

analysis

NPRI Freedom Budget proposal: 2016-2017

*A free-market alternative to the
Sandoval tax-hiking budget plan*

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Executive Summary

In 2010, Gov. Brian Sandoval ran for governor on a platform of no new taxes. In 2014, he told voters he wanted to “keep taxes low.”

Since securing reelection, however, Sandoval has announced his support for the largest tax increase in state history, including plans to impose, if he can, the creation of a Gross Receipts Business License Tax. Sandoval wanted the higher taxes to fund a \$7.3 billion general fund budget and \$23.5 billion in total state spending.

In response to those critical of his tax hike plan, the governor has issued a challenge. “What’s your plan?” he asks.

On its face, it’s a valid question, since generally a plan beats no plan. Moreover, creating a state budget is a complex and highly detailed task that presumably requires thousands of hours of work by state employees.

It’s a hurdle that may appear insurmountable in the absence of a conservative Nevada governor who’s on point, directing state employees to produce a conservative budget.

Fortunately, for the first few months of 2011,

the Silver State had such a governor. His name was Brian Sandoval, and he was sticking by his campaign promise of not raising taxes.

NPRI’s Freedom Budget proposal is based on Sandoval’s 2012-13 Executive Budget. For each of Nevada’s 441 budget accounts it provides 2016 and 2017 spending recommendations — each based, in large part, on growing Sandoval’s recommendations from four years ago, just not as quickly as Sandoval has currently proposed. This budget also eliminates ineffective and unconstitutional programs.

NPRI’s 2016-2017 Freedom Budget proposes general-fund spending of \$6.4 billion and total spending of \$22.2 billion.

While it still constitutes a substantial increase over the spending levels Sandoval proposed in 2011, this budget can be implemented without raising any new taxes and would allow the “sunset” taxes to finally sunset. Overall, the budget would grow from \$17.5 billion in 2012 and 2013 to \$22.2 billion in 2016 and 2017 — a 26 percent increase in total government spending.

I. Introduction

In 2010, Brian Sandoval ran for governor of Nevada pledging not to raise taxes. In a [web ad re-introducing himself to voters](#), Gov. Sandoval said, “While we all know there are no easy answers, I will promise you this. **As your governor, my decisions will be shaped by the strength of my core principles and steady convictions: Raising taxes is not the answer.** I believe in limited government, growing and diversifying our economy and creating more jobs. It’s time for government to do what families and businesses are doing right now: cut back. There’s a lot at stake. We have to get it right.” [Emphasis added.]

In 2011, then-first-term Sen. Michael Roberson echoed similar sentiments. “The reality is,” [said Roberson](#), “we’ve spent too much — above what we’ve been bringing in — for too long, and we’ve got to put the brakes on it. And it may be a cliché, but we have to ask the government to do the same thing that small businesses and families are doing throughout the state. ... We’ve got to live within our means.”

For the first few months of his first term, Sandoval held to his no-new-taxes pledge, proposing a generally conservative budget, even though it relied on sweeping monies from local governments to pay for some of his spending programs.

After a Supreme Court decision prevented him from sweeping that money, Sandoval capitulated to Democrat demands for tax increases and signed an extension of the “sunset” taxes, a collection of tax increases then scheduled to expire on June 30, 2011. In 2012, Sandoval announced he would support the “sunset” taxes for the 2013 budget.

In 2014, Sandoval ran for re-election as governor of Nevada talking about the need for low taxes and ignoring his previous support for tax increases. In a [2014 mail piece](#) supporting now Senate Majority Leader Michael Roberson against a conservative primary challenger, Sandoval stated, “We need Michael’s leadership in the Nevada State Senate to keep taxes low and reform public education.”

Sandoval’s campaign then [boasted](#): “Better schools, No new taxes.” His YouTube channel [features a playlist with the same verbage](#): “Education: Better Schools, No New Taxes.”

Freedom Budget principles

NPRI’s Freedom Budget is informed by four principles:

1. Increase previous spending recommendations by Sandoval, but at a slower rate than Sandoval currently proposes.
2. Use policy changes to make the government be more efficient.
3. Fund agency request amounts instead of the higher amount recommended by Sandoval.
4. Limit government to its core and constitutional functions.

This state budget follows the model of the 2012-2013 Governor’s Recommended Budget.

Sandoval's about-face

Since securing election, however, Sandoval has proposed the largest tax increase in Nevada history. He has proposed to make the sunset taxes, which cost taxpayers [around \\$750 million every biennium](#), permanent. He's also proposed raising the cigarette tax, slot tax and modified business tax on mining and creating a modified margins tax — a Gross-Receipts Business License Tax — to increase taxes by another \$570 million. In total, Sandoval wants to increase taxes by over \$1.3 billion.

