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Nevada Concerned Citizens

Working to foster free enterprise, support a strong national defense,
reinforce the moral fiber of the community, and preserve freedom.

To: Senate Taxation Committee

From: Nevada Concerned Citizens, Richard Ziser, Spokesman

Re: SB 219 & AB 204

Committee members:

Speculation as to the actual need for more taxes prior to the end of the session was put to rest during the Governor's presentation on Tuesday. **There is currently no projected deficit through the end of the fiscal year ending June 30th.** The state could draw down the rainy day fund to meet cash flow needs and still end the year with \$106 million in reserve, \$6 million more than required by law. The rainy day fund could then be replenished after a full debate on the Governor's other tax bills.

It is important to note that the Governor's request for additional revenue is based on the fear that a war with Iraq or another 911 incident will take place, further reducing projected revenues. If there is a need for a larger reserve in order to get through a tough period, then the Governor should be asking for a larger reserve with tight controls for use only in the event of such a disaster.

We all need to remember that 911 was an unexpected unprovoked attack on American soil. The \$100 million revenue decline due to 911 took place over a ten-month period. Americans are now braced for war. We certainly have a couple of months to properly debate the largest tax increase in our states history.

And if such a disaster happens who will be able to pay the higher taxes? Revenues for Nevada's businesses will be reduced and Nevada workers will be laid off. We all will have to cut back and live more efficiently. *Our state government needs to do the same.* We are told that the state has cut to the bone, yet we regularly see examples of waste and inefficiency.

We are relieved that we are not in a current projected **deficit** situation that would require your immediate and rushed attention. We need a real tax debate in this state void of all the rhetoric, name-calling and gamesmanship. We need a bona fide examination of the state budget. That is where the action should be at this point.

It is our contention that our families are already overburdened by excessive taxation. Many mothers who would prefer to stay home and raise their children are forced into the workplace. Others choose to stay home and are strapped with debt and unmet needs.

We encourage you to proceed cautiously on these tax bills. We do not believe the case has been made for these ""bridge"" taxes, especially in light of the ongoing revelations of inefficiency and misspending.

Please consider the following areas prior to raising any taxes:

1. Seriously consider the Budget-Cutting Strategies recommended by the American Legislative Exchange Council. The Governor's ""Fundamental Review"" was a good start in this direction. This list of recommended budget savings ranges from entitlement program reform to the innovative use of web-enabled technology. We can supply you with a copy of this report if you have not already seen it.

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2. Create a "Nevada Council on Competitive Government" to oversee and ensure that Nevada taxpayers are getting the best value for their tax dollar. To ensure that competition is not simply a passing fad, a number of cities and states have established competition councils to institutionalize the concept throughout state government. The two oldest and most prominent are Virginia's Commonwealth Competition Council and the Texas Council on Competitive Government.
3. Privatize any government service that competes with private enterprise. You have made progress in this area, but more can be done. Nevada Congressman Jim Gibbons recently suggested that we ought to open the yellow pages, and if there is a private enterprise that does that work, then government shouldn't be doing it. We agree.
4. Provide school choice. Vouchers and deconsolidation of large school districts will reduce costs. The Nevada Policy Research Institute's "Analysis" makes the case for a Clark County Voucher Program that would save the district \$200 million in the first year growing to a \$600 million per year savings ten years from now. This same report shows that Metropolitan areas with maximum inter-district choice have consistently higher test scores and spend 7.6% less than districts with no competition.
5. Require school districts to spend a minimum of 65-70% of every education dollar directly in the classroom. Just last night the Clark County School District held a public input meeting regarding potential cuts to their budget. Many teachers and parents made clear that numerous specialists, consultants and mid-level administrators are impeding, not improving, education. Most people would rather see those positions eliminated, instead of going after valuable high-profile, student-centered programs such as the arts, sports and GATE programs.
6. Re-evaluate the "Class-Size Reduction" appropriations based on a cost-benefit analysis. There are several other criteria to improve test scores that are more effective than class-size reduction, and class size reduction comes at a cost of \$2.28 million for each child per teacher added in the Clark County School District.
7. Put some teeth to LCB financial and performance audits as well as other governmental agency audits. We constantly hear reports of audit recommendations being ignored and auditors continuing to find many of the same financial control problems they'd found years before. After months of blaming 911 for UMC's financial woes recent audits show mismanagement contributed to the problem.

If after these considerations you still believe a tax increase is warranted, please consider that in times of economic downturns you should only tax the non-essentials of life.

The major component of SB 219 and AB 204 is a tripling of the employee head tax. Any tax on a business is an indirect tax on our families. Ultimately our families will pay the cost of any tax increase, either through higher prices, fewer jobs, or lower salaries.

Let me close with something very troubling to us. The casino industry is obviously favoring the gross receipts tax. They are attempting to make their case by emphasizing the national or regional pricing structures of large corporate entities. Let us remind you that the backbone of this country and the State of Nevada is small and medium size businesses who must and will pass on any new tax levied here in Nevada. If these small businesses can raise their prices, the people will pay the tax in those higher prices; but if they cannot raise their prices they will be forced out and become the real victims of these national pricing structures.

Please hold the line on unnecessary tax increases.

Thank you.