they underestimated the recession's impact, Governor Bob Taft's top two money men predicted the state's \$44 billion budget will fall more than \$1.2 billion short by June 2003. Budget Director Tom Johnson and Tax Commissioner Tom Zaino blamed the deficit on plummeting state income and corporate tax revenues". "The recession in Ohio is longer and deeper than anticipated". "Ohio has lost 50,000 jobs, 40,000 of which were in the manufacturing sector."

The *Washington Research Council* reported on March 20, 2002 that the downward revisions to the revenue forecast in September, November and February erased more than \$1.1 billion in revenues while necessary spending increases reached \$386 million. "With expenditures \$1.4 billion greater than revenues, the supplemental budget is a short-term patch, not a long-term solution. Preliminary projections show the budget for 2003-05 \$1 billion out of balance.

On October 26, 2001 the *Caltaxletter*, published by the California Taxpayers' Association, reported "California's fiscal crisis appears to be worsening: Governor Gray Davis described the looming budget shortfall as running between \$8 billion and \$14 billion and suggested that an emergency session of the Legislature may be needed. Meanwhile, lobbyists for health care and law enforcement called for an emergency increase in the state sales tax."

The January 18th edition of *Caltaxletter* reported "Relying heavily on one-time solutions and questionable assumptions, Governor Gray Davis' proposed 2002-03 state budget increases the risk of future substantial budget problems, including an operating deficit of \$4 billion in 2003-04, the Legislative Analyst's Office reported January 15".

The *Caltaxletter* on April 14 reported "Things may go from very bad to even worse for the state's fiscal crisis if income tax revenues are as diminished as early reports seem to indicate". The Department of Finance reported that personal income tax revenue for March was 19 percent below the budget forecast. "All this means that the \$17.5 billion budget gap projected by the Legislative Analyst's Office just two months ago for the state general fund through June 2003 could grow significantly wider."

In the March edition of the *Utah Taxpayer*, the Utah Taxpayers Association newsletter, was the headline "Despite Revenue Shortfall, Legislature Forgoes General Tax Hike". The article stated: "To balance the budget for the current fiscal year, which was \$256 million in the red and ends on 30 June 2002, legislators reduced previously approved General Fund and Uniform School Fund expenditures in all major budget categories and utilized \$45 million from the Rainy Day Fund, which now has a balance of \$75 million. Nevertheless, despite reductions in the previously approved FY2002 budget, total FY2002 appropriations were approximately 7% higher than total FY2001 expenditures."

The Minnesota Taxpayers Association's *Legislative Spotlight* of March 2002 says "Where do things stand now? The February forecast predicts an additional \$336 million shortfall for 2002-03 and an additional \$689 million for 2004-05."

Continued on Page 5

THE FOCUS - EDUCATION

With the failed teachers union initiative to impose a business income tax; demands for increased education funds at a time when the state is faced with a shortfall; a charge to the Governor's Task Force on Tax Policy (ACR 1) ". . . for changes to Nevada's tax policy with the intent being to gather public spending recommendations for support of K-12 education"; with the education community at large chanting the mantra that we must increase funding by at least \$1,000 per student to achieve the "national average", is there any doubt that K-12 funding will be the focus of most debates when the Legislature convenes for session in 2003?

This hue and cry for additional funds begs at questions on at least four issues of serious import:

1. *What requests for Nevada schools can be realistically considered in light of the fact that present State authorized spending exceeds present income?*

Using the figure of \$1,000 per student in increased spending which equates to \$677.6 million for the biennium (using current enrollment figures), can anyone believe that this is (1) a realistic dollar amount; and (2) can be achieved effective with the biennium commencing on July 1, 2003? After all, this amount only takes into account K-12 education - - - not the amount of shortfall predicted by the Task Force (see *NTA e-brief*, Issue 4) or any other spending enhancements such as long term care or medicaid that might be added by the Governor or legislators.

2. *What will the return on any increased K-12 investment be?*

Will student achievement be increased and to what expectation?

Will outstanding educators and administrators be compensated based on their achievements or will they still be "part of the pack" faced with the same across-the-board pay increases?

Will remedial efforts required by employers, higher education or tech schools be eliminated?

3. *How will this request for more funding interface with the new federal program - "No Child Left Behind"? (Note: This program was enacted with only \$31 million to Nevada to cover costs, and that is not sufficient to cover the costs.)*

4. *What accountability measures will be put into place to insure that promised results are achieved?*

It is obvious that there will have to be considerably more dialogue to insure the manner in which any additional funds are provided, used and accounted for

is responsive to the needs of the students and the taxpayers of Nevada.

Now Available

K-12 EDUCATION FINANCING AND COSTS

Learn more about how Nevada K-12 Education is financed and what costs drive the budget. In 1992 the Association published its first **NEVADA ISSUES** titled *EDUCATION FINANCING AND COSTS*. That Report has been updated and expanded to include a section on school facilities financing.

The new 26-page report, titled *K-12 EDUCATION FINANCING AND COSTS* is a must for anyone wanting to understand how elementary and high school education is funded and what the major expense categories are. It has been researched and written by Gaylyn Spriggs, Special Projects Coordinator for NTA. A hard copy of this **NEVADA ISSUES** will be mailed the beginning of May. Don't want to wait? You can access this **NEVADA ISSUES** by logging onto our website:

www.nevadataxpayers.org

Budget Woes - continued from Page 4

The Taxpayers' Federation of Illinois reports in their publication *TFI* February, 2002: "With budget difficulties straining the state's ability to pay vendors, and employee layoffs looming, Comptroller Dan Hynes has reintroduced a four-point proposal aimed at shoring up the state's fiscal foundation". Hynes noted that taxpayers are now "suffering the consequences" of years of unrestrained state government spending and budgetary gimmicks. "Instead of taking advantage of the prosperity of the 1990s to achieve financial stability, Illinois has gone on a spending spree and made no plans for the rainy day that has now arrived," Hynes said.

The Associated Taxpayers of Idaho reported in their newsletter *ATI* in April, 2002: "The 2002 Legislative Session was what can best be described as unbelievable." The 2001 session had a \$316.3 million surplus. Then the economy slowed. After so many strong economic years, the 2002 legislative session faces actual revenues 8.0% under the predicted amount with only March through June reports remaining in the fiscal year. "Needless to say, lawmakers and all Idahoans are closely watching and working for an economic upturn soon, **LIKE NOW.**"

IN APPRECIATION

We wish to thank the following sponsors for helping to make NTA's Annual Meeting and Luncheon such a success:

Anglogold North America Inc., Barrick Goldstrike Mines, Inc., Cashman Family, Duke Energy, Enterprise Rent-A-Car, Fred D. Gibson, Jr., John R. Gibson, Health Plan of Nevada, Inc./Sierra Health & Life Insurance Company, John Pappageorge/Terry Graves, Jones Vargas, Las Vegas Chamber of Commerce, Mikohn Gaming Corporation, Nevada Bell, Nevada Manufacturers Association, Nevada Mining Association, Sierra Pacific Resources, Southwest Gas Corporation, Sprint, Sunrise Hospital & Medical Center, The Campbell Company, Tito Tiberti, U.S. Bank Nevada, Venetian Resort Hotel Casino, Wells Fargo

NOTES OF IMPORT

Until June 30, 2002 you can take advantage of The Department of Taxation Tax Amnesty Program for the sales and use tax, business tax, cigarette and other tobacco products tax, and car rental tax. Read more about the program by logging onto the Department's website: www.tax.state.nv.us. Any forms you might need can also be downloaded.

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