MEMORANDUM

DATE: December 23, 2008

TO: NSHE Board of Regents

FROM: James E. Rogers
Chancellor

RE: “We learn from history that we learn nothing from history.” George Bernard Shaw

I

CAN WE FINALLY LEARN FROM OUR PAST?

This week’s memo is a departure from past topics. Instead of examining new ideas, today’s discussion reexamines revenue studies over the past 20 years. These could best be described as “Opportunities Lost.” The solutions to Nevada’s present dilemma have been presented to state leaders many times. In delaying critical decisions, Nevadans have allowed their schools and Nevada’s health care system to decay; its colleges and universities to fall even further behind; Nevada’s roads to become overly congested and worn out; and public safety to decline. LET US NOT CONTINUE THIS SHORT-SIGHTED DESTRUCTIVE CONDUCT.

Where would Nevada be today if it had implemented the recommendations of the Price Waterhouse study of 1988? Imagine the conditions of Nevada’s budget if the policies of the Governor’s Task Force on Tax Policy had been fully implemented in 2003. These studies are included to remind you that the greatest sin Nevadans have committed has been to ignore the solutions presented in the past.

Attached is a letter by Nevada Speaker Barbara Buckley describing her 2020 presentation. This presentation describes Nevada’s budget and serves as one more reminder that Nevada’s leadership knows how to fix Nevada’s financial problems.

II

STUDIES

In 1988, the “Fiscal Affairs of State and Local Governments in Nevada” (Price Waterhouse/Urban Institute) report warned that Nevada’s excessively narrow tax base was highly volatile, did not cover most areas of the economy that received state services and the revenues generated from the narrow tax base were totally inadequate to fund the growth of required services. While it is impossible to predict what Nevada would have raised had these
recommendations been implemented, without question, Nevada would have had significantly greater revenue to support state services and Nevada could have avoided the painful cuts it has cyclically endured for the past 20 years. A broader base would have added hundreds of millions of dollars to Nevada’s budget in 1989 and probably would have added more than $10 billion through the current fiscal year.

Total benefit to state (1989-2008): $10,000,000,000
Share to NSHE: $2,000,000,000


In 2001, the Legislature voted to create the Governor’s Task Force on Tax Policy. A group of diverse industry leaders, labor leaders and fiscal experts met for a year and studied Nevada’s tax system. It made specific recommendations to the 2003 Legislature. The Task Force also concluded that Nevada’s tax base was too narrow to adequately fund growth and the tax base did not cover sufficient sources of tax revenue. Its recommendations, if implemented, would have raised an additional $500 million per year in addition to the amount the legislature actually did enact during the 2003 session. This would have created another $3 billion in tax revenue through this current fiscal year.

Total benefit to the state (2003-2008): $3,000,000,000
Share to NSHE: $600,000,000


Attached is a recent study by the Center for Regional Studies at UNR. Its conclusions provide the most current description of Nevada’s problems.

III MATCHING DONOR GIFTS WITH STATE FUNDS

Please read the letter from NSHE Vice Chancellor Jane Nichols which describes a brilliant and creative idea from the state of Wyoming. Wyoming appropriates matching funds for gifts made to its university. It would be much easier for our campuses to raise private dollars if donors knew their contribution would be matched by the state. The System could raise at least $250 million from donors if the state matched those funds.

IV FINANCIAL SCORE CARD AND PREVIEWS OF COMING ATTRACTIONS

Also attached is the System’s evolving financial score card. It is not simply a random collection of revenue ideas. It describes solutions and serves as a reminder that ignoring Nevada’s problems will only serve to eliminate its future.
Enclosures:

1. Speaker Barbara Buckley on her Nevada 2020 presentation
2. Overview of Nevada’s Tax System by the University of Nevada, Reno
3. NSHE Vice Chancellor Jane Nichols on Wyoming’s State Matching Funds Programs
4. Overview of the University of Wyoming’s State Matching Funds Programs
5. Financial Score Card & Previews of Coming Attractions
6. Hannah Brown, National Coalition of 100 Black Women
7. Kathleen Silver, University Medical Center, in support of the Health Sciences System of the Nevada System of Higher Education
8. Cameron Stuart, Fair, Anderson & Langerman, in support of the University of Nevada, Las Vegas
9. Michael J. Uboldi, St. Mary’s, in support of the University of Nevada, Reno
10. Marydean Martin, Marydean & Associates, in support of Nevada State College
11. David W. Clark, in support of the Desert Research Institute
12. Irene Vogel, Greater Las Vegas Association of Realtors, in support of the College of Southern Nevada
13. Lori Gilbert, Board of Directors of the Corporation for Public Broadcasting, in support of Great Basin College
14. Thomas C. Fitzgerald, Nevadaworks, in support of Truckee Meadows Community College
15. Kris E. Holt, Nevada Business Connections, in support of Western Nevada College
December 19, 2008

Jim Rogers, Chancellor
Nevada System of Higher Education
2601 Enterprise Road
Reno, Nevada 89512-1666

Dear Chancellor Rogers:

I want to thank you for taking a keen interest in my efforts to inform the public, through a series of recent town hall meetings, about Nevada’s current dire financial situation. At these meetings, I present a Microsoft PowerPoint presentation setting forth my vision for overhauling the financial structure of the State of Nevada. You may view this presentation on my “Nevada 2020” Internet website at: www.nv2020.com. As you can see in the presentation, Nevada ranks near the bottom in per capita state and local spending on higher education, ranks 41st in the nation for the percentage of 18 to 24-year-olds enrolled in higher education institutions in Nevada, and is well below the national average in the number of residents with a bachelor’s degree or higher.

I encourage you to promote the “Nevada 2020” vision and the Microsoft PowerPoint presentation as you see fit.

Thank you again for your interest in the “Nevada 2020” presentation and sharing my ideas on how to overhaul the financial structure in this State.

