

TAX TOPICS

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RECOMMENDATIONS FOR A SOUND FISCAL POLICY

Given the arduous task of facing the politics of fiscal responsibility and the numerous requirements of an explosive population growth, NTA and its members agree that there are some core principles that need further review by government entities in order to reach a balance in the expenditure of state and local resources. In an effort to address these revenue issues between Nevada units of government and the taxpayer, a series of recommendations have been presented to elected officials and policymakers at both the state and local levels for their consideration. Are these recommendations the only way to address these complex issues? No. Are there many more ways to attain this delicate balance? Yes. We believe these recommendations offer a starting point for this very important discussion. The summary of these recommendations can be found on pages 4 - 6. The complete text of both Reports can be found on our website: www.nevadataxpayers.org under "What's New".

The Overview

Since the late 1970s, history has shown that government at all levels has experienced ten to thirteen year cycles in which there is both an economic downturn when revenue is less than projected and a period of prosperity when surplus revenue occurs. And while, at least in Nevada, we have seen most governmental units moving into a period of prosperity, there is a need to step back and prepare for the next cycle even though it may be six to eight years away.

In stepping back and reviewing prior budget cycles, it becomes evident that when revenues are not materializing to meet budgeted expectations, the demand for government services, particularly in the area of human services, is greater than normal. Conversely, in times when a greater than anticipated revenue materializes, there is pressure on government to increase programs (as has been witnessed during this legislative session). Meanwhile, the taxpayer *at the very time their income is reduced or stagnant* is often asked to contribute more to maintain government budgets; yet, when their income is improving they do not see any attempt to reduce their tax liability.

The recommendations presented to both state and local government policy makers provide a series of changes to maximize the use of existing dollars and minimize the need for new tax and/or fee revenues. Various recommendations have already been adopted and are in use by some governmental units in Nevada. These are not revolutionary recommendations. They are, in fact, *evolutionary*, and many are based on best practices in both government and the private sector.

Our recommendations encourage strong fiscal responsibility. In many of our suggestions we have

recommended that higher-than-projected revenues be set aside for use in specific categories and not used in starting new programs that place enormous demands on future budgets. Also, we caution government entities of the need to thoroughly analyze the long-term impact of grants. While a grant may seem too good to pass up, it may also carry a significant impact on future budget cycles. Grants should be carefully reviewed before they are accepted and continuously reviewed if, in fact, they are received.

It is anticipated that many of our recommendations will provide a starting point for evaluating the expenditure side of government while increasing service delivery and cost efficiencies.

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83RD ANNUAL MEETING AND LEGISLATIVE DINNER

It was a day of meetings at the Nugget in Carson City on February 24, 2005, starting with the annual board meeting. A joint luncheon with both board and Policy Advisory Committee (PAC) members was followed by the annual PAC meeting. The day ended with general membership annual meeting and Legislative Dinner which was attended by over 350 members, guests and elected officials. Preceding the evening's keynote speaker, C. Michael Cassidy, President of Georgia Research Alliance, the Cashman Good Government finalists were introduced and the winner, Mr. Russ Law, was announced (see related story page 3).

The Board Meeting

The annual Board meeting was the first meeting of the day. In addition to approving the 2005 operating budget and research projects, the following officers of the Association were re-elected for 2005:

Fred D. Gibson Jr. - Chairman
Tito Tiberti - 1st Vice Chairman
Mendy Elliott - Secretary
David Turner - Treasurer

Newly elected to fill open board seats were:

Jim Dickey, Western Nevada Supply, Sparks
Monte Miller, Keystate Corporate Management,
Las Vegas

The PAC Meeting

Sustaining members, who make up the PAC, attended the luncheon and afternoon meeting chaired by Board member David Turner.

A summary of the legislative tax bills introduced through February 18 and all of the bill draft requests pertaining to taxes were presented to the group. President Carole Vilardo provided an update on the Session. Also presented and reviewed was NTA's recommended fiscal reforms.

The General Membership Meeting and Dinner

Preceding the featured speaker, Tim Cashman Chairman of the Cashman Good Government Award took the opportunity to thank this year's selection committee members: Ray Bacon, Larry Bennett, Sharon Byram, Margaret Cavin, Mendy Elliott, Russ Fields, Steve Hill, Anne Macfarlane, Mike Shepard and David Turner.

Cashman continued, noting that one of the entries for the Award demonstrated extraordinary dedication to their position and the taxpayers of Nevada. However, they were not qualified to be considered for the Award because they were not government employees. However, he said while their nomination could not be considered, the selection committee wanted to acknowledge through this special recognition the extraordinary time and effort the members of the Nevada Tax Commission under their Chairwoman Barbara Campbell put into crafting the

regulations to make the tax bills of the 2003 session work.

