

**Budgeting in the Western States: Nevada
The Impact of the Red Wave—Transitory or Permanent**

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Introduction

Nevada is experiencing a new political reality. Republicans achieved great political success during the 2014 General Election resulting in questions about the future. What will be the impact of the Red Wave in Nevada? Will it represent a transitory or permanent phenomenon? The 2010 Census and subsequent reapportionment of the Nevada Legislature constituted significant factors producing permanent political change.

The 2012 General Election produced a political tipping point that resulted in a permanent shift in political power from the north to the south, rural to urban, and Republican to Democrat based on voter registration. Redistricting produced a 2013 legislature where 75 percent of the members of both the state Senate and the state Assembly are from Clark County. The political tipping may well result in structural changes in the exercise of political power, party dominance, budgeting practices, revenue structure, and the direction of public policy.

One of the major lessons learned from the 2014 General Election is that although there has been a political tipping point, voter turnout remains critical in the electoral process. There was very low voter turnout for the 2014 General Election (45.56 percent statewide) and that drove the Republicans great electoral success (Secretary of State 2014). The 2015 Nevada Legislature faced a Nevada economy that had hit bottom and was flat during 2010 and 2011 and has been experiencing slow growth since the low point of the Great Recession.

Republican Governor Brian Sandoval is committed to a balanced 2015–2017 biennial budget based on modest increases in state spending and modest increases in taxes. The legislature was presented with four different budget and revenue proposals. Governor Sandoval had his proposed budget. Two factions of Republicans in the Nevada Assembly proposed their own biennial budget proposals, and Democrats in the Nevada Assembly had their own budget proposal.

Nevada's budgetary politics have generally been highlighted by low levels of service provision and over reliance on two primary sources of revenue, namely sales and gaming taxes (Herzik 1991; Herzik 1992; Herzik and Statham 1993; Morin 1994; Herzik and Morin, 1995; Morin 1996; Morin 1997; Morin 1998). This article shall examine the Nevada political environment, the state biennial budget process, and the fiscal environment. This article shall also examine the 2014 General Election and the 2015 Nevada Legislature.

The Nevada Political Environment

Nevada's political environment is a composite of its political culture, government structure, and tax structure. The health of the national and state economies directly impacts the operation of state government. The Nevada Legislature and government are sensitive to public opinion, and the biennial budget usually conforms to public opinion and the results of the preceding general (Herzik and Morin 1995; Morin 2000).

Political Culture

Nevada's political culture is individualistic and its political environment resembles an open market place where individuals and interest groups pursue social and economic goals (Elazar 1984; Dye 1994; Bowman and Kearney 1996). Nevada's political culture emphasizes limited government, fiscal conservatism, fragmentation of state governmental power, and citizen control at the ballot box. In terms of partisan politics, Nevada is becoming more Democratic than Republican.

Nevada's party competition in the 1970s was two-party Democratic dominant. In the 1980s this changed to two-party Republican-leaning (Hrebenar and Benedict 1991). In terms of party identification, a November-December 1996 poll revealed that southern Nevada leaned Democrat while northern and rural Nevada leaned Republican (Beal et al. 1997). But Republican or Democrat, Nevadans are politically conservative.

A political tipping point has been realized in party registration. As of February 2013, there were 540,684 registered Democrats, 441,378 registered Republicans and 225,515 registered non-partisans. Southern Nevada has become more and more Democratic while northern and rural Nevada continue to lean Republican (Secretary of State 2013).

The political environment is conservative in budgeting and fiscal matters. Republican and Democrat legislators display fiscal conservatism in both the state Senate and the state Assembly (Morin 1996; Herzik and Morin 1995; Morin 1994; Herzik and Statham 1993). Nevada historically has provided a relatively low level of state services resulting in a low tax burden (Morin 1996; Herzik and Morin 1995; Morin 1994; Herzik and Statham 1993). Nevadans were not necessarily opposed to spending on state programs, but they wanted others—visitors, tourists, gamblers, and corporations to bear much of the financial burden (Winter 1993).