Sincerely,

Barbara Buckley
Barbara E. Buckley
Speaker of the Assembly
OVERVIEW OF NEVADA’S TAX SYSTEM

July 2008

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OVERVIEW OF NEVADA’S TAX SYSTEM

Principles of Taxation

These tax principles are independent of the level of tax revenues the public needs to generate. Total taxes are generated according to the following equation:

\[ \text{Tax Base} \times \text{Tax Rates} = \text{Tax Revenues} \]

The public and their representatives determine the level of services and infrastructure they deem appropriate and feasible and create a tax structure that:

- Reduces instability in revenues,
- Is perceived to be fair,
- Is easy and inexpensive to administer,
- Does not distort economic efficiency.

A broad tax system will accomplish the objectives stated in the four principles (stability, fairness, ease of administration, economic efficiency). A broad tax system implies several types of taxation that respond differently to the business cycle. The broader each tax base component, the greater the likelihood of stability in tax revenues. Furthermore, a broad-based tax structure would require lower rates to produce the given level of revenues.

- **Revenue Adequacy and Stability:** A broad base will capture all of the economic activity in the state to provide adequate and stable revenue over time. Hence, if one sector of the economy is sluggish others sectors might be relatively strong. It is similar to diversification of a private investment portfolio. An added benefit is that rates can be low.

- **Fairness:** Taxpayers need to feel that they are being treated fairly by their government. There are two elements of fair tax policy. (a) Horizontal equity means that people in similar economic circumstances are taxed equally. (b) Vertical equity means that taxpayers with more ability to pay should pay more. These two objectives will more likely be accomplished with a broad base because there will be no loopholes.

- **Tax Administration:** A tax should be understandable to the taxpayer and inexpensive for the government to administer. Narrow based taxes do not generate much revenue and complicate the work of tax administrators, primarily in dealing with the effects of the loopholes that narrow the base. Tax administration should be accountable to people and businesses. This requires an open and transparent tax policy.
• **Economic Efficiency:** Narrow based, specific taxes penalize that specific economic activity and levy zero rates on other activity. This causes distortions in the market and typically requires high rates on the taxed activity. The tax structure can also distort government behavior. For example, high sales tax rates encourage governments to actively pursue retail expansion and pay less attention to economic diversification policies. We see the proliferation of malls on county boundaries in Nevada and city limits in California. This also leads to market distortion. Nevada pursued the expansion of gaming at the expense of diversification for decades because of the perceived ability to shift or “export” the tax burden.

Considering fundamental tax reform without the objective of simply raising more revenue would reduce the severe swings in government revenues and reduce the need for costly tax rebate programs and emergency spending adjustments, such as the one we are experiencing. This is expensive and disruptive work. In addition to the instability for government agencies, this creates uncertainty for business firms and households. In normal times the legislature would not have to be constantly tinkering with tax rates and spending. This displaces time, effort and energy that could be focused on other fundamental policy issues.

**The Economic and Fiscal Landscape of Nevada**

Because Nevada’s tax base is considerably narrower than the economic base, we have a very leaky tax system. This is to say we have an ever increasing proportion of the economy “outside” the tax base (e.g. sales of services and internet sales), and certain inequalities increase over time (i.e. depreciation on real property). If the tax base is closely synchronized with the economic base, sufficient revenues can be raised at lower rates.

In addition, the economy continually evolves through its own internal dynamics and such forces as technology and globalization. However the tax structure only changes by specific action of the Legislature or ballot initiatives. Because of the evolution of the economic base and the rigidity of the tax system, the two continue to grow apart. The tax base has always been narrower than the economic base but this is exacerbated by economic evolution.

At statehood, Nevada’s economy was based on agriculture, mining and railroads and so was its tax base. Nevada relied solely on property tax and, in lieu of property tax on minerals in the ground, the net proceeds tax was included in the Nevada constitution through the persuasive efforts of the mining industry. By the end of World War II we had evolved from that rural character to an urban, tourism economy. Accordingly the political leaders enacted the first sales tax in 1955 and strengthened the gaming tax to capture more of the state’s economic activity. We seem to be in a similar situation as in post-war transition: the underlying economy has shifted (e.g. the growing service sector, intellectual property values and the loss of Nevada’s gaming monopoly nationally and internationally) but the tax system has not yet been modified to reflect the changing economy.
In the 2005-2006 fiscal year 27.5% of General Fund revenues were derived from Gaming Taxes. If the Live Entertainment Tax (4.3%) is added, that brings the total to nearly 32%. Sales and Use Taxes contribute 33% to the General Fund. These revenue streams are closely related to the tourism industry. The 2008 Economic Forum Forecast (p. 14) noted that 85% of total statewide gaming win is attributable to Clark County. Likewise, a large portion of sales tax revenues is derived from Clark County. Hence a small blip in tourism causes a large decline in General Fund revenues. This is one serious consequence of a narrow tax base.

The Legislature commissioned and financed a study that was published in 1990 (Robert D. Ebel, A Fiscal Agenda for Nevada: Revenue Options for State and Local Governments in the 1990s, University of Nevada Press). All of the tax problems facing Nevada at the end of the first decade of the 21st century were identified in that study. While no substantive actions were taken, the recommendations and options proposed in that study are still applicable, and as our economic base continues to evolve away from our static tax structure, the recommendations proposed in that study remain available.

The 1990 study identified two related issues that are especially pertinent to solve the present fiscal crisis and avoid repetition in the future.

First, Nevada is a relatively rich state with a high capacity to raise tax revenue. However, we were next to last in the use of our capacity (Ebel 1990, pp.10-11). In 2006, state and local taxes were 0.34 per cent of Nevada personal income, which is the standard way of measuring tax capacity and effort. The U.S. average was 2.75 per cent. Compare this to the fact that Nevadans pay 12.08% of their personal income in Federal taxes. The U.S. average was 9.59%.

