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The Relative Stability of Nevada's State Tax System

Hobbs, Ong & Associates and Applied Analysis were retained by the Las Vegas Chamber of Commerce to review and analyze various state and local fiscal issues. Among the questions presented was how Nevada's tax system compares with that of other states, and, in particular, its relative stability.

This fiscal brief addresses the question presented in three parts. First, it compares the relative stability of Nevada's system of taxation to systems existing in other states. Inflation-adjusted revenue per capita, per \$1,000 of income and per \$1 million in gross state product is analyzed. Respecting the reality that state tax systems change over time, this analysis also reflects the impact of policy decisions increasing or decreasing a state's total collections. Second, it addresses the common belief (or misconception) that local governments in Nevada maintain a competitive advantage over the state relative to revenue stability because they are more dependent upon ad valorem (property) taxes while the state is more dependent on sales and gaming taxes. This analysis briefly reviews the distribution of major tax revenues between the state and local governments. Third, this brief specifically treats interaction between Nevada's system of funding K-12 public schools and the state general fund, demonstrating the very fine line between the state's general fund and its distributive school account.

FINDINGS IN SUMMARY

Part I: Tax System Volatility

Substantial decline in Nevada's general fund revenue has raised concern about the relative strength and stability of Nevada's public revenue system. The erosion of this fund, and its key revenue sources, is clear and well documented. General fund revenues, which have averaged \$1,016 in inflation-adjusted per capita terms since FY 1989-90 have fallen as low as \$894 per capita (FY 2002-03) and been as high as \$1,162 (FY 2004-05). Accounting for recent modifications, the general fund is expected to generate \$940 per capita in FY 2008-09, 7.6 percent less than its long-run average. Please see Exhibits 1 and 2.

The proximate cause of the revenue erosion is the fund's dependence on sales and gaming taxes. These sources combine to account for 60 percent of state general fund revenues.¹ Taxable retail sales have been highly cyclical while

¹See, Nevada Legislative Counsel Bureau. Fiscal Division, 2007 Appropriations Report, General Fund Projections section, page 9.

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taxable gaming win has fallen off sharply in inflation-adjusted per capita terms. Please see Exhibits 3 and 4.

Overall, Nevada's system is heavily dependent on retail sales and gross receipts (gaming) taxes and devoid of any dependence on constitutionally prohibited income taxes, which constitute 42.6 percent of state government revenues nationally.² Please see Exhibit 5. Although it is not without its limitations, this system has generally worked well for Nevada in most years, providing the capacity for substantial growth, bolstering economic development and providing a comparably stable revenue stream. That said, past performance should not lead to unfounded confidence in future performance, particularly when one considers the augmentations made by the State Legislature in the early 1990s and again in 2003.

According to data reported by the U.S. Census Bureau, *State Tax Collections Report*, Nevada collected \$6.3 billion in taxes during 2007.³ Since 1990, the state's tax collections have nearly tripled, escalating by a nation-leading 9.0 percent annually. As a point of reference, state taxes nationally have increased by just under 150 percent during that same period, or by a compound annual growth rate of 5.9 percent.⁴ Of course, much of Nevada's above-average increase is attributable to a growing number of taxpayers (residents, businesses and visitors). When comparing revenue systems, it is important to note that state tax collections include some revenues other than those used in the state's general fund and that the mechanics in each state are unique -- comparisons should be qualified accordingly. However, the relative consistency of the U.S. Census Bureau's methodology over time allows broad comparisons such as those presented here to be drawn.

Three separate analyses were undertaken to evaluate Nevada's relative level of stability. They compare and contrast inflation-adjusted state tax collections on a per capita, per \$1,000 of income and per \$1 million of gross state product between 1990 and 2007 (the most recent dataset available). Stable systems are those that exhibit the least amount of variability relative to service-demanding population growth or the expansion of the economy more broadly. To measure the amount of variability we use a standardized coefficient of variation, where the national median is benchmarked to 100. A score of 90 indicates that the state's tax system rate of variability is 10 percent below the national median; a score of 110 would indicate that the state's rate of variability is 10 percent above the national median. The results of this analysis were as follows.

² See, Nev. Constitution. Article 10, Section 1, and U.S. Census Bureau (see Exhibit 5).

³ See, U.S. Census Bureau, Federal, State and Local Governments, State Government Tax Collections. Available at: <http://www.census.gov/govs/www/index.html>.

⁴ *Id.*

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- ❖ **Inflation-Adjusted State Tax Collections Per Capita.** On average, Nevada's state tax system generated tax revenues of \$2,218 per capita between 1990 and 2007 with a standard deviation of \$160 per year or 7.2 percent. This translates into a standardized score of 74.1, ranking Nevada's tax system 9th most stable nationally. Please see Exhibits 6 and 7.
- ❖ **State Tax Collections per \$1,000 of Personal Income.** On average, the state of Nevada collected \$62.61 per \$1,000 of personal income in state taxes between 1990 and 2007. The standard deviation in these collections was \$3.25 per year, or roughly 5.2 percent of the 18-year average. The median state variability nationally was 5.1 percent; thus, Nevada posted a standardized score of 101.5, which ranked 27th nationally. Please see Exhibits 8 and 9.
- ❖ **State Tax Collections as a Percent of Gross State Product.** On average, the state collected \$56.85 per million of gross state product between 1990 and 2007. The standard deviation during the period was \$7.37, or 13.0 percent. This rate of variation was higher than the national median, which was 8.7 percent. Nevada's standardized score was 149.3, placing the state 43rd nationally, among the least stable by this measurement. Please see Exhibits 10 and 11.

The results of this analysis suggest that Nevada's state tax system does not sit at either end of the spectrum. It is neither among the nation's most stable systems nor is it among its most volatile. Additional study would be required to better understand causal differences in the analyses summarized above. While the state could certainly take steps to increase its long-run stability, the system has generally been stable during the past two decades, with consideration given to legislative action taken in the early 1990's and in 2003 to augment revenues, and during the current biennium when state revenues are now projected to fall more than \$1 billion short of projections.

The impact of the current economic climate on state tax collections in and out of Nevada will inevitably focus attention on state tax systems' ability to "hold up" under pressure. A recent report by the Center on Budget and Policy Priorities indicated that 29 states were reporting budget shortfalls, with California, Arizona and Nevada leading the pack.⁵ These findings were generally consistent with a similar report issued by the National Conference of State Legislatures, which indicated that 38 states were either "concerned" or "pessimistic" regarding their general fund revenue outlooks for FY 2009.⁶ The reality is that every state's tax system is a function of consumption,

⁵ Elizabeth McNichol and Iris Lav. 29 States Faced Total Budget Shortfall of At Least \$48 Billion in 2009. Center on Budget and Policy Priorities. August 5, 2008.

⁶ See, National Conference of State Legislatures. Finance Dept. State Budget Update. June 2008.

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productivity and/or wealth. When the economy suffers broadly, as is the case in the vast majority of states today, there is no tax system in the nation that is immune to its effects.

Part II: State and Local Governments' Relative Dependence on Major Revenue Sources

In Nevada, there is a common belief local government revenues are more stable than state government revenues as a result of their higher relative dependence on ad valorem (property) taxes. Please see Exhibit 12. Some attribute this to the “Tax Shift” of 1981, others to the fact the state’s general fund does not directly benefit from property tax revenues and still others to asymmetrical tax system design. A deeper analysis, however, suggests this is largely a case of elevating form over substance. Although Nevada’s school districts are classified as “local entities” they are essentially wards of the state. Schools are most significantly supported by: (1) the Local School Support Tax, a 2.25-percent component of the state’s sales and use tax; (2) a state-mandated ad valorem (property) tax for public school operations; and (3) a state general fund appropriation.⁷ Although both the sales and property taxes are classified as “local”, they are local in name only. Absent other policy directives, doubling the Local School Support Tax from 2.25 percent to 4.50 percent would not provide one additional dollar to Nevada schools. Rather, it would simply decrease the amount of the state’s general fund appropriation, as funding levels for schools are determined by policy and not the productivity of dedicated revenue sources. The same is true of property taxes currently inuring to the state’s 17 school districts as shown in budget documents reflecting the actual calculation of school funding.⁸ The effect of Nevada’s school funding system on the state’s revenue stability is treated more extensively later in this brief.

Taking this into account, the tables that follow examine the rate and revenue distribution for the state’s three largest revenue sources.

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⁷ See, Nevada Legislative Counsel Bureau, Fiscal Division, 2007 Appropriations Report.

⁸ Nevada Legislative Appropriations Report, Legislative Counsel Bureau, October 2007, page 149. Also see state budget working papers for Distributive School Account, Excel file name “DSA 2007-09 Senate and Assembly Close 5-30-07”, Legislative Counsel Bureau, May 2007.