Most of his proposed tax increases, however, would only go to fund a host of timid programs that strategically *sidestep* the serious reforms needed to render Nevada schools more effective, observes Sandoval's first state superintendent, Dr. James W. Guthrie.

Instead, says the [nationally respected educator](#), writing in the *Reno Gazette-Journal*, Sandoval's "proposals appear to be guided more by political expediency — greasing squeaky wheels — than a goal of effective education."

"Money is not the issue," notes Guthrie. "Nevada's public schools lack accountability."

He recommends that lawmakers "improve student outcomes by lowering the Governor's proposed financing and channeling it into a *coherent* plan for elevating education in Nevada."

To proceed without "a clear focus on a few high-return strategies," says the educator, "wastes money, *hurts students* and squanders opportunity."

"A symptom of insanity," he notes — calling for Nevada to "regain sanity" — "is repeatedly performing the same tasks and expecting different outcomes."

Sandoval issues budget challenge

In response to his critics, the governor [has issued a challenge](#), echoed by Sen. Roberson, asking, "What's your plan?"

On its face, it's a valid question, since a plan generally beats no plan. But creating a state budget document that is over 3,000 pages long is a complex and highly detailed task that presumably requires thousands of hours of work by state employees.

That hurdle would appear insurmountable — at least at the level of detail — unless Nevada had a conservative governor directing state-budget employees to produce a conservative budget.

Answering the call

Fortunately, for the first few months of 2011, Nevada *had* a fiscally conservative governor. His name was Brian Sandoval, and he was sticking by his campaign promise of not raising taxes.

"I think the appropriate thing to do is be out in front of the voters, which I am," Sandoval had said on the July 13, 2010 edition of Nevada Newsmakers. "And I have made it very plain from Day 1 that I believe that raising taxes is the worst thing we can do."

As part of that pledge, Sandoval presented the legislature with a budget for the 2012-2013 biennium that recommended \$5.8 billion in general fund spending and \$17.5 billion in total appropriations.

In the current biennium, Sandoval has proposed general fund spending of \$7.31 billion and total spending of \$23.5 billion over the coming biennium. That's a 26 percent increase in general fund spending and 34 percent increase in total state spending — which includes federal funding — in just four years.

II. The 2016-2017 Freedom Budget

NPRI's 2016-2017 [Freedom Budget proposal consists of a 2016 and 2017 spending recommendation for each of Nevada's 441 budget accounts](#) based, in large part, on growing Sandoval's recommendations from four years ago, but not as quickly as Sandoval has currently proposed. It also eliminates ineffective and unconstitutional programs.

NPRI's 2016-2017 Freedom Budget proposal:

- Includes general fund spending of \$6.4 billion and total spending of \$22.2 billion over the biennium
- Reduces general fund appropriations by \$1.5 billion
- Lowers non-general fund appropriations that are fungible to the general fund by \$279 million
- Recommends cutting \$79 million in spending that is not fungible to the general fund

NPRI also recommends some additional general fund spending, including:

- \$389.2 million in additional general fund appropriations to offset the reduction in Local School Support Taxes that will occur with the expiration of the sunset taxes, primarily the drop in the LSST sales tax rate from 2.6 percent to 2.25 percent. While the state guarantees a certain funding level through the Distributive School Account, the local taxes inside the DSA aren't considered part of the state's budget.
- Spending \$10 million a year through the Controller's Office for performance audits
- Allocating \$200 million for Legislative Decision Units, which are detailed later in the report

In total, the Freedom Budget reduces spending by \$1.86 billion. Because of state accounting practices that double-count money transferred between funds or held over from year to year, this budget includes \$88.4 million that is counted twice.

NPRI's budget, which could be implemented without raising any new taxes, would allow the "sunset" taxes to finally sunset. It still constitutes a substantial increase over the spending levels Sandoval proposed in 2011. Overall, the budget would grow from \$17.5 billion in 2012 and 2013 to \$22.2 billion in 2016 and 2017, a 26 percent increase in total spending.

Then-candidate Brian Sandoval speaking on the July 13, 2010, edition of Nevada Newsmakers:

"The bottom line is this. It's my belief that we have to balance that budget without raising taxes. I think in this environment, in a recession, that raising taxes would be the worst thing that we could do. Particularly when, in the private sector, folks have been laid off. Businesses have reduced their employees from 1,500 to 20. They've had to reduce benefits. They've had to reduce salaries. And I frankly believe that state government has to do the same."