When both state and federal taxes are considered, Nevada doesn’t compare very favorably to nearby western states of similar size, as indicated in the following table, developed from data provided by the Bureau of Economic Analysis for 2006:

<table>
<thead>
<tr>
<th>State and US</th>
<th>% Local &amp; State Taxes</th>
<th>% Federal Taxes</th>
<th>% Total Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>AZ</td>
<td>1.93%</td>
<td>9.80%</td>
<td>11.73%</td>
</tr>
<tr>
<td>ID</td>
<td>3.16%</td>
<td>8.19%</td>
<td>11.35%</td>
</tr>
<tr>
<td>NV</td>
<td>0.34%</td>
<td>12.08%</td>
<td>12.42%</td>
</tr>
<tr>
<td>OR</td>
<td>4.70%</td>
<td>8.29%</td>
<td>12.99%</td>
</tr>
<tr>
<td>UT</td>
<td>3.30%</td>
<td>8.42%</td>
<td>11.72%</td>
</tr>
<tr>
<td>WA</td>
<td>0.23%</td>
<td>10.20%</td>
<td>10.43%</td>
</tr>
<tr>
<td>US</td>
<td>2.75%</td>
<td>9.59%</td>
<td>12.34%</td>
</tr>
</tbody>
</table>

Notice the leveling of the percentages when all three levels of government are combined. This is, in part, due to the low level of deductions Nevadans can make from their Federal tax liabilities because of our low state and local tax payments. We are, in fact, paying Federal taxes for citizens of other states due to our own low tax effort. The point here is...
that we really aren’t paying the low taxes like we tell ourselves; we are just paying low
state and local taxes.

The second related issue identified in the 1990 study is the extensive use of earmarked
revenues in Nevada. The 1990 study found that we earmark more than half of all
state collected revenues, a rate that is two and one-half times the national average
(Ebel, p 11). The Legislature approved General Fund expenditures of $3.5 billion for
2008-09 compared to $8.1 billion total state appropriations in the same year. Therefore,
General Fund spending was 43% of total appropriations. The 1990 study team concluded
that the use of earmarks “(a) hampers effective budget control; (b) removes certain
expenditures from systematic review that promotes fiscal as well as political
accountability in a democratic system; and (c) may result in a shell game whereby policy
makers often feel that once a revenue is earmarked they are absolved to appropriate
additional funds to the program” (Ebel p. 12). Of more immediate importance is that
when a fiscal crisis occurs, only programs financed by the General Fund can be cut. This
was our experience in 1991 right after the release of the tax study. For example, of total
appropriations for the 1993-95 biennium only 30% were in the General Fund. This is
what is happening in the current crisis. As stated above, the budget plan for 2008-09
was that 43% percent of total state appropriations were directed to the General Fund. We
can be sure that this ratio will be considerably reduced following the proposed budget
cuts, and it will take years to recover. Following the latest Governor’s cuts and the
special session of the legislature, the percentage of general fund appropriations has
already dropped below 35%.

Alternative Tax Bases

There are three broad tax bases utilized at the state level throughout the U.S.: (a) Income;
(b) General Sales; (c) Property. People earn income, and then they spend most of their
incomes and save the remainder. Savings accumulate in a stock of wealth in one form or
another such as bank accounts, portfolio investment, real capital projects, etc. These
accumulations are different forms of property.

- The general sales tax is the broadest base tax used in Nevada. The 2 per cent rate
designated for the State General Fund cannot be altered without a vote of the people. There are numerous selective sales taxes such as tobacco, liquor, and fuel
which tend to be earmarked. The general sales tax is easy to administer and some
of the burden is shifted to tourists. It has some fairness problems because low-
income people spend relatively more of their income on commodities than upper-
income people do. Also, upper income groups save a larger share of their income.
The general sales tax does not tax most services in Nevada and as services are
becoming a larger share of our economy the sales tax is not currently capturing
this aspect of growth in the economy. The room tax is an example of a selective
sales tax on a service and it is earmarked. The sales tax is not a stable source of
revenue relative to a property tax or a broad-based income tax. When sales tax
and gaming tax make up the majority of revenue sources for the general fund, the
instability is magnified. It is like having a one-legged stool for the general fund.
• Income is the broadest revenue source resulting from economic activity. Nevada does not have a general income tax and there is a constitutional prohibition on a tax on personal income. Also, we do not have a general business tax on income. The gross revenue gaming tax is a selective income tax that is limited to a specific industry. A general income tax, personal or business tax can be designed for horizontal and vertical fairness. It favors start-up firms with low earnings and firms with significant taxable property relative to income. It also taxes people living on dividends and interest. It is not as stable as the property tax. There would be additional administrative costs, especially at the start-up phase. Experience of other states suggests that ultimately expenses would be low compared to the revenue yield.

• Property taxes are mainly used by local governments, including school districts. Because the property tax is the only tax that is not levied on a current transaction, it is difficult to administer. This also contributes to the controversy surrounding the property tax. Recent changes in the administration of the tax have made it less fair. As an example, the requirement that assessed values of improvements be only established by replacement cost minus depreciation causes older properties to be assessed at lower values than newer properties with the same market value. Nevada is the only state remaining with this type of real property tax system.

As our economy is shifting from tangible property (land and buildings) to an intangible base (software, copyrights, trademarks, patents’, etc), the property tax is picking up a smaller portion of the base. Hence, real property is absorbing an unfair burden. The recently enacted revenue caps are an additional stress on local governments, especially fast growth areas that have a lot of catching up to do such as school construction and those in need of existing infrastructure repair. There are numerous other problems with the administration of the property tax but we will leave it here because it mainly a source of revenue for local governments. This is a relatively stable source, ignoring the current real estate bubble.

**Exported and Imported Taxes**

One of the concepts relevant to state tax policy is exporting or importing taxes. Nevada, through its gaming taxes, sales taxes and room taxes, essentially exports a large portion of its taxes to tourists. On the other hand, almost all energy consumed in Nevada is imported, including a tax component. Since part of the cost of coal, natural gas and oil produced in other states (and electricity generated with these fuels) is a severance tax, Nevada is importing this tax. Similarly, Nevada is effectively importing federal income tax since state income tax is deductible when computing federal income tax. The table included in the section “The Economic and Fiscal Landscape of Nevada” shows the net effect of this circumstance.