Government Structure

Nevada's Constitution structures government by apportioning power among the legislative, executive, and judicial branches (Driggs and Goodall 1996). It provides for a weak, fragmented, and decentralized executive branch, and a governor, who possesses veto power, but shares executive power and authority with other elected executive officials, boards, commissions, and councils (Morin 1997a; Driggs and Goodall 1996). Nevada's Constitution provides for a bicameral legislature. The state Senate has 21 members serving four-year terms, and the state Assembly has 42 members serving two-year terms (Titus 1997; Driggs and Goodall 1996).

The Nevada Legislature meets biennially, is a citizen or amateur legislature, and is one of a small number of state legislatures to employ a biennial budget system (Morin 1996; Herzik and Morin 1995; Morin 1994; Herzik 1992, Thomas 1991). The legislature's part-time status, low levels of staff support, and crowded agenda during a 120-day biennial session inadequately

equips it to address long-term budgeting and policy issues in any significant manner (Morin 1996; Herzik and Morin 1995; Morin 1994; Herzik 1992).

Nevada's judicial branch consists of a seven-member supreme court, and district, family, justice and municipal courts. Voters have repeatedly rejected proposed constitutional amendments to create an appellate court (Driggs and Goodall 1996; Neilander 1997). Reversing their position, voters approved a constitutional amendment at the ballot box during the 2014 General Election and authorized the creation of an intermediate appellate court. The Nevada Court of Appeals is a three-member appellate court that began operating in January of 2015. (Secretary of State 2014)

The Nevada Constitution specifically provides for various types of courts, but it grants considerable authority to the legislature to determine the structure and operation of the judicial system. Although elected officials of the legislative and executive branches run for office on a partisan ballot, all state and local judges are elected on a nonpartisan ballot (Bushnell and Driggs 1984).

Nevadans have a tradition of taking matters into their own hands at the polls and have shaped the structure, operation, and direction of state and local government. The Nevada Constitution provides for the recall of public officers, the initiative, and the referendum (Driggs and Goodall, 1996; Bushnell and Driggs, 1984).

Nevada's governmental structure lacks the capacity to adequately respond to economic and budget problems. Heavy reliance on gaming and sales tax revenue renders Nevada highly vulnerable to economic trends that must be addressed by the legislature more than once every two years (Morin 1996; Herzik and Morin 1995; Morin 1994). Presently, the legislature employs an Interim Finance Committee to address fiscal and budget matters that may arise between regular sessions. The Interim Finance Committee is comprised of members of the Senate Committee on Finance and the Assembly Committee on Ways and Means from the preceding legislative session (Legislative Counsel Bureau 1997).

Tax and Fiscal Structure

Beginning in the late 1970s, Nevada moved from a state and local revenue system characterized as decentralized to one more centralized than the average state and local revenue systems in the United States (Ebel 1990). In 1979, the legislature enacted a tax relief package and, in response, Nevada voters defeated a constitutional initiative to limit local property taxes that was similar to California's Proposition 13 (Ebel 1990). As a result, control of local revenues has been shifted from local elected officials to the Nevada Legislature and its Interim Finance Committee, and to the Nevada Tax Commission (Ebel 1990).

Nevada presently possesses one of the most centralized fiscal systems in the United States. The state controls, in one way or another, approximately 80 percent of the total revenues of local governments (Atkinson and Oleson 1993). Fiscal centralization refers to the degree to which the state restricts local governmental autonomy to determine the level and mix of revenues and expenditures (Gold 1989). Prior to the reduction in local property taxes in 1979 and a tax shift in 1981, only school district revenue was highly centralized, and local governments primarily survived on their own tax base (Ebel 1990).

The Nevada Constitution requires a balanced budget (Driggs and Goodall 1996). Although the state constitution previously limited the level of state general obligation debt to one percent of the state's assessed property value, Nevada voters approved a ballot question in 1996 that amended the constitution to increase the limit to two percent (Ebel 1990; Driggs and Goodall

1996). Debt issued for the purpose of protecting or preserving the state's property or natural resources is exempt from the two percent constitutional debt limit (Ebel 1990).