Rate Distribution

Major Revenue Sources	Total Rate	State	School Districts	State Combined	% State	Local	% Local
Sales Tax ⁹	7.57%	2.00%	2.25%	4.25%	56.3%	3.32%	43.7%
Property Taxes ¹⁰	\$3.15	\$0.17	\$1.27	\$1.44	45.6%	\$1.71	54.4%
Gaming Taxes ¹¹	6.17%	6.17%	0.00%	6.17%	100.0%	0.00%	0.00%

Revenue Distribution (in millions)

Major Revenue Sources	Total Revenue	State	School Districts	State Combined	% State	Local	% Local
Sales Tax ¹²	\$3,605	\$964	\$1,066	\$2,030	56.3%	\$1,575	43.7%
Property Taxes ¹³	\$4,232	\$228	\$1,701	\$1,929	45.6%	\$2,303	54.4%
Gaming Taxes ¹⁴	\$772	\$772	\$0	\$772	100%	\$0	0.00%
Total	\$8,609	\$1,964	\$2,767	\$4,731	55.0%	\$3,878	45.0%

There are many reasons why state and local governments differ in terms of performance relative to budgets. These include, without limitation, a more conservative approach to budgeting (e.g., the state spends to the Economic Forum's consensus forecast and has recently budgeted less than the allowed level of reserves, where the largest local governments have tended to budget for less growth than is projected); a superior ability to adjust to actual revenue performance due to annual budget cycles (the state budgets for two years at a time); and the local practice of carrying forward capital budgets as funding balances until the subsequent budget cycle. Revenue sources are an important consideration; however, the idea that simply trading sales tax for property tax

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⁹ Analysis assumes a blended average rate based on total taxable revenues and collections in FY 2008. Where data were pending, distributions ratios for FY 2007 were used.

¹⁰ Rates reflect the statewide average reported in the Nevada Department of Taxation's Property Tax Rates for Nevada Local Governments for Fiscal Year 2007-2008 report (commonly referred to as the Redbook). Rates expressed are per \$100 of assessed value. Assessed value in Nevada is 35 percent of taxable value. Note also that the property tax rates include all overlapping rates levied under state or local authority whether voter approved or not.

¹¹ Analysis includes only percentage fees imposed on gross gaming win. Rate reflected is a weighted average rate based on total taxable gaming won and fee collections reported in FY 2008.

¹² See, Nevada Department of Taxation, Annual Report 2006-2007; see also, Nevada Department of Taxation, Consolidated Tax Distribution 2008; see also Nevada Department of Taxation, Annual Taxable Sales Statistics FY07.

¹³ See, Nevada Department of Taxation's Property Tax Rates for Nevada Local Governments for Fiscal Year 2007-2008. July 27, 2007.

¹⁴ See, Nevada Gaming Control Board. Monthly Win and Percentage Fee Tax Collections reports.

between the state and local level will somehow improve the state's lot lacks foundation.

EDUCATION FUNDING AND STATE REVENUE STABILITY

The Nevada Constitution requires the Legislature to establish and fund "a uniform system of common schools".¹⁵ The significance of Nevada's public school funding structure as part of state budget revenues and expenditures cannot be overstated. Unlike many other states, where local elections and taxing authority govern a large part of public school operating finances, funding for Nevada schools is governed by the state. The "Nevada Plan" for school finance, enacted in 1967, and the State Distributive School Account from which payments are made to school districts are often perceived as immensely complex and beyond the understanding of the average observer. Such should not be the case. Although the exact calculation of the amount of state payments to any given school district in any year involves literally hundreds of steps, the principle underlying the "Plan" is quite simple. In fact, it is simple enough that the formula is not even specified in law but only stated as:

"State financial aid to school districts equals the difference between school district basic support guarantee and local available funds produced by mandatory taxes... This formula is designated the Nevada Plan."¹⁶

Nevada's system of funding school operations, including major sources of "local" school revenue, is entirely directed – in effect "owned" - by the state, not by school districts. While the Legislature's deliberations concerning the amount of direct state general fund appropriations for K-12 are widely reported by the media, those appropriations in fact comprise only 33 percent of the taxes directed by the state through the K-12 funding system.¹⁷ Less often discussed is that under the "Nevada Plan" the state's 75 cent school property tax levy and the 2.25 percent school sales tax, both of which are accounted for outside the state's general fund and both of which act as reductions to state general fund appropriations, have virtually the same effect as if these taxes were deposited directly to the state's general fund and then appropriated to education programs. The interrelationship of state general fund appropriations and these ostensibly "local" school property and sales taxes is such that if increases in these sources are received, they benefit the state, not school districts; and if these sources decrease or are collected in less than projected

¹⁵ Nevada Constitution, Article 11 Section 2.

¹⁶ Nevada Revised Statutes 387.121.

¹⁷ Nevada Legislative Appropriations Report, Legislative Counsel Bureau, October 2007, page 149. Also see State budget working papers for Distributive School Account, Excel file name "DSA 2007-09 Senate and Assembly Close 5-30-07", Legislative Counsel Bureau, May 2007.

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amounts, the state is still financially responsible to meet the “guaranteed” level of school funding per-student. In other words, the performance of school district revenues has the same effect on the state as the performance of state general fund revenues. Therefore, these school sales and property tax operating levies, though they are expended through school districts, are “local” in name only; any rational analysis of the state’s revenue stability should encompass these revenues in addition to those directly deposited to the general fund.

The only significant financial difference between Nevada school districts and Nevada state agencies is that school districts may exercise some latitude in salary structures and allocation among expenditure line items. However, as a consequence of the state’s control over their revenue streams, departures from Legislative assumptions in actual budget practice by school districts must generally be funded by sacrificing other educational priorities.

As previously indicated, the interrelationship of state general fund appropriations and these ostensibly “local” school property and sales taxes is such that if increases in these sources are received, they benefit the state, not school districts. While this statement may seem incongruous to some observers, it is supported by review of the state documents revealing the calculation of the state-guaranteed funding per student and the determination of the amount of state general fund appropriation for K-12, as well as the history of money returned or “reverted” to the state general fund, largely as a result of local sales and property taxes for schools being received at higher than projected amounts. To illustrate how this mechanism works in determining how much state money to allocate K-12, Exhibit 13 shows the Legislature’s determination of “guaranteed” support per student and state general fund appropriation for FY 2009 in condensed form. Exhibit 14 shows the amount returned or “reverted” to the state general fund from the Distributive School Account since FY 1979, largely due to revenues being received by school districts in higher than anticipated amounts. Together, these exhibits show that the state’s method of calculating both the amount appropriated and the amount actually paid to schools treats the major school taxes as state revenue. The FY 2009 per student support and general fund appropriation reflected in these exhibits appear in the actual bills passed by the Legislature, confirming this practice.¹⁸

While revenue collections in recessionary periods invariably pose challenges for the state in balancing its budget, it is noteworthy that the state’s capture of school sales and property tax revenues as part of its budget coupled with the demonstrated long-term history of net gain to the state in the form of

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¹⁸ Chapter 343, Statutes of Nevada 2007, Assembly Bill 627, Sections 2 and 4.

“reversions” in fact constitutes a significant supplement to the state budget as a whole.

METHODOLOGY

This analysis is based on data obtained from several sources. State tax data were obtained from the U.S. Census Bureau’s *State Government Tax Collections* report.¹⁹ Data were collected for 1990 through 2007. For purposes of this report, “taxes” are defined as all compulsory contributions exacted by a government for public purposes, except employer and employee assessments for retirement and social insurance purposes, which are classified as insurance trust revenue.²⁰ Outside the scope of this report are collections for the unemployment compensation “taxes” imposed by each of the state governments and the District of Columbia.²¹ However, all receipts from licenses and compulsory fees, including those that are imposed for regulatory purposes, as well as those designated to provide revenue are included.²² State tax data were adjusted for inflation using the Consumer Price Index – All Consumers as reported by the U.S. Department of Labor, Bureau of Labor Statistics.²³

Total collections were divided by state population, income and gross product to measure the relative degree to which varied over time. These data were obtained from the U.S. Department of Commerce, Bureau of Economic Analysis.²⁴ The relative degree of variability was measured by the coefficient of variation, which is standard deviation divided by the mean times 100. Each state was then compared to the median value for all 50 states and ranked where 1 was the state with the lowest coefficient of variation and 50 was the state with the highest coefficient of variation.

Data on major tax collections, tax rates and distributions were obtained from the Nevada Department of Taxation,²⁵ the Nevada Gaming Control Board,²⁶ and

¹⁹ The U.S. Census Bureau notes that it conducts an Annual Survey of State Government Tax Collection, as authorized by law under Title 13, United States Code, Section 182. The State Government Tax Collection files and tables contain annual statistics on the fiscal year tax collections of all 50 state governments in the United States. The statistics are for state governments only; they should not be interpreted as state area data (state plus local government tax collections combined).