The benefit of exporting taxes can be best illustrated by the following two tables: The General Fund Revenue Outlook for Fiscal year 2009, and State Severance Taxes, both acquired from the National Conference of State Legislatures.
## General Fund Revenue Outlook for Fiscal Year 2009

<table>
<thead>
<tr>
<th>Optimistic</th>
<th>Stable</th>
<th>Concerned</th>
<th>Pessimistic</th>
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<tbody>
<tr>
<td>Alaska</td>
<td>Georgia</td>
<td>Alabama</td>
<td>Montana</td>
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<tr>
<td>North Dakota</td>
<td>Iowa</td>
<td>Arkansas</td>
<td>Nebraska</td>
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<tr>
<td>Wyoming</td>
<td>Michigan</td>
<td>California</td>
<td>Nevada</td>
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<td></td>
<td>Missouri</td>
<td>Colorado</td>
<td>New Jersey</td>
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<td>Connecticut</td>
<td>New Hampshire</td>
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<td>Florida</td>
<td>New Mexico</td>
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<td>Hawaii</td>
<td>North Carolina</td>
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<td>Idaho</td>
<td>Ohio</td>
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<td>Illinois</td>
<td>Oregon</td>
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<td>Indiana</td>
<td>Pennsylvania</td>
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<td>Kansas</td>
<td>Puerto Rico</td>
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<td></td>
<td></td>
<td>Kentucky</td>
<td>South Carolina</td>
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<td></td>
<td></td>
<td>Maine</td>
<td>Rhode Island</td>
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<td></td>
<td></td>
<td>Maryland</td>
<td>Tennessee</td>
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<td></td>
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<td>Massachusetts</td>
<td>Vermont</td>
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<td>Minnesota</td>
<td>Virginia</td>
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<td></td>
<td></td>
<td>Mississippi</td>
<td>Wisconsin</td>
</tr>
</tbody>
</table>

### State Severance Taxes

<table>
<thead>
<tr>
<th>State</th>
<th>Collections in Millions</th>
<th>As a Percentage of State Tax Collections</th>
<th>Collections in Millions</th>
<th>As a Percentage of State Tax Collections</th>
<th>Percent Change Between 2004 and 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1.1% Rank 13 10,728.90% Rank 26.94%</td>
<td>United States 1.40% Rank 242.56%</td>
<td></td>
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<tr>
<td>Alabama</td>
<td>$113.60 0.00% 12 $144.20 1.60% 13</td>
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<tr>
<td>Alaska</td>
<td>$646.90 50.20% 1 $2,216.00 64.40% 1</td>
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</tr>
<tr>
<td>Colorado</td>
<td>$115.90 1.60% 13 $136.90 1.50% 14</td>
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<tr>
<td>Kansas</td>
<td>$98.10 1.90% 11 $132.30 1.90% 11</td>
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<tr>
<td>Kentucky</td>
<td>$187.10 2.20% 10 $275.30 2.80% 10</td>
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<tr>
<td>Louisiana</td>
<td>$476.60 5.90% 7 $904.20 8.30% 7</td>
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<tr>
<td>Mississippi</td>
<td>$53.80 1.00% 15 $81.80 1.30% 15</td>
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</tr>
<tr>
<td>Montana</td>
<td>$83.50 5.10% 9 $264.70 11.40% 5</td>
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<tr>
<td>Nevada</td>
<td>$37.60* 0.80% 16 $62.20* 1.00% 16</td>
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<tr>
<td>New Mexico</td>
<td>$587.60 14.70% 3 $843.90 16.20% 4</td>
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<tr>
<td>North Dakota</td>
<td>$175.60 14.30% 4 $391.30 21.90% 3</td>
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<tr>
<td>Oklahoma</td>
<td>$655.10 10.20% 5 $942.10 10.60% 6</td>
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<tr>
<td>Texas</td>
<td>$1,896.80 6.20% 6 $2,762.90 6.90% 9</td>
<td></td>
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</tr>
<tr>
<td>Utah</td>
<td>$47.80 1.10% 14 $101.50 1.70% 12</td>
<td></td>
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</tr>
<tr>
<td>West Virginia</td>
<td>$204.10 5.40% 8 $328.30 7.10% 8</td>
<td></td>
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<tr>
<td>Wyoming</td>
<td>$683.20 45.40% 2 $803.60 39.70% 2</td>
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<td></td>
</tr>
</tbody>
</table>

The other 34 states either have no severance taxes (15) or have severance taxes whose collections are less than 1% of total state tax collections (19).


* For Nevada, state severance taxes indicated are primarily the “net proceeds on minerals tax.”
The three states that are optimistic about general fund revenues in 2009 were also the top three states in severance tax collections in 2007, with those collections accounting for 21.9% to 64.4% of state tax collections in 2007. Of the ten states listed as stable in regard to 2009 general fund revenues, four are also in the top ten states in severance tax collections, with the severance tax accounting for 6.9% to 10.6% of state tax collections for these states. By comparison, Nevada ranks 16th in severance tax collections, with the $62.2 million collected in 2007 amounting to 1% of state tax collections. The severance tax in most energy-producing states is based upon a percentage of gross proceeds, while the Nevada’s severance tax is based upon net proceeds from mining.

Conclusions

This paper is consistent with the nine principles of a high-quality state revenue system, as set forth by the National Conference of State Legislators (see attached).

It is difficult to imagine any good reason for Nevada to continue to experience this “crisis mode” of reacting to unexpected fluctuations in tax revenues. Certainly the processes of tax rebates and special sessions of the legislature are costly, and these processes and resultant “emergency measures” undermine the effectiveness and efficiency of state and local agencies and institutions. The inability to accurately forecast tax revenues and the continuing shift in state economic structure away from the existing tax base both need further examination and subsequent development of alternatives for consideration by policy makers. Additionally, the Center for Regional Studies recommends exploration of public sentiment on taxes.

This is just a short overview of the Nevada tax system. Much more work needs to be done to promote a broader understanding of the tax system and the implications of any possible tax reform. This group with its long and extensive record of outreach to the State of Nevada and as part of the Nevada System of Higher Education, would be a willing partner in any additional work along these lines.