Nevada relies on seven main types of taxes for revenue for the state General Fund. The seven taxes include sales, gaming, casino entertainment, business license, mining, cigarette, and insurance premiums. Gaming and sales taxes were to constitute approximately 50 percent of General Fund revenue for the 2009–2011 biennium (Legislative Counsel Bureau 2010). Earmarking certain tax revenues to specific programs is popular in Nevada with both politicians and the public.

Nevada is one of the most earmarked states in the United States (Ebel 1990), ranking fifth among the 50 states, and earmarking 52 percent of total state tax revenues, almost two and a half times the 21 percent earmarking rate of the average state (Gold, Erickson, and Kissell 1987). Earmarking presents three main disadvantages for state government. First, the legislature lacks systematic review in the regular appropriation process. Second, earmarking reduces legislative flexibility in tailoring the budget to address economic changes. Third, once a revenue source has been earmarked, legislators may feel they are absolved from further responsibility to appropriate additional General Fund revenues to the program (Winter 1993; Thomas 1991; Ebel 1990).

Nevada does not have a personal income tax, and the legislature lacks any real ability to enact one because Nevada voters passed a state constitutional prohibition on personal income taxation (Herzik 1991). Nevada state law requires a five percent minimum balance of the General Fund at the end of each fiscal year that cannot be touched (O'Driscoll 1994). Nevada also lacks a unified budgeting and accounting system, which renders it quite difficult to examine state finances in a comprehensive manner (Dobra 1993).

For many years, gaming and sales taxes have represented 50 to 75 percent of state revenue (Legislative Counsel Bureau 2015a; Legislative Counsel Bureau 2010, Morin 1998; Morin 1997; Morin 1996; Herzik and Morin 1995; Morin 1994; Herzik 1992). The only viable tax policy options available to the legislature entail increased tax burdens on business, increasing the sales tax and property taxes (Advisory Commission on Intergovernmental Relations 1994; Dobra 1993). The legislature does have the option to increase nontax revenues, such as charges for services, licenses, fees and fines (Legislative Counsel Bureau 1997a).

The Nevada Budgeting Process

Nevada's budgeting process is driven by the condition of the national economy and state economy. Nevada's heavy reliance on gaming and sales taxes for state revenue makes it quite vulnerable to economic fluctuations. The fate of Nevada's economy is contingent on the state of the national economy (State of Nevada Economic Forum 1994; Morin 1996). Nevada experienced the effects of the 1981–1982 national recession, resulting in a budget crisis during the 1981–1983 biennium (State of Nevada Economic Forum 1994; Herzik and Statham 1993). Nevada again experienced the effects of the 1990–1991 national recession, resulting in a budget crisis during the 1991–1993 biennium (State of Nevada Economic Forum 1994; Morin 1994). The fortunes of Nevada's economy in the 1990s, 2000s, and 2010s have paralleled the fortunes of the national economy.

State Budgeting Process

The budget process in Nevada consists of four stages: (1) executive preparation and presentation, (2) legislative review and adoption, (3) implementation, and (4) review. The stages are not

discrete, and they overlap with some activities occurring simultaneously (Driggs and Goodall 1996). Stage one, executive preparation and presentation, begins in the spring of even-numbered years, which was the spring of 2012 for the 2013-2015 biennial budget.

When the budget director, a gubernatorial appointee, asks state agencies to prepare their budget requests, the agencies are required to estimate their needs three and one-half years ahead of the end of the biennial budget. The state budget director may also provide guidelines for agencies in the agency budget request formulation process (Driggs and Goodall 1996; *Reno Gazette-Journal* 1996). The guidelines may limit agency requests, such as to a maximum increase of four percent over the existing biennial budget of the agency, and can incorporate the governor's priorities for the upcoming biennium. The state budget director may convey to state agencies a governor's directive that agencies hold the line or that there will be no new taxes (Driggs and Goodall 1996).

All state agencies must submit their biennial budget requests to the budget director by September 1 of even-numbered years. The budget director spends September through December examining agency budget requests, meeting with each agency head, estimating how much revenue will be available for the biennium, and trying to put together a set of budget recommendations acceptable to the governor. The budget director informs each agency head in December of the office's preliminary budget for the agency.