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *See*, Consumer Price Index. <http://www.bls.gov/cpi/#data>.

²⁴ *See*, U.S. Economic Accounts. <http://www.bea.gov/>.

²⁵ *See*, Nevada Department of Taxation. Publications. <http://tax.state.nv.us>.

²⁶ *See*, Nevada Gaming Control Board. Press Release Information by Month. <http://gaming.nv.gov/mrrindex.htm#mrrindex>.

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the Nevada Legislative Counsel Bureau.²⁷ Distributional information was also obtained from the Nevada Taxpayers Association, Tax Facts publication.²⁸

Information regarding school funding as part of the state budget was obtained from publications of the Nevada Legislature and from working papers and mathematical models by which the Legislature calculated such funding. Information on monies “reverted” from the State Distributive School Account to the state general fund was obtained from the Nevada Department of Education.

ANALYSIS LIMITATIONS

As with any analysis, there are important limitations that must be considered when drawing conclusion from the data utilized. State tax data reported by the U.S. Census Bureau are obtained by surveying the states. Missing data are compiled by trained representatives of the Bureau of the Census from official state government records resulting in one hundred percent data coverage. Because not all states report this information similarly, internal inconsistencies may be present and differences may exist with other reporting sources.

Relative to Nevada, total tax collections include only taxes and revenues classified as “state” revenues. Local collections and those sourced directly to special districts (e.g., school districts) may be partially reported or omitted all together. A subsequent analysis considering combined and separate state and local government revenues was also undertaken as part of this analysis; however, these data have only been reported since 1997 and the data were not collected for two years in the last 10 (i.e., 2001 and 2003). Thus, inclusion of these data beyond the source summary provided in Exhibit 8 was not appropriate for these purposes.

It is also important to note that this is a single analysis addressing a single issue. It is not intended to be comprehensive nor are the underlying data appropriate for all purposes.

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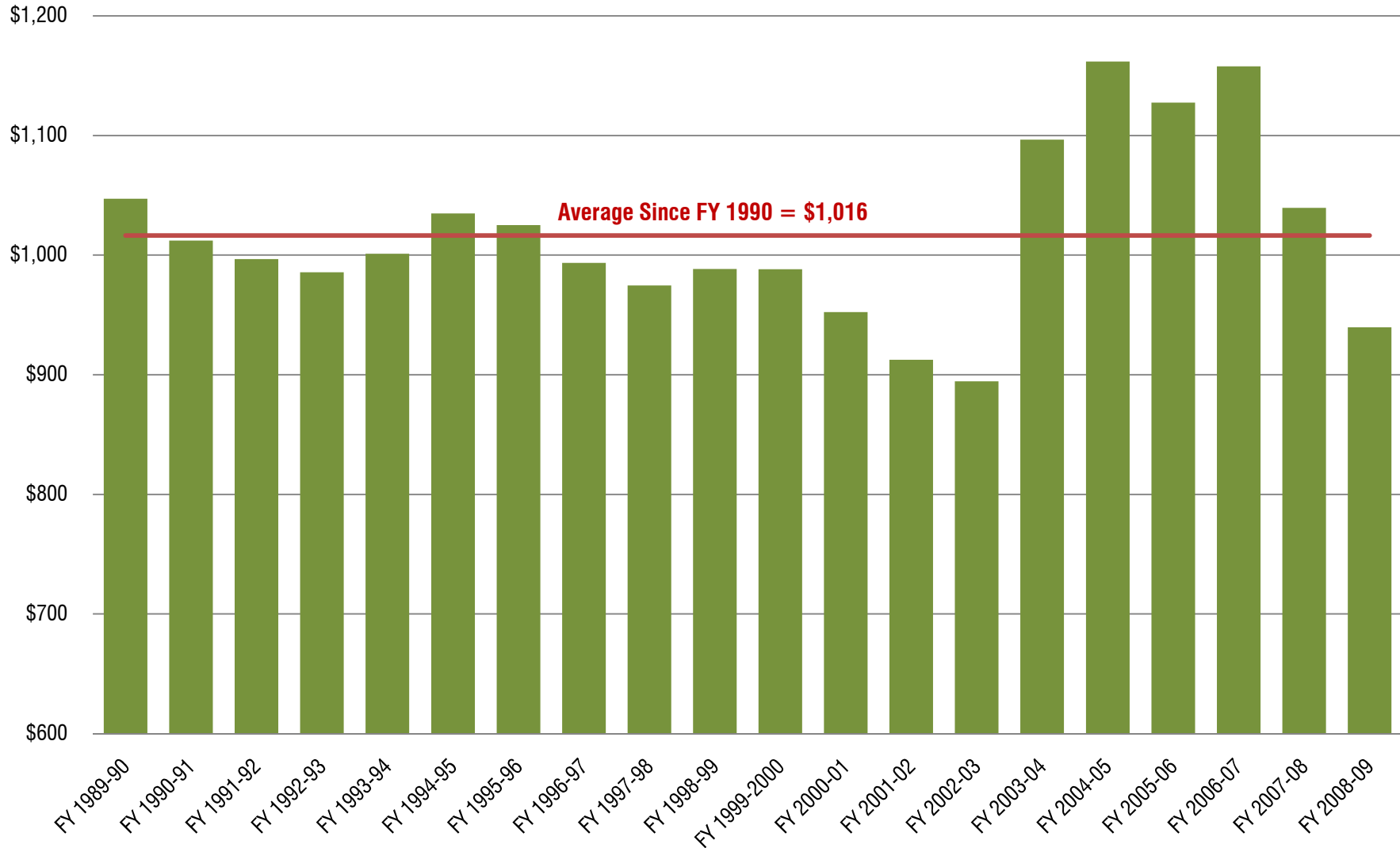
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²⁷ See, Nevada Legislative Counsel Bureau. 2007 Fiscal Appropriations Report. <http://www.leg.state.nv.us/lcb/fiscal/Appropriation%20Reports/>.

²⁸ See, Nevada Taxpayers Association. <http://www.nevadataxpayers.org>.

Exhibit 1

Nevada Inflation-Adjusted General Fund Revenues Per Capita FY 1990 - FY 2009 (projected)

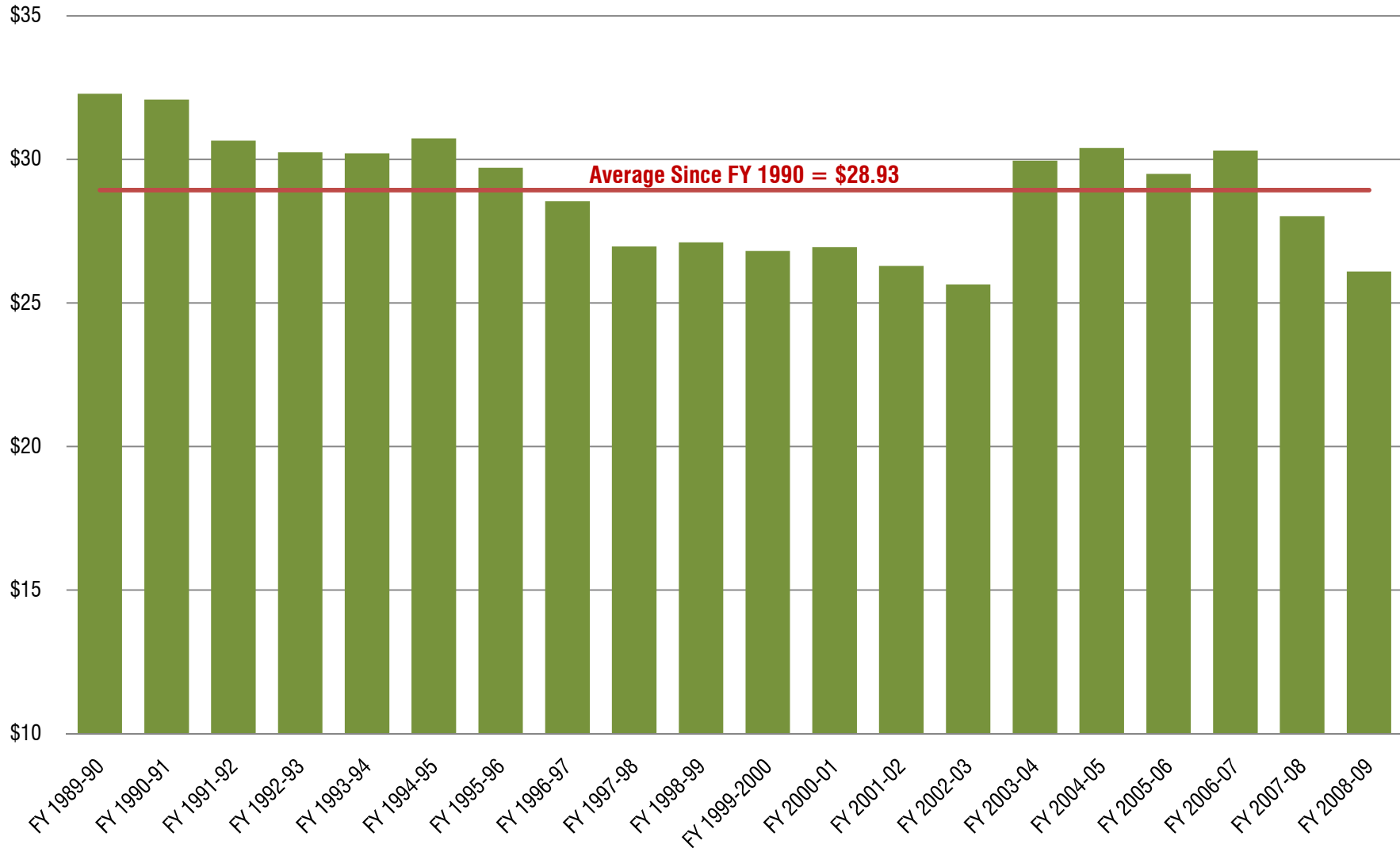


Source: U.S. Census Bureau and U.S. Bureau of Economic Analysis, U.S. Economic Accounts.