Much of this additional spending comes from Sandoval’s expansion of Medicaid, a policy which NPRI recommends rolling back. It is not possible, however, to deduce the financial impact of repealing Medicaid from the budget documents, so this budget includes funds for continuing Medicaid expansion.

Lawmakers should ask the governor’s budget office and the Legislative Counsel Bureau to determine the financial impact of rolling back Medicaid and then do so. This would prevent [healthy adults from crowding the truly needy](#) — children and disabled adults — out of obtaining medical services in a timely manner. It would also prevent Medicaid expansion from draining general fund dollars in the next biennium as the federal government covers less and less of the expansion.

Freedom Budget vs. Sandoval’s 2012-13 recommendations

Nevada’s budget can be viewed from several perspectives. [The Freedom Budget’s line-by-line recommendations are available here.](#)

One of the most common ways to look at spending is by department, which is [available on the “2013 vs. NPRI, Gov” tab of the Freedom Budget.](#) Of the 33 departments that are directly comparable to 2013, NPRI’s Freedom Budget recommends spending increases in 21 departments. In 10 departments, the Freedom Budget recommends a spending decrease that is either in line with Sandoval’s current recommendation or within 7 percentage points of Sandoval’s current recommendation.

The two comparable departments with significant decreases are the Governor’s Office and the Secretary of State’s Office.

Since first being elected, Sandoval has reorganized some state departments, including the now-Governor’s Office of Economic Development and the now-combined Department of Tourism and Cultural Affairs. Both GOED and the Tourism budget receive substantial reductions in NPRI’s Freedom Budget.

For the vast majority of departments, however, spending is up. NPRI recommends that 13 departments receive double-digit percentage spending increases from 2013 and a total overall increase in spending of 26 percent, although that number is substantially inflated by the expansion of Medicaid.

Freedom Budget vs. Sandoval’s 2016-17 recommendations

A year-by-year, department-by-department overview is [available on the “NPRI vs Gov” tab of the Freedom Budget.](#)

Nevada government currently has 41 departments. For 23 of them, NPRI recommends spending levels down by 5 percent or less from the current Executive Budget. For nine other departments, NPRI recommends spending levels reduced by 5 to 10 percent from the current Executive Budget.

The lower spending levels for the other departments are explained in detail in the line-by-line budget, but most of those apparent “reductions” are actually increases in spending over Sandoval’s 2013 recommendations.

Why starting points matter in budget comparisons

For most departments, NPRI recommends higher spending levels than Sandoval desired in 2013, but the Freedom Budget doesn't increase spending by as much as Sandoval currently proposes.

For instance, Sandoval recommended a Department of Conservation and National Resources budget of \$97.7 million in 2013. NPRI recommends a DCNR budget of \$117.5 million in 2016, while Sandoval now wants \$130.2 million for DCNR in 2016.

So, NPRI recommends a 20 percent increase over proposed-2013 funding levels, while Sandoval proposes a 33 percent increase. While NPRI's recommendation is a substantial increase over 2013, it's a 9.79 percent decrease from Sandoval's current recommendation. That is why the starting point for a budget recommendation makes such a difference. It is the difference between labeling the same action a 20 percent increase or a 10 percent cut.

That pattern is seen in the following departments:

Department	Percent change from Gov's 2013 Recommendation	Percent change from Gov's 2016 Recommendation
Adjutant General	50.28%	-5.58%
Attorney General's Office	31.35%	-13.17%
Department of Administration	8.00%	-8.97%
Department of Agriculture	1369.10%	-0.94%
Department of Business and Industry	5.53%	-18.94%
Dept of Conservation, Natural Resources	20.17%	-9.79%
Department of Corrections	3.97%	-0.97%
Department of Education	17.30%	-14.33%
Dept of Health, Human Services	50.26%	-1.27%
Department of Motor Vehicles	27.93%	-2.05%
Department of Public Safety	9.01%	-4.67%
Department of Taxation	6.00%	-9.47%
Department of Transportation	31.96%	-0.35%
Judicial Discipline Commission	6.00%	-13.44%
Legislative Counsel Bureau	2.02%	-6.30%
Lieutenant Governor's Office	1.56%	-9.05%
Nevada System of Higher Education	16.68%	-9.71%

Sen. Michael Roberson, in January 2011, speaking to Nevada News Bureau:

The reality is, we've spent too much — above what we've been bringing in — for too long, and we've got to put the brakes on it. And it may be a cliché, but we have to ask the government to do the same thing that small businesses and families are doing throughout the state. ... We've got to live within our means.

This comparison shows why Sandoval chooses to frame his \$7.3 billion general fund budget as a reduction from the \$7.7 billion agencies have requested — rather than acknowledge its huge expansion from the \$5.8 billion general-fund budget he proposed four years ago.