Cashman then introduced the four finalists for the award.

Following the announcement of the Award's winner, board member John Gibson introduced the Keynote Speaker for the evening, C. Michael Cassidy, President of the Georgia Tech Alliance.

Keynote Address: A Blueprint in Partnering for Economic Development

C. Michael Cassidy has been the President of the Georgia Research Alliance (GRA) since its inception in the early 1990's. He was invited as keynote speaker to share what can only be described as an unbelievably successful effort to create a public/private partnership of business, Georgia research universities and Georgia state government.

As Cassidy explained, GRA was created to capitalize on science to build a technology-based economy. He said there were three components attributable to their success.

First, they created an Eminent Scholars program to enable them to recruit some of the top research scientists to Georgia's research universities.

Second, they provide funds for laboratories and equipment for their Eminent Scholars.

Third, they facilitate the "transfer of innovation from the laboratory to the economy".

As he explained: *"To support the new companies that are built around their discoveries, GRA provides technology incubators at our universities. These are places where emerging companies can have access to the laboratories, graduate students and business advice they need to develop their technologies."*

He went on to say: *"While our investments are focused on building capacity in our institutions of higher education, our results are measured in terms of economic development success - that is, new capital investment, new businesses, new jobs and new wealth. The need for Nevada to develop these partnerships and the importance of creating a Nevada Research*

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Cashman Good Government Award and the winner is . . .

***Russ Law
Planning Department
Nevada Department of Transportation***

Russ Law developed the Nevada Department of Transportation's (NDOT) value engineering program through his own initiative, learning the concept on his own. He created an in-house training program, its procedures and guidelines, and created the NDOT value engineering committee. This committee reviews all NDOT projects.

The value engineering process, as it was applied to three major construction projects in Nevada, resulted in cost savings exceeding \$35 million. The value engineering process is now applied to all phases of projects including preliminary engineering, right-of-way, design and construction.

In addition to the winner, the other finalists presented during the dinner were:

***East Fork Fire & Paramedic Districts/
Sheridan Volunteer Fire Department
Douglas County***

The East Fork Fire and Paramedic Districts and the Sheridan Volunteer Fire Department of Douglas County together built two Type III Urban Interface Fire Engines instead of purchasing the units. The goal was to save taxpayer dollars and also provide the number of units needed. Each unit with similar capabilities would cost approximately \$480,000 to purchase. By building the units, \$177,639 of public funds were saved. The savings will allow the group to build one additional unit to serve the Genoa area. Several hundred hours of voluntary work was performed over a period of two months. The design was original and parts were purchased through a variety of vendors.

The concept has been shared with the Central Lyon County Fire Protection District. Both districts are working together to construct two additional units this winter. Parts purchases are being made jointly to further lower costs. The Douglas County District is providing the technical assistance.

***Dr. William "Rob" Roberts and
Raymond Ritchie
Nye County School District***

Chief Financial Officer Ray Ritchie attended an energy efficiency conference and reported his findings to Nye County Schools Superintendent William "Rob" Roberts. Dr. Roberts met with the school district's principals and urged them all to enact energy-saving measures. As a result, Gabbs, Tonopah and Round Mountain schools cut their energy usage by over 9%.

Sierra Pacific Power Company rewarded the schools by installing energy-saving lights in their gymnasiums at no cost. Total savings was an immediate \$40,000 in lighting and a projected savings to the district of \$12,000 per year. The school gymnasiums in the smaller communities are often the focal point of many community activities. These gymnasiums now have brighter and more energy-efficient lighting.

***Phil Rosenquist
Director
Clark County Development Services***

The Clark County Development Services Department was created to bring all development services under one "roof" in order to provide the development community with the services they require in a fiscally responsible manner. The Department is enterprise-funded, with no general fund support required. Previously, the civil engineering functions were supported by the general fund.

Mr. Rosenquist has partnered with the development community through creation of the "customer-participation committee" to improve the efficiency and timeliness of services. His leadership has provided streamlining of processes, expanded on-line information availability, and programs to improve communications with customers.