Prepared by:
Applied Analysis and
Hobbs, Ong & Associates

Exhibit 2

Nevada Inflation-Adjusted General Fund Revenues Per \$1,000 of Personal Income, FY 1990 - FY 2009(projected)

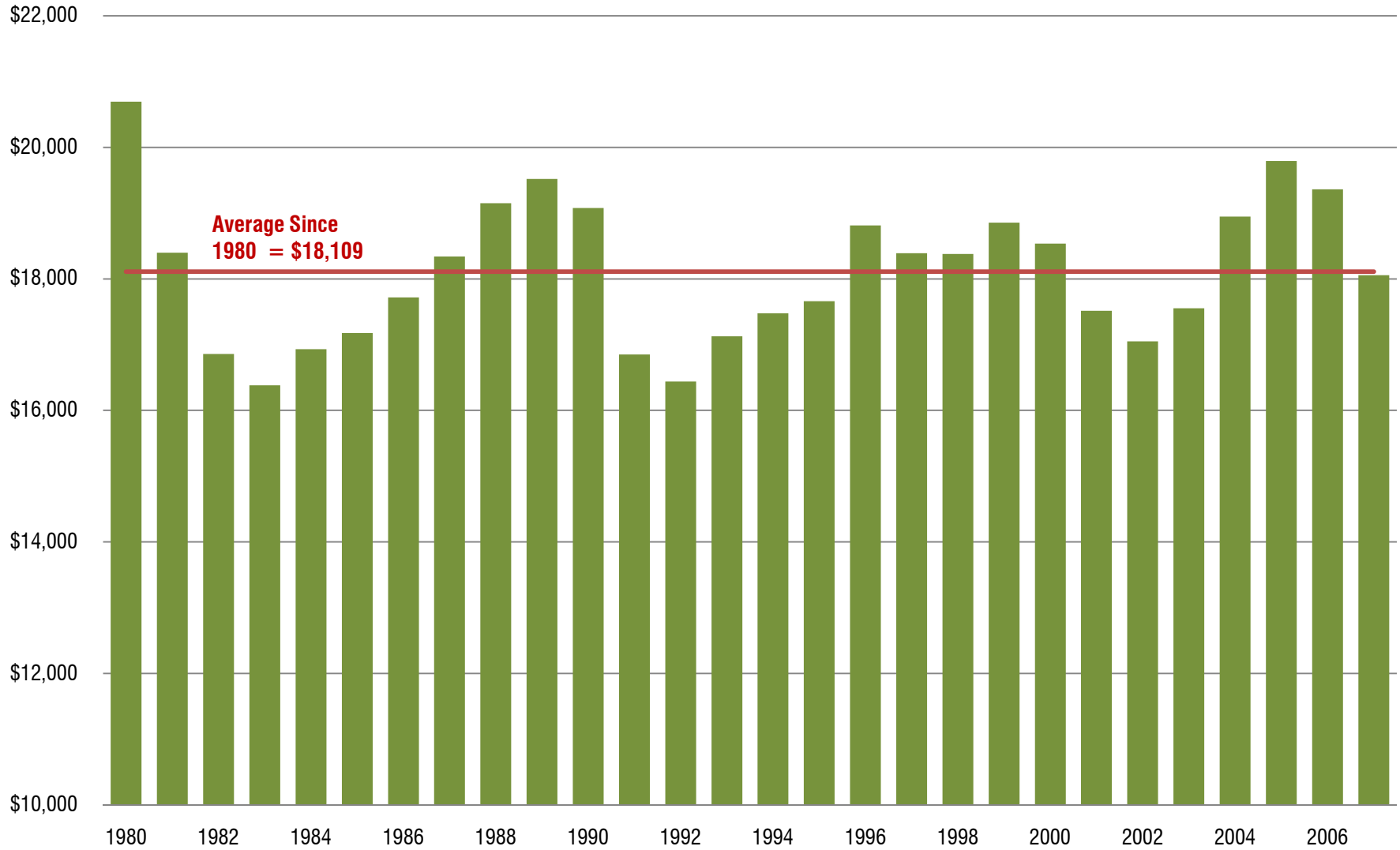


Source: U.S. Census Bureau and U.S. Bureau of Economic Analysis, U.S. Economic Accounts.

Exhibit 3

Nevada Inflation Adjusted Taxable Retail Sales Per Capita

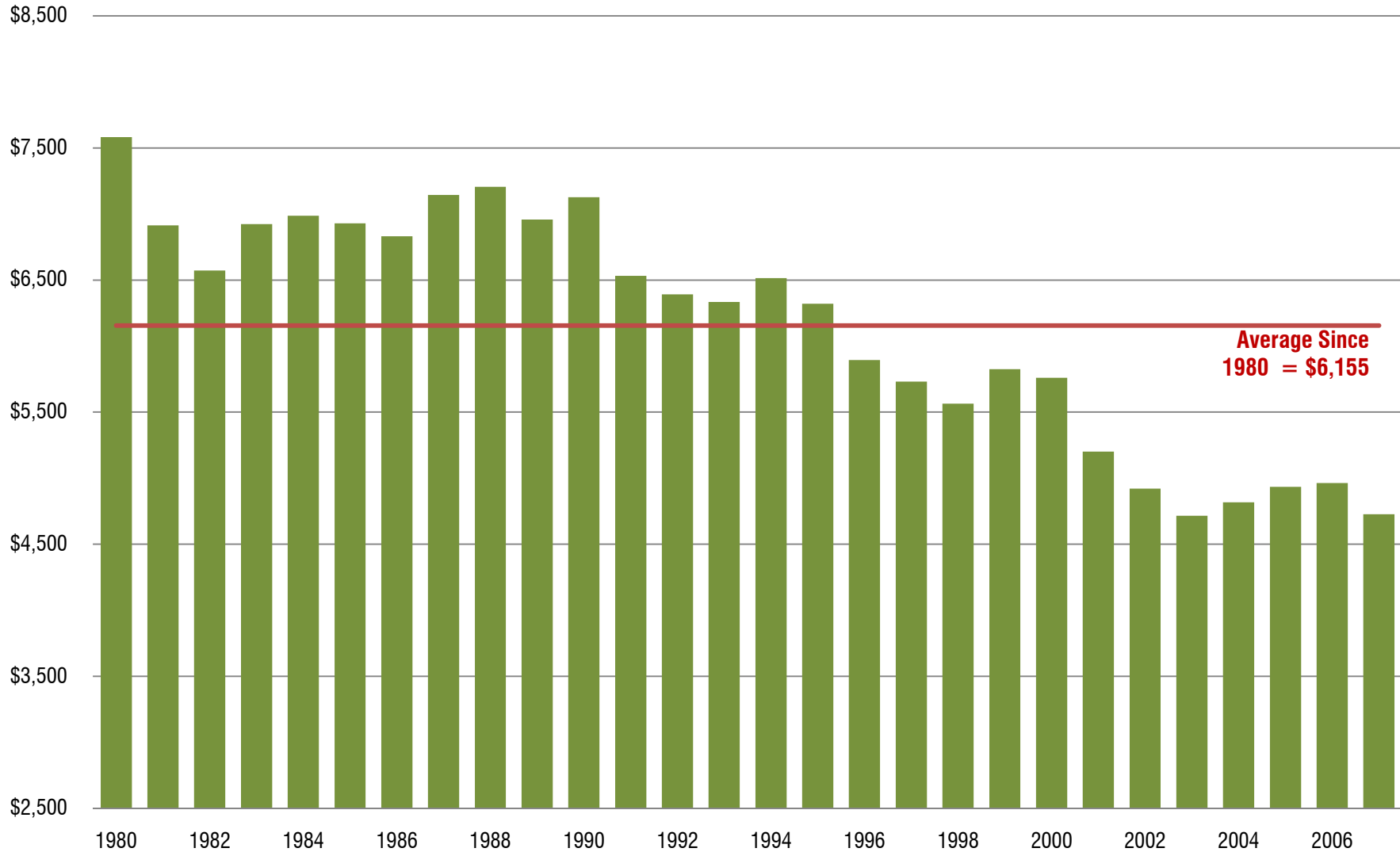
Nevada, 1980 - 2007



Source: U.S. Census Bureau and U.S. Bureau of Economic Analysis, U.S. Economic Accounts.