III. Overview: The rate of budget increase

From 2011 to 2014, the [U.S. Census Bureau estimates](#) that Nevada's population has grown from 2.718 million to 2.839 million, a 4.45 percent increase. From Jan. 1, 2012 to Jan. 1, 2015, [inflation has increased](#) by 4.96 percent. Combined, that's a three-year increase of 9.63 percent. However, also over the last three years, the federal Bureau of Labor Statistics has found that [productivity has increased by 1.4 percent per year, or 4.2 percent in total](#). Subtracted from the combined inflation-population number, that increase in productivity reduces that three-year increase to 5.43 percent. For simplicity's sake, however, NPRI's Freedom Budget generally increases 2016 budget account

spending by 6 percent from 2013 or 2 percent from year-to-year. Occasionally, NPRI's Freedom Budget will recommend a greater percentage increase.

Example 1: Department of Taxation, Budget Account 101-2361

2013 Gov. recommends: \$26,393,917

2016 NPRI recommends: \$27,997,552

2017 NPRI recommends: \$28,537,103

2016 Gov. recommends: \$30,904,611

2017 Gov. recommends: \$30,623,013

Difference: -\$5,012,969

Sandoval has requested \$3.8 million to implement his Gross-Receipts BLT. NPRI recommends not implementing the Gross-Receipts BLT and slowing the rate of growth in the Department of Taxation to a 6 percent increase over Sandoval's 2013 proposed funding level.

Principle 1: Increase previous spending recommendations by Sandoval, but at a slower rate than Sandoval currently proposes.

General fund savings: \$302.5 million, from 85 budget accounts

Non-general fund savings, fungible to general fund: \$46.1 million, from 29 budget accounts

Reduced spending, not fungible: \$1.8 million from one budget account

Example 2: Department of Public Safety, Parole and Probation, Taxation, Budget Account 101-3740

2015 Work Program: \$43,398,441

2016 NPRI recommends: \$44,266,410

2017 NPRI recommends: \$45,151,738

2016 Gov. recommends: \$47,790,876

2017 Gov. recommends: \$49,219,584

Difference: -\$7,592,312

NPRI recommends a 2 percent increase for 2016 and 2017 in spending from 2015 actual spending.

Example 3: Department of Conservation & Natural Resources, State Parks, Budget Account 101-4162

2013 Gov. recommends: \$11,166,834

2016 NPRI recommends: \$11,836,844

2017 NPRI recommends: \$12,073,581

2016 Gov. recommends: \$13,316,471

2017 Gov. recommends: \$13,796,421

Difference: -\$3,202,467

NPRI recommends State Parks funding for 2016 spending be increased 6 percent from Sandoval's recommended spending level in 2013. Spending for 2017 will increase by 2 percent from 2016's spending level.

Example 4: Nevada System of Higher Education, 29 Budget Accounts: 101-2977 through 101-3221

2013 Gov. recommends: \$625,262,321

2016 NPRI recommends: \$729,563,789

2017 NPRI recommends: \$808,012,534

2016 Gov. recommends: \$760,071,244

2017 Gov. recommends: \$828,776,828

Difference: -\$51,271,749

For most NSHE accounts, NPRI's Freedom Budget recommends 12 percent growth from Sandoval's proposed 2013 spending levels. For instance, Sandoval recommended \$132,295,864 in funding for the University of Nevada, Reno in 2013. NPRI recommends \$148,171,368 for 2016, a 12 percent increase.

This is even more generous than it appears. That's because of Budget Account 101-3013, which directs 10 percent of a higher education institution's general-fund support into a special account for performance funding in 2016 and 15 percent in 2017. Under NPRI's recommendations and the formula established last legislative session, UNR would receive an additional \$7.2 million in 2016.

Sen. Michael Roberson, in January 2011, speaking to Nevada News Bureau:

We can talk about all these other things, but until we get down to one of the key issues, which is this patented inequity between what the public sector makes in this state and the private sector makes, we're not going to get anywhere.

**Gov. Brian Sandoval
speaking from the
governor's mansion on
May 3, 2011:**

"I also know in my heart that education isn't just about the money. What matters most is not how much we spend on education, but how well we spend it. ...

"The input does not match the output. Reforms must be part of the picture if we hope for the day when Nevada's students outperform the rest of our country."

For the UNR School of Medicine, UNLV's Dentist School and Nevada State College at Henderson, the Freedom Budget recommends 24 percent funding increases over Sandoval's proposed 2013 funding levels. For NSC this includes an additional \$940,000 in 2016 for performance funding.

