

NEVADA BUDGET

Budgets

- Quite simply: “A plan for spending money.”
- A forward looking document projecting expected revenues and expenditures for a coming year (or two years in Nevada)
- A two-sided document: revenues and expenditures
- Nevada requires that the budget be balanced ($E = R$)
- The state can incur debt (but it is limited to 2% of assessed valuation in the state) and does so through the sale of bonds
- Nevada produces a biennial (2 year) budget. The years are linked to the same estimates but are accounted for separately.

Key Terms

- *Fiscal Year*: the year of expenditure (runs from July 1 to June 30)
- *Revenue Estimate*: the projection of revenue that will be available for state spending (from all sources) for the coming year. This is done by the Economic Forum.
- *Economic Forum*: an appointed board that makes the revenue estimate. They make multiple estimates as the budget goes through executive and legislative review. Their final estimate is binding.
- *Executive Budget*: the proposed budget prepared by the Governor and presented to the legislature. To become official, though, it must be passed (as a series of appropriation bills) by the legislature.
- *Fund System*: a self-balancing set of accounts. This means there are a group of expenditures supported by a set of revenues. This segregates revenues and in most instances money cannot be moved across funds.

- *General Fund*: the largest of expenditure funds and as the name implies the fund that uses general tax revenues to fund a wide array of government activities.
- *Transportation Fund*: money used for transportation projects. The money is generally earmarked and much of the money in this fund is used for capital projects.
- *Earmarks*: the dedication of specific revenues to specific purposes. Nevada ranks in the top 5 for the use of earmarks – generally using this practice at the twice the national rate. This further limits legislative discretion in shifting revenues across purposes and/or funds.
- *Capital Expenditures*: revenues used to acquire a fixed asset. These are usually “big ticket” items such as roads and buildings and financed through bonds.

Revenues

- Based on a variety of taxes (see page 119 in Bowers for breakdown)
- An unbalanced system with heavy reliance on gaming and sales
- Four types of gaming taxes. Nevada has a relatively low gaming tax rate, but it is on gross receipts, not net. (Thus, even if a casino loses money it pays taxes.)
- General sales tax rate fairly high (which also makes it mildly regressive)
- Excise taxes are selective sales taxes which are often earmarked for specific purposes (i.e. gas tax for transportation fund)
- The system is designed to shift the tax burden (who actually pays) from residents to visitors.
- This allows residents to avoid an income tax and enjoy relatively low property taxes

- System is less stable, predictable and is subject to sharp economic downturns.
- Property tax (far more stable) is generally used by local government (especially since the tax shift of 1981)
- Nevada has a strong anti-tax sentiment which is an informal check on the legislature
- A formal check is the requirement of an extraordinary majority (2/3rds) vote by the legislature to increase any tax (the so-called “Gibbons Tax Restraint Initiative”)

Expenditures

- Just over half to sixty percent is found in the General Fund (See Bowers page 120)
- Education (K-12 and Higher Ed combined) is the number one expenditure
- Expenditures are often formula based to give an appearance of being less political.
- Transportation (a separate fund) is about 20% of the total state expenditure
- Compared to other states we do spend less on social services and more on prisons
- School funding is harder to discern as local spending and capital spending increases the Nevada effort
- Questionable whether increased funding is linked to increased performance in education

Executive Budget

- Assembled by Governor
- Comes from agency requests
- A strong predictor is the base (or previous year) budget
- Assembled and negotiated nearly a year in advance of submission to legislature
- Legislative review is limited and most of what the Governor requests is approved
- A key power of the Governor for shaping the policy agenda
- However, the legislature does have ultimate legal authority over the budget and it is the legislature (not the governor) which can raise taxes.