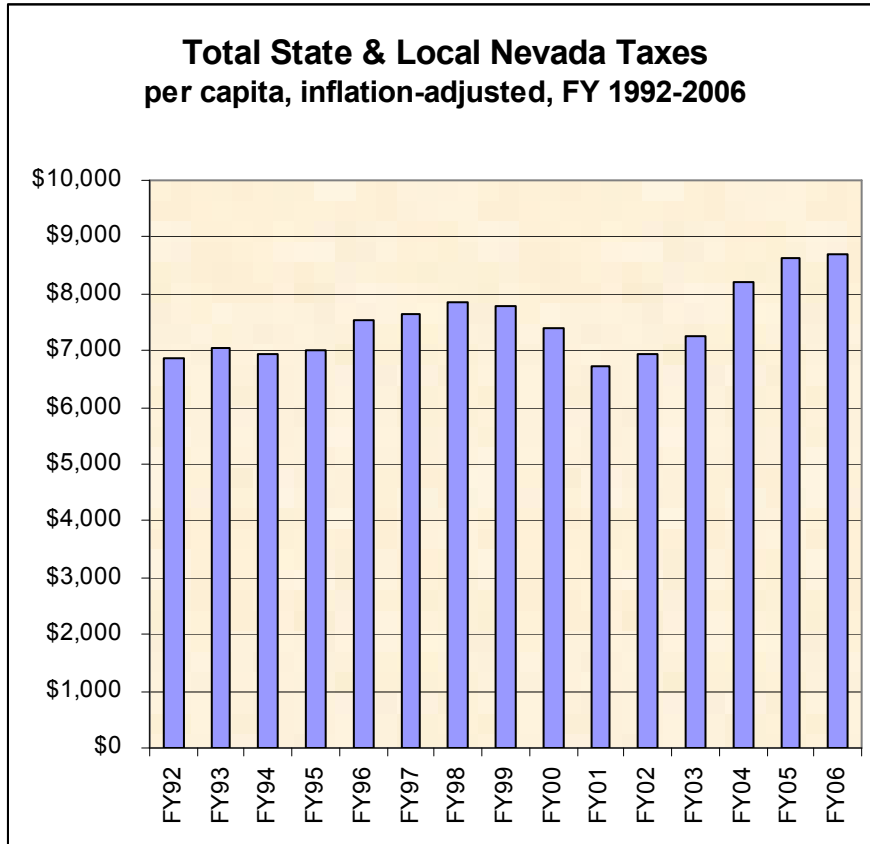


**Nevada Policy Research Institute**  
**Fast Facts 2009: State Finances**

*Trends in the Tax Burden*

- The overall state tax burden in Nevada has been on the rise, both in absolute and in per-capita terms. Between FY92 and FY07 total state tax collections increased 133 percent while the per-capita tax burden increased 23 percent.



***State tax collections (inflation-adjusted), FY92-FY07***

Year	Tax Collections	Population	Per Capita Tax Collections
FY92	\$2,783,780,153	1,351,367	\$2,060
FY93	\$3,231,022,222	1,411,215	\$2,290
FY94	\$3,420,558,908	1,499,298	\$2,281
FY95	\$3,816,609,618	1,666,320	\$2,290
FY96	\$3,977,123,626	1,666,320	\$2,387
FY97	\$4,059,397,333	1,764,104	\$2,301
FY98	\$4,053,385,417	1,853,191	\$2,187
FY99	\$4,397,444,872	1,934,718	\$2,273
FY00	\$4,658,214,286	2,018,456	\$2,308
FY01	\$4,639,500,000	2,095,820	\$2,214
FY02	\$4,641,563,529	2,169,202	\$2,140
FY03	\$4,779,093,750	2,241,127	\$2,132
FY04	\$5,335,588,235	2,332,484	\$2,288
FY05	\$6,237,809,681	2,412,301	\$2,586
FY06	\$6,538,767,269	2,492,427	\$2,623
FY07	\$6,486,371,399	2,565,382	\$2,528

Source: US Census Bureau

- In addition, the local tax burden has increased at a similar rate—indicating that state government has not simply taken on more of the responsibilities formerly entrusted to local governments.

<i>Local tax collections (inflation-adjusted), FY92-FY06</i>			
Year	Tax Collections	Population	Per Capita Tax Collections
FY92	\$6,475,283,969	1,351,367	\$4,792
FY93	\$6,701,475,556	1,411,215	\$4,749
FY94	\$6,993,216,954	1,499,298	\$4,664
FY95	\$7,832,353,607	1,666,320	\$4,700
FY96	\$8,556,006,868	1,666,320	\$5,135
FY97	\$9,414,597,333	1,764,104	\$5,337
FY98	\$10,500,981,771	1,853,191	\$5,666
FY99	\$10,629,293,590	1,934,718	\$5,494
FY00	\$10,235,359,649	2,018,456	\$5,071
FY01	\$9,466,897,094	2,095,820	\$4,517
FY02	\$10,428,274,118	2,169,202	\$4,807
FY03	\$11,515,118,056	2,241,127	\$5,138
FY04	\$13,768,218,326	2,332,484	\$5,903
FY05	\$14,612,774,477	2,412,301	\$6,058
FY06	\$15,101,377,258	2,492,427	\$6,059

Source: US Census Bureau

Note: Census surveys were not conducted in all jurisdictions for FY01 and FY03. As a result, the numbers shown here are somewhat smaller than the actual numbers.