Exhibit 4

Nevada Inflation Adjusted Gross Gaming Revenue Per Capita Nevada, 1980 - 2007



Source: U.S. Census Bureau, Nevada Gaming Control Board, and U.S. Bureau of Economic Analysis, U.S. Economic Accounts.

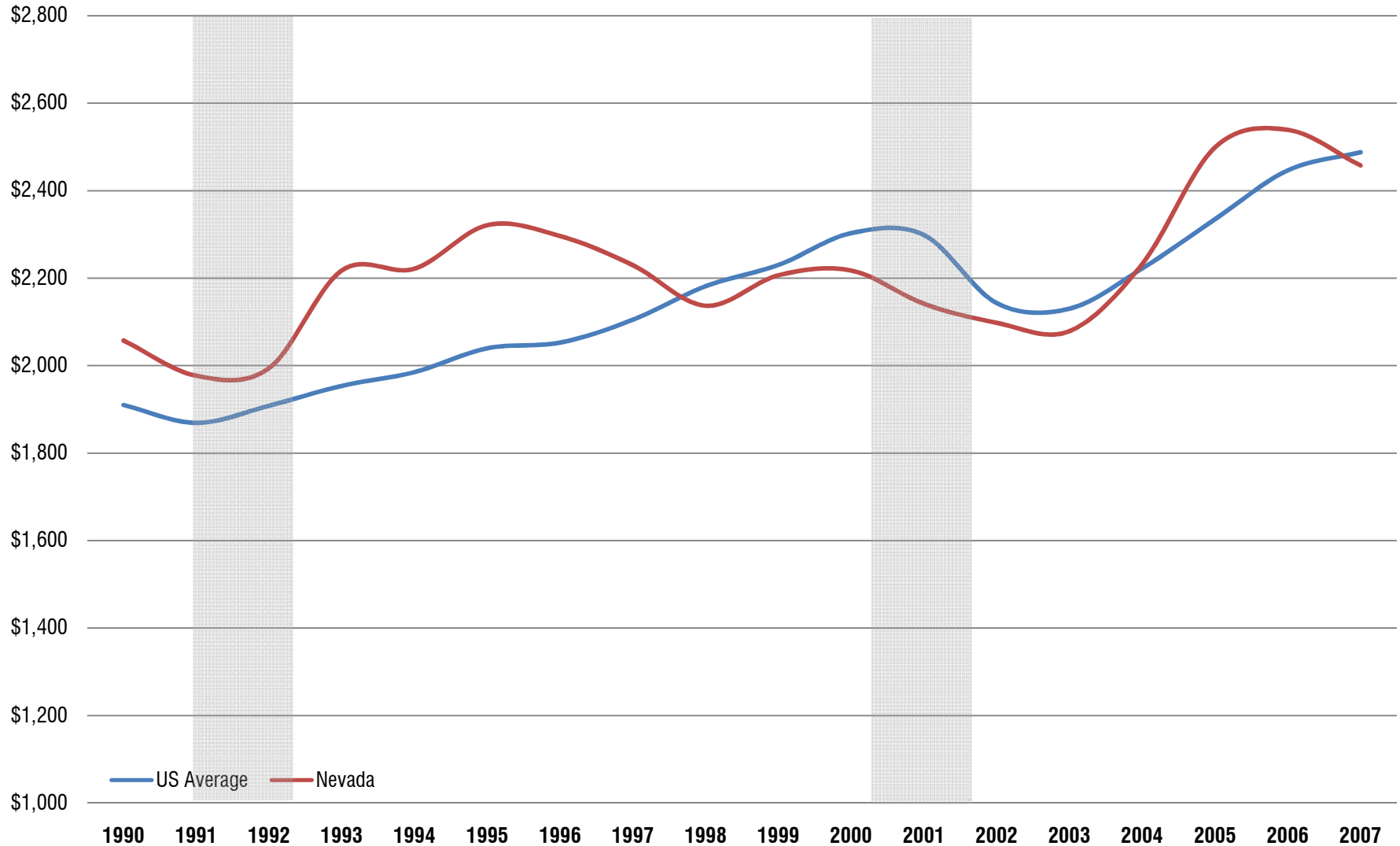
Exhibit 5: Comparative Analysis of Tax Collections
Nevada and US State Government Tax Collections in 2007

(Amounts in thousands)

Item	Nevada	%	United States	%
Total taxes	\$ 6,304,753	100.0%	\$ 750,282,072	100.0%
Property taxes	\$ 184,467	2.9%	\$ 12,157,348	1.6%
Sales and gross receipts	\$ 5,126,064	81.3%	\$ 345,827,843	46.1%
General sales and gross receipts	\$ 3,212,848	51.0%	\$ 236,333,048	31.5%
Selective sales taxes	\$ 1,913,216	30.3%	\$ 109,494,795	14.6%
Alcoholic beverages	\$ 39,862	0.6%	\$ 5,156,536	0.7%
Amusements	\$ 1,089,065	17.3%	\$ 5,929,715	0.8%
Insurance premiums	\$ 259,329	4.1%	\$ 15,345,345	2.0%
Motor fuels	\$ 328,433	5.2%	\$ 36,523,953	4.9%
Pari-mutuels	\$ -	0.0%	\$ 294,424	0.0%
Public utilities	\$ 11,193	0.2%	\$ 10,986,363	1.5%
Tobacco products	\$ 137,649	2.2%	\$ 15,262,111	2.0%
Other selective sales	\$ 47,685	0.8%	\$ 19,996,348	2.7%
Licenses	\$ 801,560	12.7%	\$ 46,882,661	6.2%
Alcoholic beverages	\$ -	0.0%	\$ 441,698	0.1%
Amusements	\$ 95,256	1.5%	\$ 609,963	0.1%
Corporation	\$ 72,119	1.1%	\$ 8,307,892	1.1%
Hunting and fishing	\$ 9,114	0.1%	\$ 1,413,091	0.2%
Motor vehicle	\$ 170,142	2.7%	\$ 19,359,362	2.6%
Motor vehicle operators	\$ 15,639	0.2%	\$ 2,131,455	0.3%
Public utility	\$ -	0.0%	\$ 480,573	0.1%
Occupation and business, NEC	\$ 433,814	6.9%	\$ 13,389,702	1.8%
Other licenses	\$ 5,476	0.1%	\$ 748,925	0.1%
Income taxes	\$ -	0.0%	\$ 319,286,060	42.6%
Individual income	\$ -	0.0%	\$ 265,907,186	35.4%
Corporation net income	\$ -	0.0%	\$ 53,378,874	7.1%
Other taxes	\$ 192,662	3.1%	\$ 26,128,160	3.5%
Death and gift	\$ 759	0.0%	\$ 4,901,473	0.7%
Documentary and stock transfer	\$ 129,725	2.1%	\$ 10,256,669	1.4%
Severance	\$ 62,178	1.0%	\$ 10,728,931	1.4%
Other	\$ -	0.0%	\$ 241,087	0.0%

Source: U.S. Census Bureau, Federal, State and Local Governments, State Government Tax Collections. Available at: <http://www.census.gov/govs/www/index.html>.