IV. Overview: Savings from reform

For decades, Nevada politicians have tried to improve education by spending more. But as Brian Sandoval correctly noted, "What matters most is not how much we spend on education, but how well we spend it. ... The input does not match the output."

Statistics from the federal government show that Nevada has nearly tripled inflation-adjusted per-pupil spending in the last 50 years. Data from Nevada's Legislative Counsel Bureau, requested by Assemblyman Ira Hansen, shows that Nevada has nearly doubled inflation-adjusted, per-pupil spending over the last three decades. Nevertheless, over those same decades, Nevada's graduation rate fell to the lowest in the nation.

NPRI's Freedom Budget corrects this problem by eliminating ineffective spending and recommending policy reforms that will allow Nevada better results for less money.

Example 1: Department of Education, Distributive School Account, 101-2610

2013 Gov. recommends: \$1,017,649,364

2016 NPRI recommends: \$1,370,419,014 (\$1,187,519,014 + \$182,900,000 to replace LSST sunset)

2017 NPRI recommends: \$1,346,345,518 (\$1,140,045,518 + \$206,300,000 to replace LSST sunset)

2016 Gov. recommends: \$1,415,577,446

2017 Gov. recommends: \$1,419,995,840

Difference: -\$118,808,754

NPRI's Freedom Budget recommendations for Budget Account 101-2610 are detailed on

Principle 2: Use policy changes to make the government be more efficient.

General fund savings: \$1.08 billion from nine budget accounts

Non-general fund savings, fungible to general fund: \$14.6 million from two budget accounts

Reduced spending, not fungible: \$20.9 million from one budget account

the “101-2610” tab. The first reduction is eliminating class-size reduction funding. [Study](#) after [study](#) has [shown](#) that class-size reduction is an enormous waste of money.

It’s not just national studies that show that \$350 million in the next biennium would be wasted if spent on reducing class sizes. Nevada’s Legislative Counsel Bureau has even found that [students in larger classes outperform those in smaller ones](#).

In [February 19, 2015, testimony](#) before a joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means, Subcommittees on K-12/Higher Education/CIPS, Nevada state Superintendent Dale Erquiaga stated that the Department of Education has found no correlation between class size and star rankings.

Currently, Sandoval recommends \$128 million in new funding to increase the pay and benefits of current teachers. This funding, however, is subject to collective bargaining and thus subject to misuse. At the beginning of the 2014-15 school year, for example, the Clark County School District [capitulated to the demands of the Clark County Education Association](#) and gave its largest raises to veteran teachers, who dominate the CCEA union. Reportedly, the district had wanted to offer hiring bonuses to attract new teachers, but the union rejected that proposal or further increasing the starting salaries of beginning teachers. This is the real reason for CCSD’s teacher shortage.

Sandoval’s budget, absent substantial collective bargaining reforms, would simply fund more of the same and keep Nevada public education in what former state superintendent James Guthrie calls its “insane” rut.

NPRI recommends eliminating NRS 288 — the state public-employee collective-bargaining law — for school districts, or at least making it optional. This would allow school districts to tailor compensation appropriately, rewarding the best teachers, while encouraging the state’s lowest-performing teachers to find other employment.

Example 2: Department of Education, Other State Education Programs, 101-2699

2013 Gov. recommends: \$0 (non-per-pupil spending was rolled into the block grant program in Example 3 below)

2015 Work program: \$30,849,418

2016 NPRI recommends: \$36,612,904

2017 NPRI recommends: \$36,612,904

2016 Gov. recommends: \$101,042,661

2017 Gov. recommends: \$133,422,209

Difference: -\$161,239,062

This budget account contains many of Sandoval’s new education spending programs, including funding for “turnaround” school funding, social worker grants, expanding Jobs for America’s Graduates, Gifted and Talented Education, Technology Grants and Read by Three.

It’s important to note that NPRI’s Freedom Budget proposal actually increases Nevada’s 2015

Then-candidate Brian Sandoval speaking on the July 13, 2010, edition of Nevada Newsmakers:

“[Your question] starts with the presumption that putting money into the [education] system is going to improve it.”

spending level in this budget account. NPRI simply agrees with Sandoval’s first hand-picked state superintendent, Dr. James W. Guthrie, that Sandoval’s currently proposed spending spree actually “[wastes money, hurts students and squanders opportunity](#)” — while putting at risk “the future of tens of thousands of students now trapped in underperforming schools.”

Dr. Guthrie — the first appointed senior fellow and director of education policy studies at the George W. Bush Institute, a component of the George W. Bush Presidential Center — was reportedly asked to resign by Sandoval when the educator pressed for serious accountability within Nevada K-12 education.