References:

Robert D. Ebel, A Fiscal Agenda for Nevada: Revenue Options for State and Local Governments in the 1990s, University of Nevada Press, 1990


December 18, 2008

James E. Rogers, Chancellor
5550 West Flamingo Road, Suite C-1
Las Vegas, Nevada 89103

Dear Chancellor Rogers:

A program that may serve as a model for Nevada is Wyoming’s State Matching Fund. In 2001, the Wyoming State Legislature set up a $30 million state matching fund to match endowment gifts to the University of Wyoming endowments. Over the years, the legislature has added more endowment funding and matching funds for athletic and academic facilities. This program is a dollar-for-dollar match, and as of today, the Wyoming State Legislature has invested $144 million dollars in this program which brings in private donations that would probably have not been given otherwise to support the University of Wyoming. (See attached summary for more details.)

This is one great example of many such packages where state legislatures have provided matching dollars as incentives to private donors to support public higher education. As an indication of state commitment to the importance of our colleges and universities, this would be a great program for Nevada. The endowment gifts could provide the backbone of needed programs in research, faculty endowed chairs, student scholarships and aid, and construction of needed facilities.

Sincerely,

Dr. Jane A. Nichols

Vice Chancellor for Academic and Student Affairs
Overview of the University of Wyoming’s Matching Funds Programs

Endowment Matching Funds Program
Athletics Facilities Matching Funds Program
Academic Facilities Matching Funds Program

In March of 2001 the first Endowment Matching Funds program was implemented by the Wyoming State Legislature. This program was followed by the Athletics Facilities Matching Funds program in March 2003 and the Academic Facilities Matching Funds program in March 2006.

Total Matching Funds Available from the State of Wyoming 2001-2008

<table>
<thead>
<tr>
<th></th>
<th>Endowment</th>
<th>Athletics Facility</th>
<th>Academic Facility</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2001</td>
<td>$30,000,000</td>
<td></td>
<td></td>
<td>$30,000,000</td>
</tr>
<tr>
<td>March 2003</td>
<td>$18,000,000</td>
<td>$10,000,000</td>
<td></td>
<td>$28,000,000</td>
</tr>
<tr>
<td>March 2006</td>
<td>$25,000,000</td>
<td>$6,000,000</td>
<td>$9,000,000</td>
<td>$40,000,000</td>
</tr>
<tr>
<td>March 2007</td>
<td>$1,650,000</td>
<td></td>
<td>$31,350,000</td>
<td>$33,000,000</td>
</tr>
<tr>
<td>March 2008</td>
<td>$10,000,000</td>
<td></td>
<td>$3,000,000</td>
<td>$13,000,000</td>
</tr>
<tr>
<td></td>
<td>$84,650,000</td>
<td>$16,000,000</td>
<td>$43,350,000</td>
<td>$144,000,000</td>
</tr>
</tbody>
</table>

Matching Funds Committed and Matching Funds Received from Donors as of December 2008

<table>
<thead>
<tr>
<th></th>
<th>Endowment</th>
<th>Athletics Facility</th>
<th>Academic Facility</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matching Funds</td>
<td>$78,425,569</td>
<td>$16,000,000</td>
<td>$27,299,649</td>
<td>$121,725,218</td>
</tr>
<tr>
<td>Committed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matching Funds</td>
<td>$63,193,652</td>
<td>$10,752,708</td>
<td>$22,500,609</td>
<td>$96,446,969</td>
</tr>
<tr>
<td>Received from</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donors</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Impact of Matching Programs at the University of Wyoming

The impacts of this private/public partnership has touched every aspect of the University of Wyoming. The following excerpts from various areas of the campus are just a small portion of the benefits that can be felt and seen across the University of Wyoming and the state.

College of Agriculture

The Robert L. Lang Graduate Fellowship was created in 2007 to support graduate student agricultural research programs at the James C. Hageman Sustainable Agriculture Research and Extension Center. This endowment will support plant science, range resource management, and agricultural economics graduate students working on research projects at the extension center.

College of Arts & Sciences

The Photojournalism Project was created in 2007 in memory of Larsh K. Bristol, a freelance photographer who lost his life in a motorcycle accident. This endowment, matched by the state, provides students $5,000 to spend during a semester or summer photographing a project of their own choosing and design.
College of Business
Mick and Susie McMurry of Casper, Wyoming donated $5 million to the College of Business, creating a $10 million endowment to improve student experiences, curriculum development, faculty recruiting and enhancement, and the college’s outreach efforts.

College of Education
The John P. Ellbogen College of Education Dean’s Excellence Fund was created to provide maximum flexibility for pursuing opportunities in targeted areas that align with the college’s mission.

College of Engineering and Applied Science
BP America’s donation to the Chemical and Petroleum Engineering Department for a Rock and Fluids Properties Laboratory will create two facilities: one facility that will focus on undergraduate teaching lab needs and a second facility that will promote graduate research.

College of Health Sciences
The Yoxey Family Excellence Fund established a permanent endowment in the School of Pharmacy to be distributed at the discretion of the dean to promote the school’s excellence and to maintain vital research in areas such as cardiovascular health and the treatment and prevention of diabetes.

College of Law
The College of Law has raised almost $4.3 million, including matching funds, to create a Legal Education Center which will feature a multi-dimensional space that can be configured as a high-tech courtroom, a classroom, or a lecture hall seating more than 160. The center will also include a seminar room, a jury deliberation room, judge’s chambers, a holding area for defendants, and a sound booth.

School of Energy Resources
Through gifts from EnCana, Shell, BP America, Marathon, ConocoPhillips, and Questar, which were matched by the state, UW is designing and constructing a home for its School of Energy Resources. The total funds amount to over $18 million and will be used to recreate, in an academic setting, the interdisciplinary research environment common in industrial organizations and the nation’s top-tier national laboratories.