In the event an agency is unsatisfied with its preliminary budget, the agency has the right to appeal to the governor. Agency budget requests are submitted to the Nevada Legislature by December 10 (Driggs and Goodall 1996; *Reno Gazette-Journal* 1996). State agency budgets are outside of the state building program. The state public works manager receives state construction requests and must present a list of requested projects to the governor by October 1 for ultimate inclusion in the proposed executive budget (*Reno Gazette-Journal* 1996).

Prior to 1993, the governor was responsible for submitting a budget proposal to the Nevada Legislature containing his estimated forecast of future state General Fund revenues and proposed expenditures (Morin 1997a). The 1991–1993 budget broke ranks with past budgets and adopted an aggressive 30 percent increase in state spending based on an optimistic revenue estimate accepted by the Nevada Legislature and the governor. Nevada's break with conservative budget practices could not have been more poorly timed (Herzik and Morin 1995). "Almost immediately after the fiscal year commenced, the effect of the national recession showed up in Nevada. State revenue collections plunged and a hiring freeze was invoked.

Over the next 18 months, state agencies suffered through three budget revertsments (Herzik and Statham 1993, 59). In response to the 1991–1993 biennial budget crisis, the Nevada Legislature enacted legislation in 1993, which provided for the creation of an Economic Forum to estimate and forecast future state General Fund revenues. The forum, a panel of five economic and taxation experts from the private sector, is required to adopt an official forecast of future state General Fund revenues for the biennial budget cycle. All agencies of the state, including the governor and Nevada Legislature, are required to use the forum's forecast (State of Nevada Economic Forum 1994). The forum must provide its first forecast no later than December 1 of the even numbered years, just shortly before the beginning of a new legislative session (State of Nevada Economic Forum 1996). This 1993 enactment effectively serves to reduce the scope of the governor's formal powers in preparing the budget.

The second stage of the budget process is legislative review and adoption that begins with the governor providing the Nevada Legislature with a general outline of priorities and the proposed executive budget in the State of the State address during the first week of the biennial legislative

session. The proposed executive budget is delivered to the Nevada Legislature shortly after the governor's State of the State address (Driggs and Goodall 1996). The 1995 Nevada Legislature attempted to directly challenge the executive branch's institutional powers by proposing the establishment of a state legislative budget office, similar to the Congressional Budget Office, which would have been responsible for drafting its own version of the state budget for review by the money committees of the Assembly and Senate (Morin 1997a).

The Nevada Legislature and Governor Miller ultimately reached a compromise when the governor threatened to veto the proposed legislative budget office. The compromise entailed giving legislative budget analysts more say in the preparation of the executive budget drafted by the governor's office; however, the compromise legislation contained a sunset clause providing that the legislation would be void after two years (Morin 1997a). In accordance with this 1995 legislative enactment, the Fiscal Analysis Division of the Legislative Counsel Bureau provided the 1997 Nevada Legislature with its first report that provided legislators a summary of the financial status of the state and Governor Miller's budget recommendations for the 1997–1999 biennium (Legislative Counsel Bureau 1997a).

The legislative review process is centered almost entirely in the Senate Finance Committee and the Assembly Ways and Means Committee. State budgeting issues and the governor's budget recommendations are considered by these committees in the context of public hearings, are the subject of interest group and lobbying activities, and the subject of discussion and compromises by state legislators (Driggs and Goodall 1996). The Taxation Committee in each house considers tax bills and must act before the Assembly Ways and Means and Senate Finance Committees can finalize the biennial budget. Although the Economic Forum must provide its first forecast no later than December 1 of the even-numbered years, the forum is required to revise its forecast, if necessary, by May 1 during the legislative session.

If either the governor or the Nevada Legislature want to appropriate more than what is available pursuant to the forum's official forecast, a revenue enhancement proposal must be made (State of Nevada Economic Forum 1996; Legislative Counsel Bureau 1997a). A reconciliation process takes place between the two money committees prior to the budget going to the floors of the two houses for approval. Consideration of the budget by the full houses is almost always perfunctory (Driggs and Goodall 1996).