- General fund spending has recently comprised only about 35 percent of total state spending and about 15 percent of total government spending in Nevada.
- Total spending in the 2009-11 Executive Budget is about 1 percent less than it was in the 2007-09 Legislatively Approved Budget.

#### *Tax Structure*

- A recent study by the Federal Reserve Branch of Kansas City shows that the two most volatile forms of taxes nationwide are the (1) corporate income tax and the (2) personal income tax.<sup>1</sup>
- Corporate and personal income taxes are more than twice as volatile as sales and use taxes.<sup>2</sup>
- Instituting new tax structures will not “diversify” Nevada’s economy. It will likely have the opposite effect—driving away new businesses and making Nevada even more reliant on tourism industries.
- Major fiscal crises are currently being experienced in neighboring states, such as Arizona and California, which have vastly different tax structures.

#### *Tax-and-Spend*

- The major cause of the current crisis is that when revenues are high, state government creates new programs. When revenues decline, the funding for these new programs disappears, prompting calls for higher taxes.
- The only way to smooth out the cyclical nature of state tax revenues is to impose spending controls during the boom years and to divert the excess revenue into a “rainy day” fund.

### *Employee Pay*

- Over the past seven years, some state employees may have received pay raises of 74.9 percent.<sup>3</sup>
- State employees are receiving 8.5 percent pay raises in FY09<sup>4</sup>—including a 4.5 percent cost-of-living adjustment—despite the fact the economy has experienced widespread deflation.<sup>5</sup>
- A recent study commissioned by the Las Vegas Chamber of Commerce reported the average government employee in Nevada is paid 28.1 percent more than the average private-sector employee.<sup>6</sup>
- A separate study commissioned by the Las Vegas Chamber of Commerce shows that public-sector employees in Nevada are paid 12.1 percent more than public-sector employees in other states.<sup>7</sup> Firefighters are paid 55.1 percent higher in Nevada than elsewhere.<sup>8</sup>

### *Nevada PERS*

- The unfunded liability of Nevada PERS is now in excess of \$10 billion.<sup>9</sup>
- Nevada PERS has the second highest employer contribution rate among the 50 states.<sup>10</sup>
- The number of retirees drawing defined benefits from PERS has nearly doubled in the past decade, going from 18,038 in 1999 to 33,479 in 2008. This rate of increase is not expected to decline.<sup>11</sup>
- The average public employee in Nevada receives retirement benefits for 12 years longer than do private-sector workers.<sup>12</sup>

## Citations

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<sup>1</sup> R. Alison Felix, “The Growth and Volatility of State Revenue Tax Sources in the Tenth District,” *Economic Review* (Third Quarter 2008), Federal Reserve Bank of Kansas City.

<sup>2</sup> *Ibid.*

<sup>3</sup> Geoffrey Lawrence, “The Untenable Nature of State Employee Pay Raises,” Nevada Policy Research Institute, January 2, 2009, <http://www.npri.org/blog/the-untenable-nature-of-nv-state-employee-pay-raises>.

<sup>4</sup> *Ibid.*

<sup>5</sup> Statistics maintained by the US Department of Labor show that the Consumer Price Index has been in decline throughout FY09, <ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.ai.txt>.

<sup>6</sup> Las Vegas Chamber of Commerce, “Comparative Analysis of Public and Private Employee Compensation Levels,” Fiscal Analysis Brief, Volume 1, Issue 1, <http://www.lvchamber.com/government/FAB-public-private-comp-analysis.pdf>.

<sup>7</sup> Las Vegas Chamber of Commerce, “State-to-State Comparison of Public Employee Compensation Levels,” Fiscal Analysis Brief, Volume 1, Issue 2, <http://www.lvchamber.com/government/FAB-state-to-state-comparison.pdf>.

<sup>8</sup> *Ibid.*

<sup>9</sup> Geoffrey Lawrence, “The Power of the PERS: The Legislature Should Rein It In,” *Nevada Business Journal*, February 2009, <http://www.nbj.com/issue/0209/38/1979>.

<sup>10</sup> Las Vegas Chamber of Commerce, “An Overview and Comparative Analysis of the Nevada Public Employees’ Retirement System,” Fiscal Analysis Brief, Volume 1, Issue 3, <http://www.lvchamber.com/government/FAB-retirement-system.pdf>.

<sup>11</sup> *Op cit.*, note 9.

<sup>12</sup> *Op cit.*, note 10.