Exhibit 6 Inflation Adjusted Per Capita State Tax Collections 1990 - 2007 Nevada Versus the National Average

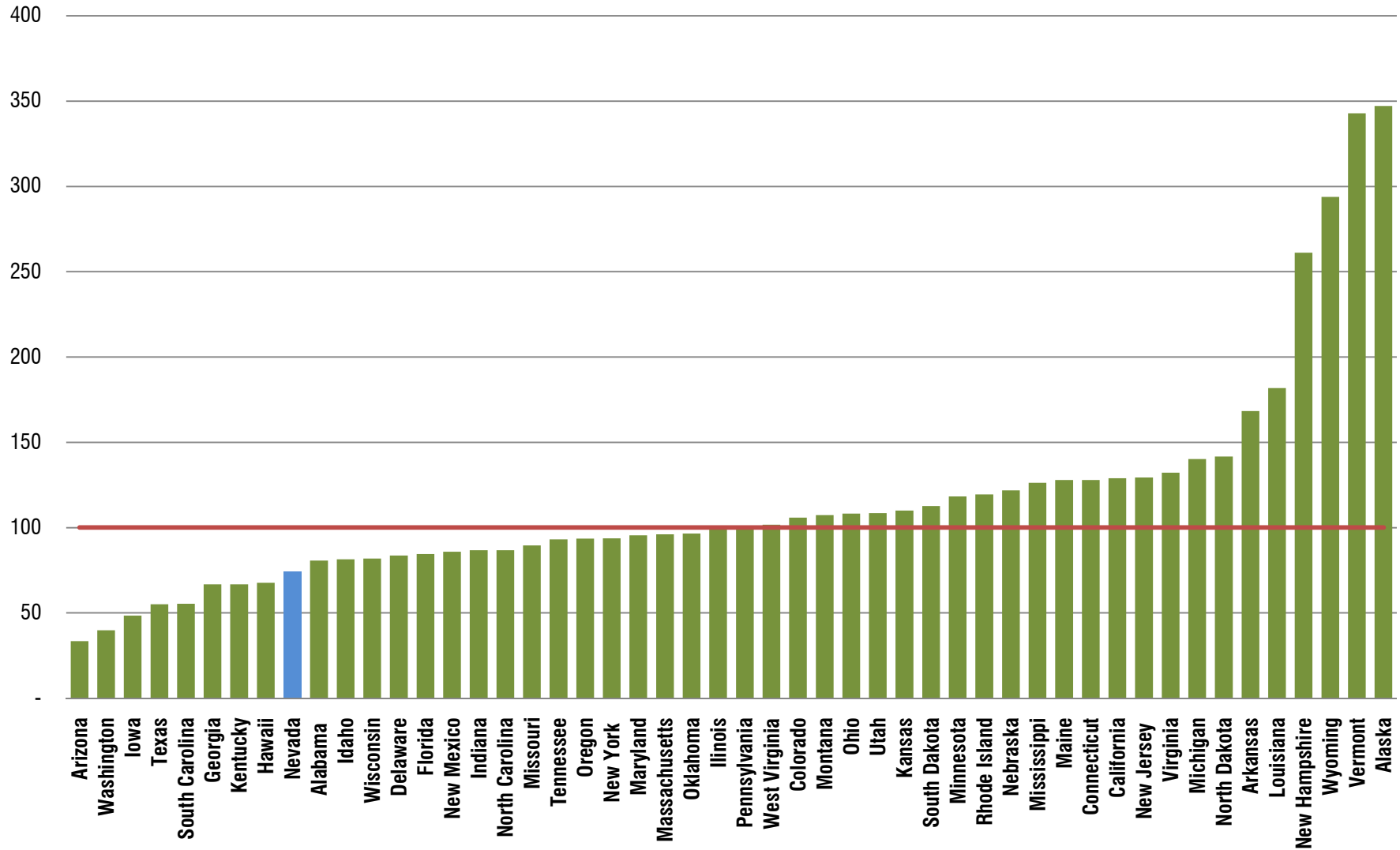


Source: U.S. Census Bureau and U.S. Bureau of Economic Analysis, U.S. Economic Accounts.

Exhibit 7

Inflation Adjusted Per Capita State Tax Collections 1990 - 2007

Standardized Coefficients of Variance (100 = National Median)



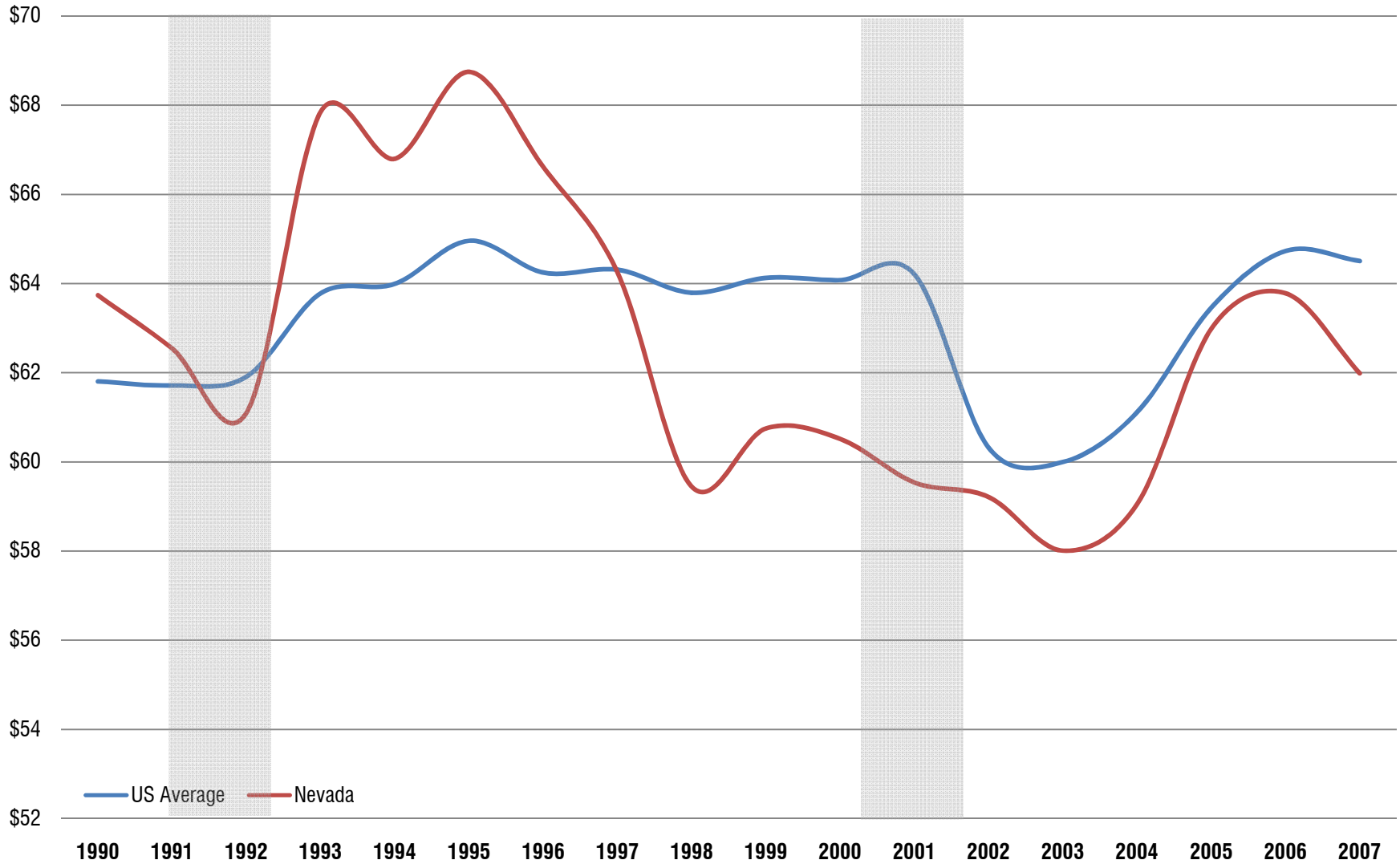
Source: U.S. Census Bureau and U.S. Bureau of Economic Analysis, U.S. Economic Accounts.