**NOMINATION FORMS FOR THE 9TH ANNUAL
CASHMAN GOOD GOVERNMENT AWARD
WILL BE AVAILABLE SEPTEMBER 1.**

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SUMMARY OF STATE FISCAL REFORMS

BUDGET REFORMS

1. *Prioritize the expenditure of funds.*
2. *Program or Performance-based budgets should be utilized when possible.*
3. *Outcome based performance indicators should be developed for each program within all departments.*
4. *Revenue and budgeted expenses should occur in the same year.*
5. *Earmarked taxes and fees, in whole or in part, for programs within a general fund agency/department should be reviewed as part of the budget process.*
6. *Restrict and prioritize the expenditure of any revenue increases projected at the May meeting of the Nevada Economic Forum.*
7. *During budget preparation, each department should be required to identify the amount of overtime paid each month of the prior budget period.*
8. *During budget preparation, each department should be required to include a summary of all grants received by the department.*
9. *A supplemental public report should accompany the Executive Budget: a) showing the amount of overtime paid each month of the prior budget period; b) identifying the number of vacancies (in FTEs by department) that are reflected in the proposed budget; c) listing any recommendations that were made as the result of the last two audits and the status of those recommendations; and, d) summaries of all grants received by state agencies and departments.*
10. *The primary agency at the State level should provide a report outlining the distribution, acceptance, use and expenditure of federal funds received by the State and local governments.*
11. *Require a "yellow page" test by agencies and departments to determine if new and/or expanded programs/services are currently being provided by business or non-profit organizations.*
12. *Both the employer and the employee should share all retirement contributions.*
13. *Upon the enactment of recommendation 12, an employee leaving government employment should receive any earned interest on the contributions made by the employee during his or her period of employment.*
14. *Any changes to PERS, such as increased benefits or vesting, should be prohibited until the system is fully funded.*
15. *Change PERS from a defined benefit plan to a defined contribution plan for new employees.*
16. *Eliminate accumulated vacation time and sick leave "buy backs" and provide specific conditions when sick leave or vacation time can be extended beyond the year in which it should be taken.*
17. *Change the procedure that employee compensation is increased by: a) eliminating longevity pay; and, b) changing "merit pay" to a "merit bonus" awarded solely on the basis of achievement.*
18. *Change the procedure by which classified employee compensation is approved.*
19. *All vacant positions should be limited to 12 months.*
20. *At the end of every quarter, sweep salary savings into either a rainy day or a capital project fund.*
21. *Cross-train employees.*
22. *Establish priority scheduling for technology enhancements and training for agencies and departments that generate significant revenue.*
23. *Create a "means test" for entitlement programs, or in the alternative, establish a fee schedule for "non-disadvantaged" persons to participate in the program.*
24. *Establish a schedule to review and evaluate equipment and vehicle usage by department. Reassign, remove or sell equipment and vehicles that are no longer needed or are no longer cost effective. Special emphasis should be placed on: a) telecommunications equipment and service; and, b) heavy equipment, particularly equipment used for road construction and/or maintenance.*

EXPENDITURE REFORMS

12. *Both the employer and the employee should share all retirement contributions.*

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SUMMARY OF STATE FISCAL REFORMS CONTINUED

25. *Executive Branch agencies and the University and Community College System of Nevada (UCCSN) should report all debt issued and debt outstanding to the State Treasurer's office on an annual basis. The report should include the purpose of the debt, amount of debt authorized, the length of the debt and how much has been issued and the type of debt issued (i.e., General Obligation bonds, revenue bonds, etc.).*

26. *In conjunction with recommendation 25, an annual "Report of State Indebtedness" should be issued by the State Treasurer's office. It should include a detailed report of the information identified in recommendation 25 along with general obligation and revenue debt.*

27. *The State expenditure cap (NRS 353.213) should be updated and kept in place until such time as the voters can adopt a State Constitutional Amendment.*

SPECIFIC STATE AGENCY/DEPARTMENT FISCAL REFORMS

28. *Move the State Department of Education into the State Department of Human Services and establish a K-12 sub-account within the State's Rainy Day Fund. One-half of any K-12 funds reverted to the State General Fund would go to the K-12 sub-account of the State Rainy Day Fund.*

29. *Change the manner in which the Superintendent of Public Instruction is selected.*

30. *Broaden the function of the State School Board.*

31. *Allow each school district to determine the use of class-size reduction funds to accommodate the needs of the students in the district.*

32. *Require local school districts to pay for any remediation classes required of a student as a condition of enrollment into a UCCSN program.*

33. *Develop a ratio of public school administrators to teachers.*

34. *Change the selection of the UCCSN Board of Regents from elected to appointed positions.*

35. *Provide a salary for the regents.*

36. *Increase the time spent in the classroom by instructors who teach under-graduate courses.*

37. *When remediation is required of a student prior to taking a class within the UCCSN, the student should be informed of the reason. Additionally, a test of the student should be allowed to confirm the need.*

38. *Develop performance measurements to evaluate Nevada's higher education system.*

39. *Require State agencies providing services to K-12 and higher education to coordinate long-range plans and education programs.*

40. *Identify higher education research programs that will assist in the development of economic viability and the diversification of Nevada.*

41. *Merge the functions performed by the Department of Industrial Relations (DIR) into other departments/agencies.*

42. *Eliminate the use of the motor pool in urban areas and contract with rental car agencies.*

43. *Require all bidders for purchasing or construction contracts to have the necessary State and local licenses and be registered with the Nevada Department of Taxation.*

44. *Review all legislatively established Boards and Commissions every six years to determine if their current mission and goals reflect their original purpose and if any changes have received legislative approval.*

COMING IN JULY: THE NEXT ISSUE OF

TAXTOPICS

THE FIRST IN OUR SERIES OF 2005 LEGISLATIVE SESSION WRAP-UPS

SUMMARY OF LOCAL GOVERNMENT FISCAL REFORMS

Editor's Note: These recommendations closely relate to those that were provided for State government.