International Programs
The Richard B. and Lynne V. Cheney Study Abroad Endowment will fund four scholarship programs to cover international travel costs, in-country travel, tuition, and living expenses. The endowment will also create the largest university-specific scholarship fund for studying abroad in the United States.

Athletics
The Bill Campbell UW Football Excellence Fund, matched by the state, will be used to foster excellence and provide financial support to the football program, enabling the program to continue to expand quality opportunities for UW football student-athletes.
### Financial Score Card
(Updated December 23, 2008)

<table>
<thead>
<tr>
<th>State of Nevada Revenue Shortfall</th>
<th>2008-2009</th>
<th>$1,500,000,000</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009-2011</td>
<td>$3,000,000,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$4,500,000,000</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nevada System of Higher Education Revenue Shortfall</th>
<th>2008-2009</th>
<th>$164,000,000</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009-2011</td>
<td>$600,000,000</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$764,000,000</td>
<td></td>
</tr>
</tbody>
</table>

Potential Sources of Funds (all amounts estimated and indicated “up to”):

<table>
<thead>
<tr>
<th>System’s Share of Funds</th>
<th>Revenue Sources for State</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Tobacco Money</td>
<td>$120,000,000</td>
</tr>
<tr>
<td>2 Tuition Increases</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>3 Reduce Abatements</td>
<td>$250,000,000</td>
</tr>
<tr>
<td>4 Local Support of Community Colleges</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>5 Use State’s Bonding Capacity</td>
<td>$140,000,000</td>
</tr>
<tr>
<td>6 Mining Industry Taxes</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>7 Broad-based Business Income (profit) Tax</td>
<td>$200,000,000</td>
</tr>
<tr>
<td>8 Grant from the Federal Government</td>
<td>$600,000,000</td>
</tr>
<tr>
<td>9 Savings from Support of Private Schools</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>10 Use of Nevada Permanent School Fund</td>
<td>$110,000,000</td>
</tr>
<tr>
<td>11 Contributions &amp; Grants from Nevada Test Site</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>12 Lottery</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>13 State Matching Funds Programs (based on Wyoming model)</td>
<td>$250,000,000</td>
</tr>
</tbody>
</table>

Total: $1,940,000,000 $7,595,000,000

Notes:
1 Estimated revenue shortfall from Legislative approved 2009 budget, including amounts taken and currently under discussion.
2 Includes approximately $94 million in cuts already taken plus 20% of revenue shortfall under discussion.
3 NSHE’s share of budget and shortfalls is approximately 20%. Assumes pro rata distribution of all cuts.
4 System’s “share” calculated at 20% except for tuition and fee increases and local support for colleges.
5 May be included as part of broad-based business tax.
6 Allocated 60% to K-12 and 40% to System.

Previews of Coming Attractions
In the coming weeks, these memos will explore many different ideas to raise needed revenue for this state.

Included in the list will be:
1 A tax on services such as...
2 Bonding authority – a list of how it works
3 Business license fees
4 Corporate filing fees
5 Federal matching funds on current budget items
6 Alcohol tax
7 Tobacco tax
8 Split-roll property tax – taxing commercial property at a different rate than residential property
9 Commercial lease tax
10 Private use of public facilities
National Coalition of 100 Black Women
Las Vegas Chapter

November 25, 2008

Chancellor Jim Rogers
Nevada System of Higher Education
5550 W. Flamingo Rd., C1
Las Vegas, NV 89103

Dear Chancellor Rogers:

I have lived in Nevada for nearly 64 years and it has been with dismay that I have watched our state travel down the road of self-destruction. I have worked in the airline industry, Clark County and others, and I never saw a successful business put all of its eggs in one basket like Nevada has with gaming. When tourism flourishes, Nevada prospers. When tourism wanes, the services we rely upon – transportation, healthcare, police, fire and education—are cut to the point of being rendered useless. It seems that no thought has been given to the fact that if we successfully drain the gaming industry our state automatically fails in every area.

In particular, the budget cuts facing our education system are a travesty. From my work in the community, I am seeing the negative and horrific impact of these cuts on those who are already being underserved: our minority communities. For many months it has become virtually impossible to acquire money for necessary issues.

Recently I visited with the Principal of Matt Kelly grade school about six (6) weeks ago to discuss tutorial assistance for needy students. Much to my surprise her major concern was having three (3) boys that needed glasses so badly they were unable to see the study material. This became such a concern to me that I spent the next 48 hours arranging to have their eyes examined and providing funds to pay for their glasses. The saddest part of this story is the children would have missed an entire academic year because the school is not scheduled for eye exams until March of 2009. Equally as important is, I am only one (1) person and what happens to the rest of our little children with problems. I’ve always been proud to be a product of the Clark County School System but at this point unfortunately, my concerns are greater than my pride.

Jim, I have read your memos and applaud you for the great work you are doing to lead the fight. Nevadans need to wake up and make a decision: Do we want to build a state for tourists or do we want to create a state that its citizens are proud to call home? If it’s the latter, we need our legislators to step up to the plate and have the courage to do what is right and generate stable, and multiple, revenue streams for the services upon which Nevadans rely.

Sincerely,

Hannah Brown, President
December 16, 2008

James E. Rogers  
Chancellor for the Nevada System of Higher Education  
5550 W. Flamingo Rd.  
Suite C-1  
Las Vegas, Nevada 89103

Dear Chancellor Rogers:

As the Chief Executive Officer for University Medical Center, I take this opportunity to express my appreciation for the strategies you have proposed to improve health science education in Nevada.

For far too long Nevadans have underfunded critical education programs in medicine, nursing, public health and the allied health sciences. The result? Shortages – shortages in doctors, dentists, radiology technicians, physical therapists, dental hygienists and mental health professionals. And as you are obviously aware, Nevada’s failing grade in health outcomes stems directly from these healthcare workforce shortages. How can we address or health outcomes without well trained, quality healthcare professionals? The answer simply is, “We can’t.”

The initiatives and solutions you have proposed are right on target and I am in full support of them. I’m especially impressed with the development of the Health Sciences System and will work with you in every way possible to see it succeed.

