



The Nevada Policy Research Institute

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NPRI analyst to IFC: Empower the private sector

LAS VEGAS — Geoffrey Lawrence, a fiscal policy analyst at the Nevada Policy Research Institute, today urged the IFC Subcommittee to Conduct a Review of Nevada's Revenue Structure to consider free-market, private-sector solutions as it explores ways to meet the state's policy challenges.

Lawrence offered the following public comments to the Subcommittee, which today held its first meeting to review nominations for the Nevada Vision Stakeholder Group:

Mr. Chair and members of the Working Group:

My name is Geoffrey Lawrence and I am a fiscal policy analyst at the Nevada Policy Research Institute. I'd like to thank you for this opportunity to provide comments on the creation of a Nevada Vision Stakeholder Group that will be tasked with determining the quality of life for Nevadans over the next two decades.

I certainly agree that there is merit to the idea of studying the existing revenue structure for state and local government in order to determine methods of minimizing volatility, reducing compliance costs and maximizing efficiency. However, I find it disconcerting that the legislature has chosen, in accordance with SCR 37, to require the recommendations of the tax study to first consider the recommendations of the Vision Stakeholder Group.

Given that the members of the Vision Stakeholder Group are to be drawn from the five major areas of state spending, it seems clear that the group's recommendations will likely include new government spending proposals. As such, the objectivity of the associated tax study could begin to erode as the exercise devolves into a simple rationale for levying new taxes.

Moreover, I consider the underlying presumption of this exercise to be fallacious. By linking "quality-of-life goals" to government revenues and spending, the legislature is implicitly stating that only the *public sector* is capable of improving Nevadans' living

standards. This would fly in the face of known experience as improvements in living standards have historically been driven by private-sector innovation.

I urge the Working Group to direct the Vision Stakeholder Group not to overlook the improvements in living standards that individuals, working through free exchange, can achieve on their own behalf. I urge you to direct the Vision Stakeholder Group to pursue innovative solutions and to consider where the quality of life can be improved by removing obstacles for private-sector involvement in the provision of public services.

Albert Einstein once defined insanity as “doing the same thing over and over again and expecting different results.” Likewise, if the Silver State is to see improvements in areas such as education, it cannot simply continue to dump more money into the same broken and monopolistic system. This is literally just more of the same.

A mounting body of evidence suggests that if the quality of education is to improve, there must be fundamental reform of the way in which educational services are delivered. This reform should expand choice and accountability by dismantling barriers to private-sector involvement through initiatives such as tuition tax credits, vouchers or even the expansion of publicly funded charter schools. I recognize and applaud the initiatives that have been taken by several members of this working group in working toward these goals. Still, there is much left to be done.

In addition, many other public services can be delivered much more efficiently with private-sector participation if the Vision Stakeholder Group will consider options for deregulation or increased use of contracting.

An approach called “managed competition” has been used by the states of Florida, Indiana and Virginia as well as many local jurisdictions around the country. “Managed competition” allows public employee unions, along with private-sector competitors, to submit bids for the provision of public services. A unique virtue of this approach is that it allows government to fund measurable outputs and not simply inputs while encouraging public-sector bureaucracies to identify cost-saving measures. Since 1995, Florida’s Council on Efficient Government reports that the state has saved more than \$5.5 billion over 289 projects by allowing public-sector unions to compete with private firms. Given its successful track record elsewhere, I hope that the Vision Stakeholder Group will consider how managed competition can be applied in the Silver State.

In my view, it will certainly not improve the quality of life for the bulk of Nevadans if the “visioning” process results in a higher tax burden while continuing to insulate government monopolies from private competition. That “vision” would simply amount, once again, to a wealth transfer from those outside of government to those within government.

In short, I urge the Vision Stakeholders Group to consider truly innovative solutions and not simply to burden taxpayers who are already suffering with demands for even higher taxes.

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