BUDGET REFORMS

1. *Prioritize the expenditure of funds.*
2. *Program- or Performance-based budgets should be utilized when possible.*
3. *Outcome based performance indicators should be developed for each program within all departments.*
4. *Revenue and budgeted expenses should occur in the same year.*
5. *Earmarked taxes and/or fees, in whole or in part, should be reviewed on a regularly scheduled basis.*
6. *During budget preparation, each department should be required to include a summary of all grants received by the department.*
7. *Require a "yellow page" test by agencies and departments to determine if new and/or expanded programs/services are currently being provided by businesses or nonprofit organizations.*
8. *Budget augmentations of surplus funds should be restricted to **non-recurring expenses**.*
9. *During budget preparation, each department should be required to identify the amount of overtime paid each month of the prior year.*
10. *The finance/budget offices in conjunction with various departments should develop a financial policy and procedures manual.*
11. *The appropriate governing board should approve any financial policy and procedure manual.*

EXPENDITURE REFORMS

12. *Both the employer and the employee should share all retirement contributions for new hires.*
13. *Upon the implementation of recommendation 12, an employee who leaves government employment should receive any earned interest on the contributions made by the employee during his or her period of employment.*
14. *Retirement benefits, including PERS, should not be subject to collective bargaining.*
15. *Any changes to PERS, such as increased benefits or vesting, should be prohibited until the system is fully funded.*
16. *Change PERS from a defined benefit plan to a defined contribution plan for new employees.*
17. *Eliminate accumulated vacation time and sick leave "buy backs" and provide specific conditions when sick leave or vacation time may be extended beyond the year in which it should be taken.*

18. *Change the procedures by which employee compensation is increased by: a) eliminating longevity pay; and, b) changing "merit pay" to a "merit bonus" awarded solely on the basis of achievement.*
19. *Change the procedure by which classified employee compensation is approved.*
20. *All vacant positions should be limited to 12 months.*
21. *At the end of every quarter, sweep salary savings into either a rainy day or a capital project fund.*
22. *Change the current procedure for contractual collective binding arbitration to include: a) the use of a three-person panel agreed to by both sides that might include an employee representative, a management representative and a representative with a financial background; and, b) require a showing of financial ability over the life of the contract to afford an award that is made by the panel, which includes consideration of mandated programs and services.*
23. *Cross-train employees.*

OTHER REFORMS

24. *Establish priority scheduling for technology enhancements and training for departments that generate significant revenue.*
25. *County Commissioners should provide the necessary financial assistance to the Assessor to provide for an annual reappraisal cycle.*
26. *Create a "means test" for all entitlement programs, or in the alternative, establish a fee schedule for "non-disadvantaged" persons to participate in the program.*
27. *Establish a schedule to review and evaluate equipment and vehicle usage by department. Reassign, remove or sell equipment and vehicles that are no longer needed or are no longer cost effective. Special emphasis should be placed on: a) telecommunication equipment and services; and, b) heavy equipment, particularly equipment used for road construction and/or maintenance.*
28. *Require all bidders for purchasing or construction contracts to have the necessary State and local licenses and be registered with the Nevada Department of Taxation.*

2005 NTA Board of Directors

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Keynote Address Continued

Alliance was evidenced by the success experienced in Georgia. During the 15 years the plan has been in place research expenditures within the universities have been able to attract over \$2 billion in federal and private funding. Or as Cassidy said “. . . over the last 15 years, our strategy has brought to Georgia more than \$300,000 per day, every day in outside funding.”

Concluding Remarks

“I will leave you with this thought. I was in St. Louis a year ago participating in a meeting of the newly forming Research Alliance of Missouri. One of the

keynote speakers was Dr. Philip Needleman. The inventor of Celebrex. He gave an outstanding talk about his experience in moving a blockbuster drug from the lab to the market. He closed his talk with his top ten learnings from the process - the last one being this. He said “the world belongs to finishers.” Here is my point. You can be assured that the same conversation that we are having today is taking place in at least a dozen other places this week alone. Technology based economic development is a hot topic. But only a few will be successful. Some won't take it any further than a conversation. Don't let our conversation today be your endgame. Finish what you have set out to do.”