Sincerely,

Kathleen Silver  
Chief Executive Officer
December 15, 2008

Dr. David B. Ashley  
President  
University of Nevada, Las Vegas  
4505 S. Maryland Parkway  
Las Vegas, NV 89154-1001

Dear David:

With the current state of the economy, both nationally and regionally, it is critical to keep our priorities focused on what is most important. Thank you for the opportunity to share my thoughts about the current economic crisis and how Nevada can stay focused on our priorities.

At Fair, Anderson and Langerman, a CPA firm with 20 years of practice in Las Vegas, we balance the resources and thinking of a large, national accounting firm with the cost-efficiency and personality of a smaller one. We balance our experience working with large corporations across a diverse range of industries with our passion for helping entrepreneurs and small businesses reach their full potential. And we balance our ability to see the big picture of each business with a sharp eye for the smallest details.

Our accountants have a deep understanding of what the current economic numbers add up to when there is a significant downturn in the world market. UNLV graduates over 200 students per year with degrees in accounting. These students are eagerly pursued by recruiters from public accounting, corporate accounting, internal auditing, government and others. Most students find employment even before graduation. For 2007 graduates with a B.S./B.A. degree, 60 percent reported having full-time employment before graduation, 28 percent were planning to attend graduate school, 6 percent were planning to attain additional hours for the CPA exam without entering graduate school, and only 14 percent were actively seeking full-time employment. The students with full-time positions reported an average salary of $41,635. Of the graduates from the M.S. in accounting in 2007, 83 percent reported attaining full-time employment before graduation, with an average salary of $49,235.

UNLV has important programs that are in jeopardy due the current state fiscal crisis. It is imperative that Nevada continue to support an educated workforce in our communities by supporting education, particularly higher education. Our future is contingent upon these graduates entering the workforce and providing knowledge and skills critical to the economy and our quality of life. Please know that you have my support during these difficult economic times.

Sincerely,

Cameron Stuart

3065 South Jones Boulevard, Suite 100 • Las Vegas, Nevada 89146 • (702) 870-7999 • Fax (702) 870-7342 • www.falcpa.com
December 18, 2008

James Rogers  
Chancellor  
Nevada System of Higher Education  
5550 W. Flamingo Road, Suite C-1  
Las Vegas, NV  89103

Dear Chancellor Rogers,

In 2003, the Nevada State Legislature wisely looked ahead to address the state’s growing shortage of registered nurses. Across the Nevada System of Higher Education, nursing programs stepped up to meet the resulting mandated challenge to double their student enrollment. The Orvis School of Nursing at the University of Nevada, Reno doubled its enrollment in the 2004-05 academic year.

Despite these gains, meeting the future healthcare needs of Nevada’s growing and aging population remains a daunting challenge. The U.S. Department of Health and Human Services’ Health Resources Service Administration (HRSA) estimates the demand for nurses will increase at almost twice the rate of all occupations between 2000 and 2010. HRSA further projects that, by the year 2020, the number of registered nurses in Nevada will fall 27.5 percent below the state’s actual need.

Throughout 2008, Saint Mary’s has been celebrating 100 years of serving northern Nevada. As we look back on our wonderful history, we are even more focused on the future of our organization and improving the quality of Nevada’s healthcare. We see this same spirit and commitment exemplified by the University and the Orvis School of Nursing. Last year the University brought together the schools of nursing, medicine, public health and social work, as well as other health-related programs, under an expanded Division of Health Sciences. This collaborative approach to learning sets the stage for optimal healthcare delivery, which demands that these disciplines and specialties be fully integrated to meet the needs of patients.

As the State of Nevada seeks to balance its budget in the face of revenue shortfalls, strong consideration should be given to the role of our institutions of higher education in enhancing Nevada’s economy and our quality of life. In particular, reductions to programs that are preparing our future healthcare professionals would be devastating and have long-term, damaging implications.

Sincerely,

Michael J. Uboldi  
President and CEO

cc:  Milton Glick, University of Nevada, Reno  
John McDonald, University of Nevada School of Medicine  
Patsy Ruchala, Orvis School of Nursing
December 5, 2008

Mr. James E. Rogers  
Chancellor  
Nevada System of Higher Education  
5500 W. Flamingo Road, Ste. C-1  

Dear Chancellor Rogers,

Your memos have been forwarded to me each week.

I have been closely involved with the Clark County and Nevada educational systems for all of my adult life.

The reports that the higher education system may face budget cuts of as much as 30% during the 2010-11 budget cycles is distressing to me as a Nevadan. It is unconscionable to think of how harmful this would be to our students.

Education is the driving force that determines the strength and future of any community, thus, to make the choice is clear, education should be considered with the highest priority to keep it on the level where our students can complete and excel among the top ranked in our nation.

There must be a more positive solution to this problem than the current one now being proposed.

Sincerely,

Marydean Martin

Marydean Martin

2340 Paseo Del Prado D202  
Las Vegas, NV 89102  
(702) 364-8787  
FAX (702) 364-9721

Practice Random Kindness & Senseless Acts of Beauty
December 11, 2008

James E. Rogers
Chancellor
Nevada System of Higher Education
5550 West Flamingo Road, Suite C-1
Las Vegas, NV 89103

Dear Chancellor Rogers:

I just returned back to Nevada from vacation and read in the newspaper that Nevada received three Fs in a report released in a national ranking of public higher education systems.

As a longtime businessman, whose interests are statewide, this is unacceptable. It is more disappointing to read that we are failing in the number of students going onto college, obtaining degrees and affordability. The solution to these challenges is not to cut education funding.

I am proud to serve as a DRI Research Foundation Trustee. I know how much DRI contributes to both the Nevada System of Higher Education and Nevada’s economy. DRI leveraged its $9 million state appropriation last year into $37 million in research. That’s a return of $4 on every dollar Nevada invested in DRI.