Prepared by:
Applied Analysis and
Hobbs, Ong & Associates

Exhibit 8

State Tax Collections Per \$1,000 of Personal Income, 1990 - 2007

Nevada Versus the National Average

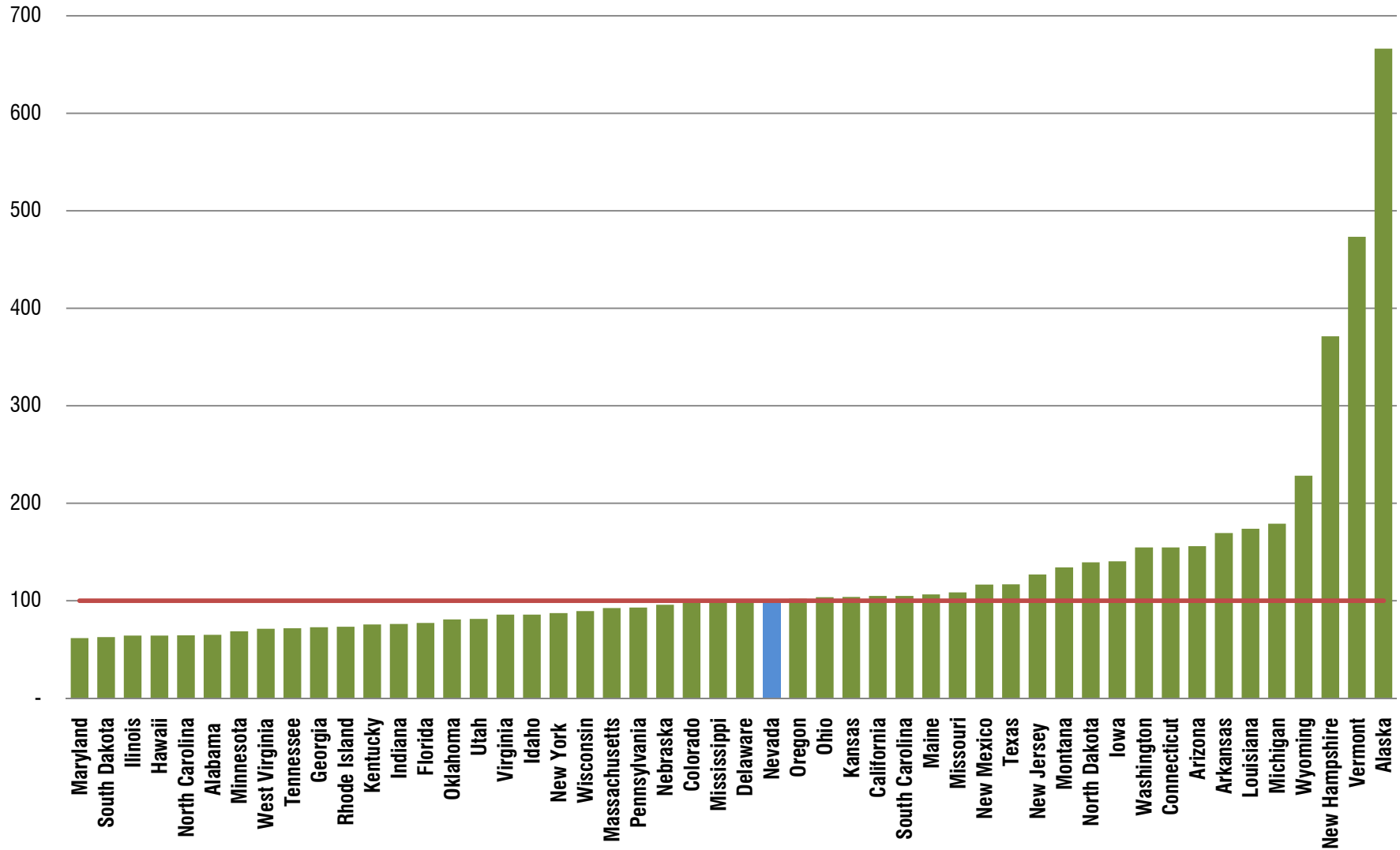


Source: U.S. Census Bureau and U.S. Bureau of Economic Analysis, U.S. Economic Accounts.

Exhibit 9

State Tax Collections Per \$1,000 of Personal Income, 1990 - 2007

Standardized Coefficients of Variance (100 = National Median)

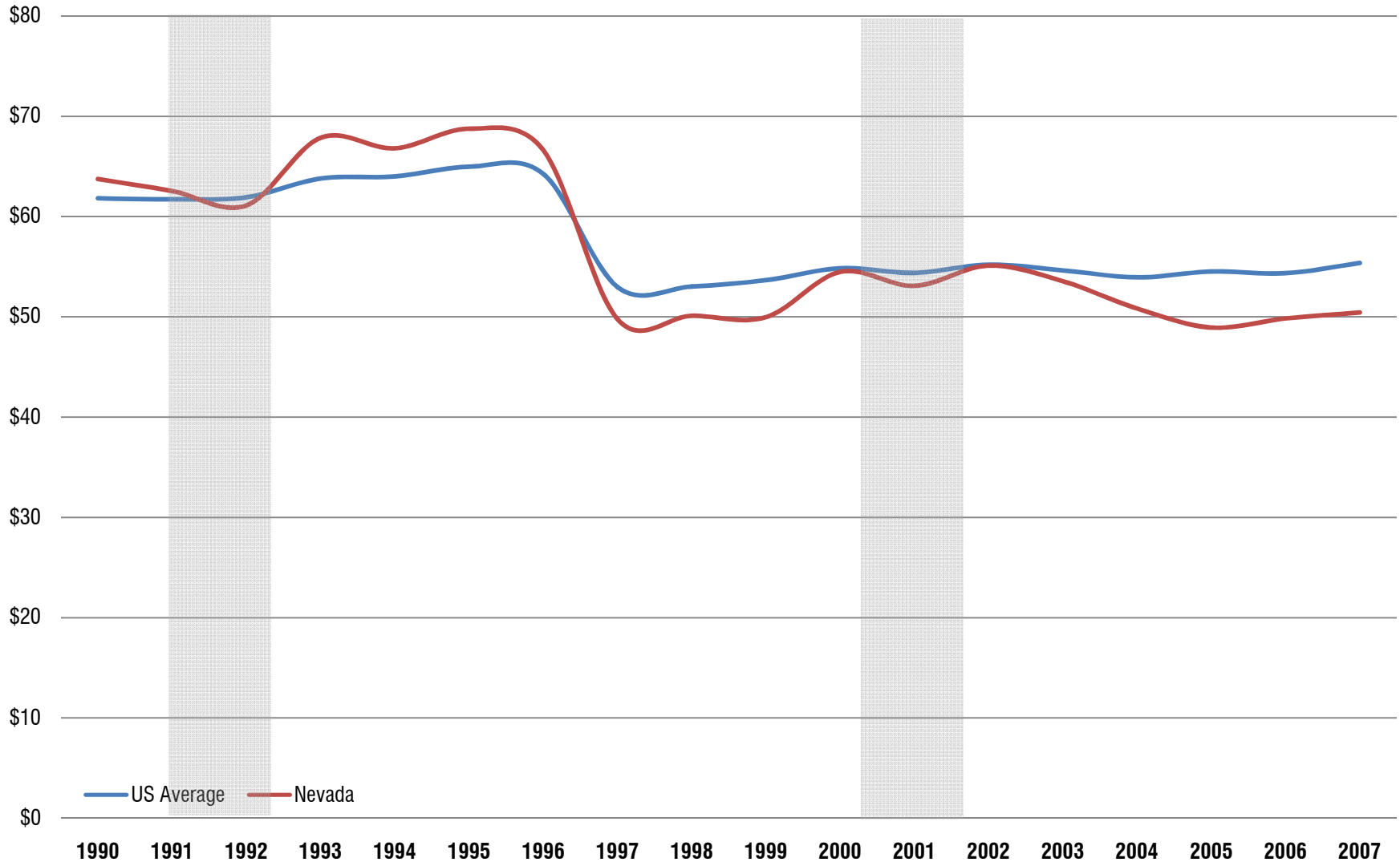


Source: U.S. Census Bureau and U.S. Bureau of Economic Analysis, U.S. Economic Accounts.