In a February *Reno Gazette-Journal* op-ed, Guthrie identified the timid nature of Sandoval’s budget priorities:

The governor’s budget would spend additional millions on timid reforms such as expanded preschool, English language learning, opportunities for gifted students, staff for low performing schools, opposing cyber bullying, facility construction and more personnel for the State Education Department.

Sandoval’s “Read by Three” program, however, deserves a special note. While Read by Three is excellent policy, it doesn’t require additional funding — merely that school districts do not promote students out of the third grade until they can read at grade level. This budget request for a “literacy-planned grant program to augment reading proficiency” contains no requirement to hold students back if they are not able to read at grade level at the end of the third grade.

Many of the benefits of Turnaround Schools — longer school days, eliminating ineffective teachers and administrators — could be achieved by implementing the NRS 288 changes proposed by NPRI later in the Freedom Budget.

Regarding Sandoval’s technology grant proposal, its fundamental problem is that it ignores two of the biggest benefits of online schools, namely, that they [can substantially reduce personnel costs](#) while increasing access to the best teachers. Unless supplemented by an intelligent,

coherent plan, Sandoval’s proposal consists of little more than giving students expensive iPads with no clear path to either increased student achievement or tax-dollar savings.

Then-Senate candidate Ben Kieckhefer speaking on the April 10, 2010, edition of Nevada Newsmakers:

“We all oppose taxes: The biggest issues that are going to be before the legislature next year are taxes — we’re all against higher taxes. Spending — we all know that we need to reduce expenditures.”

Example 3: Department of Education, School Remediation Trust Fund, 101-2615

2013 Gov. recommends: \$190,598,253 (distributed as a block grant to school districts)

2016 NPRI recommends: \$0

2017 NPRI recommends: \$0

2016 Gov. recommends: \$168,428,366

2017 Gov. recommends: \$195,320,167

Difference: -\$363,748,533

The School Remediation Trust contains funding for “Zoom” schools, “Victory” schools and Full-Day Kindergarten expansion. Zoom schools were introduced after the 2013 Legislative Session, and proponents are quick to cite CCSD’s findings that [85 percent of its](#)

[Zoom school pre-K students met language objectives](#) and were “[ready to learn](#)” after the first year.

If that sounds to you like expected growth from being in a classroom for the first time, you’re right. The point of kindergarten, after all, is to get kids ready to learn through an easy few hours of intelligent play. Since Nevada’s public education system fails students in the 12.5 years it currently controls them, however, it now wants 14 years — including pre-K and full-day kindergarten.

Yet [study](#) after [study](#) after [study](#) shows [pre-K](#) and [full-day kindergarten](#) don’t provide [lasting gains in student achievement](#).

[Oklahoma and Georgia](#) both started universal pre-K programs in the 1990s. Oklahoma’s scores on the fourth grade National Assessment of Educational Progress reading test are actually lower than when they started pre-K in 1998. In Georgia, it took 19 years from the start of universal pre-K for its scores on the same test to exceed the national average.

Finally, proponents of pre-K have traditionally cited three studies to justify pre-K, but the [significant problems with all three are detailed here](#).

Findings from the Perry Preschool Project have been used to claim that a dollar investment in pre-K yields taxpayers a \$7.16 return and therefore merits specific refutation. The ancient Perry study — conducted from 1962 to 1965 — suffers from numerous methodological problems, including a sample that was “[not completely random](#),” and a requirement that “[the children in the preschool program had to have parents home during the day](#).” It also focused on children with subnormal IQs between 70 and 85. In other words, it has no relation to the programs upon which Nevada taxpayers are being asked to spend millions annually.

V. Overview: Forgoing pork

In dozens of budget accounts, Sandoval has proposed spending more taxpayer dollars than the relevant agency requested.

For these 100-plus budget categories, NPRI’s Freedom Budget goes with the amount requested by the agency, instead of the higher amounts recommended in the Executive Budget. Agency officials should have a better sense than the governor’s budget staff of how much money an agency needs to accomplish its objectives.

Principle 3: Fund agency request amounts, instead of the higher amount recommended by the governor.

General fund savings: \$38.4 million from 49 budget accounts

Non-general fund savings, fungible to general fund: \$109.5 million from 53 budget accounts

Then-candidate Brian Sandoval speaking on the July 13, 2010, edition of Nevada Newsmakers:

“The focus has to be on reducing spending. ... Everyone starts from the premise that we have to raise taxes, and nobody talks about reducing spending. ...

“We have to look at the spending side. That is exactly what I’m going to do.”