Deeper cuts to DRI will eliminate its weather modification program and Truckee River studies that are so vital to Northern Nevada’s water supply. Further cuts will make it more difficult for the faculty to be in the best position to compete for grants if the research library is eliminated. The reduction or elimination of state matching funds for federal research grants will also impact the competitive research grant process. Even worse, elimination of support positions will also diminish another advantage our researchers have to be in the best position to obtain grant funding. Sadly, maintenance and improvements to the state of the art facilities DRI has around Nevada will also have to be delayed for years.

Thanks again for your efforts to save DRI and all of the NSHE institutions.

Sincerely,

David Clark
December 5, 2008

Chancellor Rogers

C/O College of Southern Nevada

6375 West Charleston Boulevard

Las Vegas, NV 89146

Dear Chancellor Rogers,

Being a longtime resident and business leader in southern Nevada, I am truly disturbed by the proposed budget cuts to education being considered by our Legislature and Governor.

As the CEO of the Greater Las Vegas Association of REALTORS®, I certainly understand the important role primary and secondary education has had in the diversification of our valley’s economy and the essential role it must play in our future.

If you were to ask our residential real estate agents what the number one question they get from potential buyers is, without question it would be “how are the schools?”

For the commercial real estate practitioners, the same question is asked by new business interested in relocating or expanding to Southern Nevada. Access to a skilled workforce and facilities that can train workers for employers are key.

While home foreclosures and the lack of available credit are huge obstacles for us today, depriving our children and workers of the best education possible is certain to cause even greater problems for our future and long-term economic well-being.

I thank you for your continued efforts in preserving and protecting adequate funding for higher education in our state.

Sincerely,

Irene Vogel
December 18, 2008

Chancellor Jim Rogers
Nevada System of Higher Education
5550 West Flamingo Rd, Suite C1
Las Vegas, NV 89103

Dear Chancellor Rogers:

As a member of the Board of Directors of the Corporation for Public Broadcasting, I am keenly aware of the importance of public services that can enrich the lives of citizens in rural America. Great Basin College provides such a service and has consistently, prudently and effectively met the needs of the citizens of rural Nevada.

Great Basin College provides comprehensive higher education opportunities to its students. Embracing the traditional community college mission as well as pioneering the community college baccalaureate, GBC is integral to the social fabric of rural Nevada. The college’s state of the art distance learning technologies have a significant impact on the communities they serve. Not only do students in such far flung communities as Lund and McDermott have the opportunity to learn, they are given the opportunity to discuss and solve problems common to their communities. GBC is not just a center for learning, but a vehicle providing the means to enhance the value of living in rural Nevada.

I see similarities between the role of public broadcasting and the role of a community college. Both have close ties to their communities. Both have incredible outreach potential. And both provide programs and services unavailable from other entities. It is important to me that both have strong and sustainable support.

Great Basin College has a forty year history of providing excellent service to rural Nevada. I have personally witnessed its tremendous growth over the last three decades, and know well how the community will rely on its continued strength in the years to come.

I am happy to express my support for Great Basin College. It is an asset to the six rural Nevada counties it serves, and an asset to the entire state of Nevada.

Sincerely,

Lori Gilbert

401 Ninth Street, NW
Washington, DC 20004-2129
202.879.9705 202.879.9693 fax
775.777.6634 cell
lori@elkoradio.com www.cpb.org
16 December 2008

Dr. Maria C. Sheehan, President
Truckee Meadows Community College
7000 Dandini Boulevard
RDMT 200
Reno, NV 89512

Maria,

Again, welcome to our community. Your arrival has coincided with a unique situation wherein our higher education system is being severely challenged. I have been the CEO of Nevadaworks since 2000, and, combined with my previous working knowledge of the College, I cannot imagine a more dangerous time for our community. TMCC is part of the bedrock of our economic future and the prospect of severe reductions in the programs offered to the community is frightening. Fortunately for our community, you are on the scene, and I am confident that you will utilize all of TMCC’s resources to steer through this rough period.

Northern Nevada needs the workforce programs for which TMCC has become well noted. If dramatic state funding cuts are implemented because that is a way to avoid the horrible word "tax", then what will our future become? Most of us do not like taxes, and yet, in a society structured such as ours, we have a history of taxing ourselves for the common good. To me, TMCC is a shining star of the common good.

In uncertain economic times, cutting education opportunities gives the community a long term detriment far beyond the short term effect of saving money. During my sixteen years as the owner of a small business with twenty plus employees, I faced many scary economic challenges. Regardless of how negative the future then seemed, some basic needs within the organization were always met. These needs included education for myself, my family, and my staff, and such education was never compromised.
I hope you will share my comments with whomever may benefit from them. Now is not the time for Nevada to destroy its higher education system. Now is the time for us to work together to continue growing what we have created. Then, when the economy recovers, we can take advantage of having worked together and move into the new future well educated.

Sincerely,

[Signature]

Tom
December 12, 2008

Mr. James E. Rogers, Chancellor
Nevada System of Higher Education
5550 West Flamingo Road, Suite C-1
Las Vegas, NV 89103

Dear Chancellor Rogers:

Thank you for your recent correspondence regarding Nevada's critical funding reductions to the Nevada System of Higher Education's budget. Higher education in Nevada has never been more important as we position ourselves and compete in the global economy.

As an active member of the Western Nevada College Foundation’s Board of Trustees and Nevada State Small Business Development Center’s Advisory Board, we are experiencing the economy’s budget crisis/recession first hand.

Currently, Nevada Business Connections is assisting 10 companies (2 new relocations, 2 start-ups and 6 existing expansions) to invest in the capital region. Quality of life issues are 50% or more of the business decision making process.

Access to quality education and workforce development are among the most powerful factors when any business considers investing in our local community.

All of us are responsible for education. We must prevent the possible closure of any of Nevada’s community college campuses. We should pursue public – private partnerships and methods to insure educational opportunities will be available in the future for the welfare of Nevadans.

NBC would like to support and assist you with finding solutions to this critical financial situation. Let's work together as education affects all of us now and in the future.

Sincerely,

Kris E. Holt
Executive Director

CC: Carol A. Lucey, WNC
Mike Reed, NSHE
Greg Mosier, UNR

"We are not the experts, but we know who they are."