The second stage of the budget process concludes with legislative passage of the biennial budget and presentation to the governor for signature. The governor lacks effective power to resist legislative changes in the budget that he prepares and presents to the Nevada Legislature. Nevada's governor is the only governor in the 13 western states to lack line-item veto power; he must sign or veto the budget passed by the Nevada Legislature as an entire package.

Unlike the president, he lacks pocket veto power. Any bills vetoed by the governor after the Nevada Legislature has adjourned its biennial session are subject to veto override attempts two years later when the Nevada Legislature meets again for its next regular session. A vetoed bill must receive a two-thirds vote of all members elected to each house in order to override a governor's veto and become law (Morin 1997a; Driggs and Goodall 1996).

The third stage of Nevada's budgeting process, implementation, is the responsibility of the executive branch. The Nevada Legislature employs an Interim Finance Committee to address budget and fiscal matters that may arise between regular sessions. The Interim Finance Committee is comprised of members of the Senate Finance Committee and the Assembly Ways and Means Committee from the preceding legislative session (Driggs and Goodall 1996; Legislative

Counsel Bureau 1997). The fourth stage of Nevada's budgeting process is review, which entails reviewing the past budget activities of state government.

The state controller audits claims against the state and the legislative auditor's office conducts periodic audits of the financial records of the various agencies. The state budget director and the Legislative Fiscal Analysts review past budgets when they prepare recommendations for the future. Lastly, the legislative money committees review past budget actions as they are considering and formulating the next, new biennial budget (Driggs and Goodall 1996).

In 1991, the Nevada Legislature created a "rainy day" fund to help stabilize the state budget. This enactment created a state trust fund that is built during good times and accessed in the case of a fiscal emergency. When the state General Fund surplus reaches a certain threshold at the end of a fiscal year, a portion of the excess is held in the "rainy day" trust fund to help the state through fiscal emergencies (Herzik and Morin 1995; Morin 1996; Legislative Counsel Bureau 1997a). The 1995 Nevada Legislature indexed the maximum limit on the rainy day fund to 10 percent of annual appropriations (Legislative Counsel Bureau 1997a).

The Nevada Fiscal Environment

Nevada's heavy reliance on gaming and sales taxes for state revenue places Nevada in a position of being quite vulnerable to economic fluctuations. The fate of Nevada's economy is contingent on the state of the national economy (Morin 2001). The nation's economy began its tenth year of economic expansion in the spring of 2000, and through November 2000 the nation's economy had continued to grow.

The nation's economy had been growing for 116 consecutive months, representing the longest expansion of the nation's economy in the history of the United States (State of Nevada Economic Forum 2000). As we entered early 2007, the Nevada economy remained strong and it was anticipated that the current decade would be characterized by impressive growth (Nevada Department of Employment, Training and Rehabilitation 2007). The Nevada economy, though strong, was beginning to cool down as the Nevada Legislature began to debate the final components of the 2007–2009 biennial budget.

The Economic Forum's forecast was for a slower rate of growth in the Nevada economy than what was originally forecasted by the Economic Forum in December of 2006 (State of Nevada Economic Forum 2007). There was an economic slowdown throughout 2007 that continued during 2008. The poor Nevada economy was attributable to a housing slowdown, stagnant retail sales, stagnant gaming revenue, and slowing job growth. The poor Nevada economy had resulted in a state budget shortfall (Nevada Department of Employment, Training and Rehabilitation, 2007a). By the end of 2008, Nevada's economy was officially in recession (Nevada Department of Employment, Training and Rehabilitation 2008d).

The Nevada economy continued to weaken and decline during 2009. The unemployment rate increased to 13.0 percent in December 2009, and Nevada ended 2009 with the second highest unemployment rate in the United States. Taxable sales were down and Nevada gaming revenue slipped in December 2009 (Department of Employment, Training and Rehabilitation 2009b; Department of Employment, Training and Rehabilitation 2010). Nevada's economy continued to be in recession through 2010 and into the beginning of 2011.