Exhibit 10

State Tax Collections Per \$1 Million of Gross State Product, 1990 - 2007

Nevada Versus the National Average

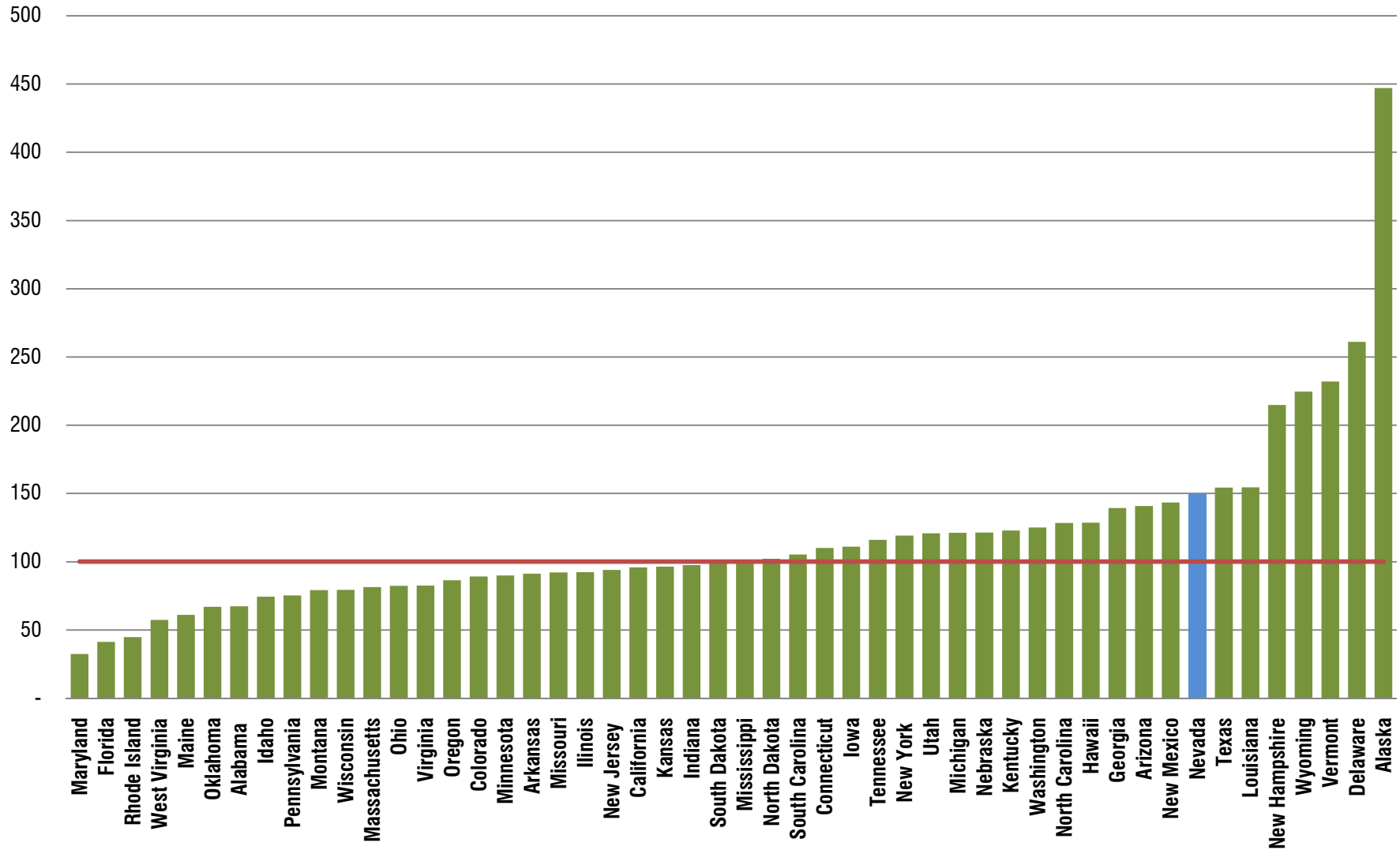


Source: U.S. Census Bureau and U.S. Bureau of Economic Analysis, U.S. Economic Accounts.

Exhibit 11

Tax Collections Per \$1 Million in Gross State Product, 1990 - 2007

Standardized Coefficients of Variance (100 = National Median)



Source: U.S. Census Bureau and U.S. Bureau of Economic Analysis, U.S. Economic Accounts.

Exhibit 12: Comparative Analysis of Tax Collections
Nevada State and Local Own-Source Revenues in FY 2005-06
(Amounts in thousands)

Description	Nevada State & local government		State government		Local government	
	amount	%	amount	%	amount	%
Taxes:						
Selective sales:						
Motor fuel	419,838	3.0%	311,888	4.2%	107,950	1.6%
Alcoholic beverage	38,262	0.3%	38,262	0.5%	-	0.0%
Tobacco products	138,813	1.0%	138,813	1.9%	-	0.0%
Public utilities	182,981	1.3%	11,593	0.2%	171,388	2.6%
Other selective sales	1,646,165	11.6%	1,328,126	17.8%	318,039	4.7%
Total selective sales	2,426,059	17.1%	1,828,682	24.4%	597,377	8.9%
Property tax	2,509,147	17.7%	163,531	2.2%	2,345,616	35.0%
General sales tax	3,320,670	23.4%	3,163,832	42.3%	156,838	2.3%
Individual income	-	0.0%	-	0.0%	-	0.0%
Corporate income	-	0.0%	-	0.0%	-	0.0%
Motor vehicle license	162,443	1.1%	162,443	2.2%	-	0.0%
Other taxes	1,345,530	9.5%	834,492	11.2%	511,038	7.6%
Total taxes	9,763,849	68.8%	6,152,980	82.3%	3,610,869	53.9%
Current charges:						
Education:						
Institutions of higher education	423,457	3.0%	423,457	5.7%	-	0.0%
School lunch sales (gross)	37,996	0.3%	-	0.0%	37,996	0.6%
Education, other	85,726	0.6%	686	0.0%	85,040	1.3%
Total education	547,179	3.9%	424,143	5.7%	123,036	1.8%
Hospitals	547,493	3.9%	17,059	0.2%	530,434	7.9%
Highways	20,422	0.1%	10,971	0.1%	9,451	0.1%
Air transportation (airports)	329,034	2.3%	-	0.0%	329,034	4.9%
Parking facilities	4,539	0.0%	-	0.0%	4,539	0.1%
Sea and inland port facilities	-	0.0%	-	0.0%	-	0.0%
Natural resources	7,146	0.1%	6,185	0.1%	961	0.0%
Parks and recreation	145,346	1.0%	4,558	0.1%	140,788	2.1%
Housing and community development	18,214	0.1%	3,688	0.0%	14,526	0.2%
Sewerage	367,578	2.6%	-	0.0%	367,578	5.5%
Solid waste management	18,495	0.1%	2,815	0.0%	15,680	0.2%
Other charges	588,740	4.2%	162,777	2.2%	425,963	6.4%
Total current charges	2,594,186	18.3%	632,196	8.5%	1,961,990	29.3%
Miscellaneous general revenue:						
Interest earnings	590,451	4.2%	289,776	3.9%	300,675	4.5%
Special assessments	138,980	1.0%	3,758	0.1%	135,222	2.0%
Sale of property	117,085	0.8%	74,210	1.0%	42,875	0.6%
Other general revenue	980,635	6.9%	327,865	4.4%	652,770	9.7%
Total miscellaneous general revenue	1,827,151	12.9%	695,609	9.3%	1,131,542	16.9%
General revenue from own sources	14,185,186	100.0%	7,480,785	100.0%	6,704,401	100.0%
Utility revenue:						
Water supply	831,040	22.0%	1,604	0.1%	829,436	91.6%
Electric power	166,799	4.4%	121,975	4.2%	44,824	5.0%
Gas supply	-	0.0%	-	0.0%	-	0.0%
Transit	31,198	0.8%	-	0.0%	31,198	3.4%
Total utility revenue	1,029,037	27.2%	123,579	4.3%	905,458	100.0%
Liquor store revenue	-	0.0%	-	0.0%	-	0.0%
Social insurance trust revenue:						
Unemployment compensation	370,777	9.8%	370,777	12.9%	-	0.0%
Employee retirement	2,386,036	63.0%	2,386,036	82.8%	-	0.0%
Workers' compensation	-	0.0%	-	0.0%	-	0.0%
Other insurance trust revenue	-	0.0%	-	0.0%	-	0.0%
Total social insurance trust revenue	2,756,813	72.8%	2,756,813	95.7%	-	0.0%
Other revenue not from own sources	3,785,850	100.0%	2,880,392	100.0%	905,458	100.0%

Source: US Census Bureau.

Exhibit 13

FY 2009 State Distributive School Account

Determination of State General Fund Appropriation Showing State Deduction of School District Property and Sales Taxes

Total Operating Expenditures	\$3,302
Minus 50 Cent Property Tax	\$581
Minus Other District Revenue	\$252
Minus Non-Basic Programs	\$145
Equals Amount to be Funded on Per-Student Basis	\$2,324
Plus Programs not Funded on Per-Student Basis	\$348
Equals Amount to be Funded from Distributive School Account	\$2,672
Minus Projected 2.25% School Sales Tax	\$1,108
Minus projected 75 cent School Property Tax	\$290
Equals State Share of Distributive School Account Funding	\$1,274
Minus Miscellaneous DSA Revenues	\$183
Equals State General Fund Appropriation	\$1,091

(Amounts above are in millions.)

Divide DSA Per Student Funding (\$2.324 Billion) by FY 2009 Projected Enrollment: 436,675

Funding per student: \$5,323

Source: Nevada Legislative Appropriations Report, Legislative Counsel Bureau, October 2007, and state budget working papers for Distributive School Account, file name "DSA 2007-09 Senate and Assembly Close 5-30-07."

Exhibit 14
History of Net Reversion to State General Fund

Biennium	Reverted from Distributive School Account to State General Fund	Supplemental Appropriations	Cumulative Gain/(Loss) for State
1979-1981	\$11,406,057		\$11,406,057
1981-1983	\$2,540,364	\$11,744,780	\$2,201,641
1983-1985	\$17,310,521		\$19,512,162
1985-1987	\$2,693,922	\$15,873,766	\$6,332,318
1987-1989	\$27,531,544		\$33,863,862
1989-1991		\$11,156,824	\$22,707,038
1991-1993	\$25,920,776	\$51,035,894	-\$2,408,080
1993-1995	\$139,427,148		\$137,019,068
1995-1997	\$76,191,035		\$213,210,103
1997-1999	\$7,612,294	\$17,900,000	\$202,922,397
1999-2001	\$23,921,358	\$74,902,899	\$151,940,856
2001-2003	\$14,358,325		\$166,299,181
2003-2005	\$175,822,595		\$342,121,776
2005-2007	\$163,753,342		\$505,875,118
Total	\$688,489,281	\$182,614,163	\$505,875,118

Source: Nevada Department of Education.