Then-candidate Brian Sandoval speaking on the July 13, 2010 edition of Nevada Newsmakers:

“I think the appropriate thing to do is be out in front of the voters, which I am. And I have made it very plain from Day 1 that I believe that raising taxes is the worst thing we can do.

Example 1: Treasurer’s Office, Bond Interest and Redemption, 395-1082

2016 Agency Request and NPRI recommends: \$254,588,192
2017 Agency Request and NPRI recommends: \$259,832,985

2016 Gov. recommends: \$278,732,765
2017 Gov. recommends: \$294,062,109

Difference: -\$58,373,697

Difference, avoiding double-counting: -\$34,229,124

Sandoval recommends a reserve account that is \$24.1 million larger in 2016 than the agency requested and \$34.2 million larger in 2017 than the agency request. NPRI recommends funding the agency at the level of its request.

Because the Executive Budget rolls the larger reserve amount into 2017, NPRI’s Freedom Budget recommends spending reductions of \$58.4 million, but of that only \$34.2 million is fungible to another account. Without accounting for that, the budget would be recommending saving the same money twice.

Example 2: Department of Health and Human Services, Clark County Child Welfare, 101-3142

2016 Agency Request and NPRI recommends: \$91,428,269
2017 Agency Request and NPRI recommends: \$95,621,789

2016 Gov. recommends: \$94,928,074
2017 Gov. recommends: \$99,083,886

Difference: -\$6,961,902

Sandoval recommends spending \$7 million more for “Subsidized Adoptions” than the agency requested. NPRI recommends funding that line item at the level the agency requested.

VI. Overview: Renouncing the unconstitutional

Each year Nevada spends tens of millions of dollars on unconstitutional or constitutionally suspect activities. NPRI’s Freedom Budget eliminates this spending and saves taxpayers tens of millions of dollars while lessening the likelihood of lawsuits challenging the constitutionality of such programs.

Principle 4: Limit government to core and constitutional functions.

General fund savings: \$78 million from nine budget accounts

Non-general fund savings, fungible to general fund: \$109.2 million from 13 budget accounts

Reduced spending, not fungible: \$56.2 million from seven budget accounts

Example 1: Governor's Office of Economic Development, seven budget accounts, 101-1521 through 101-4867

2016 NPRI recommends: \$5,940,171

2017 NPRI recommends: \$5,902,494

2016 Gov. recommends: \$48,520,715

2017 Gov. recommends: \$40,087,359

Difference: -\$76,765,409

Difference, avoiding double counting: -\$55,577,957

Government shouldn't pick winners and losers in the economy. Through the Catalyst Fund, the "Knowledge" Fund and the [State Plan for economic growth](#), GOED isn't just trying to pick certain companies as winners and losers, but entire industries.

Capitalism, though, doesn't need, or work with, a helping hand from government. Freedom and justice require that government not take from one entrepreneur to help his competitor.

NPRI is already suing GOED for unconstitutional subsidies. NPRI's Freedom Budget eliminates this problem for the next biennium by cutting the Catalyst and "Knowledge" funds and leaving a reduced staff at GOED — staff that would [help entrepreneurs navigate the barriers Nevada government has imposed on entrepreneurship and hasten the elimination of those barriers in the future](#).

Example 2: Department of Tourism, Tourism Development Fund, 225-1522

2016 NPRI recommends: \$3,293,187

2017 NPRI recommends: \$3,323,582

2016 Gov. recommends: \$24,724,058

2017 Gov. recommends: \$24,588,596

Difference: -\$37,660,375

**Difference, avoiding double counting:
-\$5,035,510**

"The primary mission of the Nevada Division of Tourism," says the administration, "is to generate revenue for the State of Nevada through tourism activities that encourage overnight stays."

The role of government, however, isn't to promote tourism or generate tax dollars. It is to create a free economy that allows entrepreneurs and businesses to privately promote visits to their business, if it's in their best interest. Once again, it shows a lack of faith in individuals to assume that businesses owners need the government to promote tourism in general. NPRI's Freedom Budget reduces the Tourism Development Fund accordingly, leaving mostly transfers to other budget accounts.

**Sen. Michael Roberson
speaking in April 2011 at a
legislative town hall:**

We raised taxes by a billion dollars in 2003. We raised them again in 2009 by a billion dollars. We've increased general fund spending by about 30 percent since 2003, in per-capita, inflation-adjusted dollars. When is it going to stop? We have a spending problem. And I'm sorry, but a big part of that is our collective bargaining system here in this state. We must have collective bargaining and PERS reform. The PERS system is a ticking time bomb that our grandchildren are going to be stuck paying for.