The unemployment rate in January of 2011 was 13.6 percent and Nevada had one of the highest or the highest unemployment rate in the United States. Gaming revenue and sales tax revenue were essentially flat. Nevada suffered from the effects of a long-term housing slowdown,

foreclosures, increasing fuel prices, reduced tourist traffic, lack of available credit for commercial construction projects, high levels of unemployment, reduced consumer confidence, and increasing consumer prices (Nevada Department of Employment, Training and Rehabilitation, 2008a; Nevada Department of Employment, Training and Rehabilitation 2008b; Nevada Department of Employment, Training and Rehabilitation 2008c; O’Driscoll 2008; Department of Employment, Training and Rehabilitation 2009a; Nevada Department of Employment, Training and Rehabilitation 2011).

The Nevada economy hit bottom and essentially was flat during 2010 and 2011. It began to recover and grow in 2012 and continued to grow in 2013. In 2014 the Nevada economy continued to grow and recover. Tourism and consumer spending have been increasing. Housing and construction have rebounded. Tesla announced it would build its gigafactory in Storey County, and it is anticipated the Tesla business enterprise will bring at least 6,000 manufacturing jobs to Storey County.

It is anticipated that major casino projects will be opened on the Las Vegas strip in the next several years. Nevada has experienced growth in jobs and a reduction in unemployment rates. The unemployment rate for October 2014 was 7.1 percent and remained at that level in February of 2015 (State of Nevada Economic Forum 2014; Nevada Department of Employment, Training and Rehabilitation 2015).

The 2014 General Election

Election year 2014 represented a great success for Republicans in Nevada. The Red Wave resulted in Republicans winning all six statewide constitutional offices, a majority in the Nevada Assembly, and a majority in the Nevada Senate. It is the first time since 1929 that the Republicans in Nevada have had across-the-board control of state government.

Neither of the US Senate seats were up for election during the 2014 General Election. Republicans captured three of the four seats in the US House of Representatives. Democrat Dina Titus was reelected in District 1, Republican Mark Amodei was reelected in District 2, and Republican Joe Heck was reelected in District 3. Democrat Congressman Steven Horsford was defeated for reelection by Republican Nevada Assemblyman Crescent Hardy in the District 4 race (Nevada Secretary of State 2014).

Republicans enjoyed success during the 2014 General Election regarding the partisan composition of the 2015 Nevada Legislature. All of the 42 state Assembly seats and half of the 21 state Senate seats were up for election in the 2014 General Election. The Clark County delegation controls 75 percent of both houses of the 2015 Nevada Legislature. The 2014 General Election produced unified state government. Republican Governor Brian Sandoval faces a 2015 state Assembly controlled by the Republicans by a margin of 25 to 17.

Democrats controlled the state Assembly in 2013 by a margin of 27 to 15. Republicans control the state Senate by a margin of 11 to 10. The Democrats controlled the state Senate in 2013 by a margin of 11 to 10 (Legislative Counsel Bureau 2015; Legislative Counsel Bureau 2013).

The 2015 Nevada Legislature

The Nevada biennial budget and taxes were the dominant issue areas confronting the 2015 Nevada Legislature. Governor Brian Sandoval presented the 2015 Nevada Legislature with his 2015–2017 Executive Budget in January of 2015. Governor Sandoval’s proposed 2015–2017

biennial budget contained an increase of 10.9 percent in overall spending from the levels in the 2013–2015 biennial budget. Governor Sandoval employed the revenue projections of the Nevada Economic Forum in its December 2014 report in the formulation of the proposed biennial budget.

Expenditures for the 2015–2017 biennium totaled \$7.314 billion, an increase of approximately \$17.0 million over the 2013–2015 biennium as approved by the 2015 legislature. Gaming taxes were projected to constitute 20.7 percent of the total General Fund revenue for the 2015–2017 biennium and sales and use taxes were projected to constitute another 30.2 percent of the total General Fund revenue for the 2015–2017 biennium. Governor Sandoval’s proposed executive budget recommended spending for the 2015–2017 biennial budget that represented, on an expenditure category basis, approximately the same percentage as was the spending contained in the 2011–2013 biennial budget. Governor Sandoval proposed increases in spending for the Human Services category and the K-12 education category. (Legislative Counsel Bureau 2015a; Legislative Counsel Bureau 2015b).