VII. Overview: Fund genuine reform

Certain new reform-oriented spending does offer promise:

1. **Performance audits: \$20 million, overseen by the Controller’s Office.**
By providing the public and elected leaders with independent evaluations of the effectiveness, economy and efficiency of public services, whether at state or local levels, performance audits significantly increase government accountability, reduce waste and improve public services. Nevada should join Washington and other states that enjoy these benefits of an elected and independent performance auditor.
2. **Replace LSST taxes that sunset: \$389.2 million into the Distributive School Account.** It is time to honor the Sandoval administration’s original pledge that the so-called “sunset taxes” would actually sunset. Thus, the Freedom Budget offsets the reduction in Local School Support Taxes that will occur with the expiration of the sunset taxes — and the drop in the LSST sales tax rate from 2.6 percent to 2.25 percent — by moving \$389.2 million from the General Fund into 101-2610, the Distributive School Account.
3. **Legislative decisions and the rainy-day fund: \$200 million over the biennium.**
The validity of certain large one-time expenses in the governor’s budget — such as the \$11.8 million requested by the Secretary of State’s Office for “Technology Investment” or the \$3.1 million requested by the Controller’s Office for “information services” — have not been assessed in the Freedom Budget, given the necessity of creating an alternative budget without the extensive staffing resources of the governor or the Legislature. Similarly, while the Executive Budget contains much detail about funding sources, it has not been possible to identify all interactions between state funding and federal matching funds. Nevertheless, this budget provides the Legislature with more than enough funds to cover any funding gaps that may be found in the Freedom Budget, as well as allowing lawmakers to fund multiple one-time expenditures. All remaining funds should be saved to replenish Nevada’s rainy-day fund, given the softness of the national and Nevada economies and the growing likelihood of a worldwide relapse into depression.

After including these three areas of prospective new spending, NPRI’s Freedom Budget still cuts \$1.25 billion from the governor’s \$23.5 billion plan, while removing any justification for new, higher taxes. After accounting for non-fungible cuts and to avoid double counting certain reduced spending items, a balance of \$1.085 billion remains.

VIII. Overview: Implement substantial reforms

These reforms will help government achieve the same or better results for less:

1. **Repeal NRS 288:** The easiest way to make Nevada public schools more efficient is to remove the shackles [NRS 288 places on school districts](#) vis-à-vis administrators and teachers. School districts must be able to terminate poorly performing administrators and teachers, as well as reward the best of each — in order to increase student achievement. Removing NRS 288’s manacles would also give districts flexibility with regard to the school day.

2. **Establish Charter Agencies:** Under [charter agency reform](#), agency directors sign performance contracts in exchange for freedom in how they spend their budgets. This means directors are free to spend their budgets on technology or personnel without seeking legislative approval. Lawmakers, though, hold agency directors responsible for achieving outcomes. If an agency produces cost savings with its freedom and flexibility, the savings are split between the general fund and the agency, to be spent however the agency wants.
3. **Pass universal Education Savings Accounts:** Nevada has a serious education problem. Throwing more money into a broken system hasn't worked for decades and won't work if politicians insist on trying it again. Yet, a solution exists: In numerous states around the country, school choice has increased student achievement — [both for students who use the choice to attend private or charter schools and for those who continue to attend regular public schools](#).

Conclusion: A new, saner Nevada

Aside from the tax increases in the DSA, Sandoval has proposed \$930.1 million in tax hikes to fatten the general fund. In the Freedom Budget, those tax hikes aren't necessary — yet lawmakers still have some \$155 million to allocate as they wish. They could, for example, lower the car tab tax, implement [Dr. Guthrie's \\$200,000 teacher proposal](#) or extend Education Savings Accounts to students currently enrolled in private schools.

This is a budget that ends the insanity of always spending more, for more of the same, and yet expecting something other than the failure that always follows.

NPRI's Freedom Budget grows government at a slower rate than Sandoval currently has proposed. It eliminates the need for tax increases by cutting ineffective and unconstitutional programs. It substitutes genuine and serious policy reforms for additional spending. It paves the way for Nevada government to, at last, achieve superior results — and without burdening taxpayers with greater financial servitude.

It is a proposal for a genuinely New Nevada.

The Nevada Policy Research Institute

The Nevada Policy Research Institute is a non-partisan, free-market think tank that promotes public-policy ideas consistent with the principles of free enterprise, individual liberty and limited, accountable and constitutional government.

NPRI focuses its research efforts primarily on fiscal, labor and education policy, with the goal of finding and promoting freedom-friendly solutions to the policy challenges facing Nevada, the West and the nation.

The Institute serves the cause of accountable government through in-depth news reporting, making information on government spending readily available to the public, and litigating to defend constitutional principles through its Center for Justice and Constitutional Litigation.

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