The 2015 Nevada Legislature convened on February 2, 2015. At the midpoint of the session, the 2015 Nevada Legislature actually accomplished very little regarding taxation and the biennial budget. Many bills were introduced and discussed in committees. Most legislative activity focused upon positioning for the substantive legislative activity that transpired during the period of time from May 1, 2015 through June 1, 2015. Most of the legislators, as well as Governor Sandoval, seemed pleased that the Nevada economy was growing and recovering from the Great Recession. The big points of contention that characterized the 2015 Nevada Legislature revolved around taxes and increased state general fund spending. Governor Sandoval proposed tax increases in his executive budget. The Senate Democrats proposed tax increases and these proposed taxes differed from those proposed by Governor Sandoval. One faction of Republicans in the Assembly also proposed tax increases and these proposed taxes differed from those proposed by Governor Sandoval. A second faction of Republicans in the Assembly objected to any tax increases at all and objected to the appropriations proposal contained in Governor Sandoval’s proposed budget. The Nevada Constitution requires that any bill containing a new tax or any tax increase must be approved by a two-thirds vote of the Nevada Assembly and a two-thirds vote of the Nevada Senate in order to go to the governor for signature.

The Nevada Economic Forum issued its May 2015 binding report and biennial revenue forecast. Governor Sandoval was successful in securing revenue enhancements from the Nevada Legislature in the 2015–2017 biennial budget. The 2015 legislature enacted a new state tax, the Nevada Commerce Tax. This is a tax to be paid by businesses that have more than \$4.0 million in Nevada gross revenue per fiscal year. The tax is levied on a business’s Nevada gross revenue in excess of \$4.0 million per fiscal year, and the taxation rate varies based upon the North American Industry Classification System code of the specific business. It is estimated that the Nevada Commerce Tax will produce \$239.7 million for the 2015–2017 biennium (Legislative Counsel Bureau 2015b).

The 2015 Nevada Legislature approved a General Fund operating budget for the 2015–2017 biennium that totaled \$7.296 billion, compared to \$6.663 billion for the 2013–2015 biennium (Legislative Counsel Bureau 2015b). For Fiscal Year 2016, the General Fund appropriation was \$3.558 billion, compared to the Fiscal Year 2014 appropriation of \$3.284 billion. For Fiscal Year 2017, the General Fund appropriation was \$3.738 billion, compared to the Fiscal Year 2015 appropriation of 3.379 (Legislative Counsel Bureau 2015b). The General Fund functional areas of state government in terms of operating appropriations for the 2015–2017 biennial budget were similar to the functional areas in terms of the operating appropriations for the 2013–2015 bienni-

al budget. The K-12 education appropriation represented 38.5 percent of the 2015–2017 biennial budget, compared to 39.2 percent of the 2013–2015 biennial budget. The higher education appropriation represented 14.7 percent of the 2015–2017 biennial budget, compared to 14.6 percent of the 2013–2015 biennial budget. The human services appropriation represented 29.8 percent of the 2015–2017 biennial budget, compared to 30.8 percent of the 2013–2015 biennial budget. The public safety appropriation represented 8.6 percent of the 2015–2017 biennial budget, compared to 8.7 percent of the 2013–2015 biennial budget. There was really nothing remarkable about the 2013–2105 General Fund appropriation allocations when compared to previous biennial budgets (Legislative Counsel Bureau 2015b).

Conclusion

Nevada is experiencing a new political reality. The Republicans achieved great political success during the 2014 General Election in the state. The 2010 Census and subsequent reapportionment of the Nevada Legislature constituted significant factors producing permanent political change in Nevada. The 2012 General Election produced a political tipping point in Nevada, which resulted in a permanent shift in political power. Political power has tipped from the north to the south, rural to urban and Republican to Democrat based upon voter registration. The 2015 Nevada Legislature faced a Nevada economy that hit bottom and was flat during 2010 and 2011, and has experienced slow growth since the low point of the Great Recession. Republican Governor Brian Sandoval was successful in the formulation and legislative approval of a balanced 2015–2017 biennial budget based upon modest increases in state spending and corresponding modest increases in taxes.

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