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State of Nevada Assembly

Seventy-Fourth Session

January 12, 2010

Governor Jim Gibbons
State Capitol
101 N. Carson St.
Carson City, NV 89701

Dear Governor Gibbons:

You recently asked for ideas from legislators on the issues of our budget problems and education. I am happy to provide some for you.

Short-term budget problems

As you know, members of the Economic Forum will meet soon to review the accuracy of their previous forecast for our budget. According to the Legislative Counsel Bureau's economist, and most other economists, our economy continues to be volatile and hard to predict. They are not sure if we have "hit bottom." We see hopeful signs in Nevada such as December's gaming win numbers, City Center's opening, sold out hotel rooms on New Year's Eve, increased 2010 Las Vegas convention bookings, and crowded malls at holiday shopping time. But we also see a continued housing and credit crisis and the day-to-day effects of the recession in every part of our state.

Since we know for sure that the Economic Forum's projections for the first part of this year produced a deficit, I think it is likely that we will need to prepare a plan to reduce the budget. I think we should follow this blueprint for our budget reduction plan:

1. Do everything we can to avoid further cuts to education funding in our state. Nevada ranks 47th in the nation in K-12 funding. There is near unanimous support in our state, from Democrats, Republicans and Independents, urban and rural residents, that our state must improve its educational system. Going from 47th in education funding to 50th is the wrong direction to travel. As for university spending, due to our dire budget situation, we already

reduced general fund appropriations to the university system by 13% this year. Further cuts to higher education should be avoided, as should cuts to K-12.

Additionally, cutting K-12 and higher education in the middle of the school year is a brutal exercise. If, for example, we concluded that larger class sizes would lead to better learning (a proposition I can't imagine), increasing class sizes would mean teacher lay-offs and moving children to different classrooms in the middle of the school year. This would disrupt learning and cause all-around chaos. That approach makes no sense whatsoever.

As you know, education funding makes up 54% of the state's budget. If the deficit is severe and cuts must be considered, we may not be able to completely spare education from cuts. But, again, this should be a LAST resort – not a first choice. “Education First” should not mean cutting education first – it should mean scouring all alternatives to cut so that we can help education first.

2. Ascertain the specifics of the health care bills pending in Congress. In the House version of the health care bill, states are given six more months of a higher match from the federal government for their Medicaid programs. This would provide \$95 million to Nevada for the upcoming fiscal year. This \$95 million would significantly help Nevada avoid budget cuts such as the ones you are advocating for education.
3. Analyze all reserve accounts and unclaimed property accounts for savings. It is my understanding that \$10-20 million (and perhaps more) could be found in these accounts to avoid cuts to education.
4. Ensure that we collect all unreported and unpaid taxes. Last year, I discussed with you the issue that insurance premium tax collections had dipped. I asked your office to inquire as to why. Your office ordered an Executive Branch audit which found that between \$93-163 million, perhaps more, was potentially unreported and uncollected in insurance premium taxes over the last four to seven years. The auditors recommended a further “desk” audit to review these totals. Since that time, the staff at the Legislative Counsel Bureau has had numerous conversations with your Insurance Commissioner, but suffice it to say, there seems to be little effort on the part of your administration to pursue this issue aggressively. This makes no sense to me when the stakes are so high. If collection of owed taxes would yield fewer or even possibly *no* cuts to education, why wouldn't we do it?
5. Review the proposals submitted by your executive branch agencies on budget reductions. All of your agencies submitted budget reduction plans. When I requested these from our staff so that I could review them to see which ones might be implemented, I was told that you ordered these documents to be confidential. If you allow these to be made public, legislators

would be happy to review them and suggest which ones might be implemented without harming essential public services.

6. Ensure that we are achieving all the savings envisioned by the state furlough program. As you well know, our state government was one of the first, if not the first, to institute serious cutbacks in pay to its workers. As of July 1, 2009, all workers were required to take 12 unpaid furlough days a year. Since that time, it has been reported that some in your administration are actually paying overtime to their employees, vitiating the savings established by the furloughs. Others have been reported as not complying with the furlough program for certain employees. We need an accounting of all these practices. It has also been suggested to me that we should amend the furlough program to state that if any agency head exempts his or her employees from the furlough program, the pay of each such employee must be reduced to ensure the savings are realized. Further, overtime should be curtailed or eliminated if it is being used as an end-run around the furlough program. This issue is impacting employee morale and demands a full review.

Finally, I would propose that you and all of legislative leadership meet the week of February 1st. By that time, we will have the results of the forum. I would suggest we review everything on the list mentioned above, along with all of the ideas of legislators and yourself, and propose a consensus reduction plan to present to the Interim Finance Committee for consideration and action. There is really no need to spend time at a special session on budget reductions when the Interim Finance Committee can approve reductions at a much lower cost than the entire legislative body.

I would note that the process outlined in this letter is the process we have used several times since our recession began. While it does not create as many headlines as unilateral decisions and threats of lawsuits, it does create a balanced budget in the shortest amount of time and in a consensus manner to ensure that all viewpoints are taken into account.

Longer-term issues

I learned of your “Education Plan” for the first time in the newspaper. I still cannot figure out how cutting about \$155 million to K-12, increasing class sizes, and cutting full-day kindergarten can be considered progress. But that’s the great thing about Nevada – we can debate different ways to reform our systems.

I believe that we already know what needs to be done in order to improve education in Nevada. We’ve conducted the studies, we’ve listened to experts, we’ve held hearings. Here are but a few of the ideas that parents, educators, and lawmakers have suggested, any of which could be implemented one year after economic recovery occurs:

1. Ensure that Nevada moves from the bottom of the national education funding list to the middle of the nation by the year 2030, moving at least five states ahead every five years.
2. Enhance compensation for our underpaid teachers by implementing a flexible pay-for-performance system which rewards classroom efforts that improve student test performance and other measures of teaching excellence. A working model for this program was already approved by the legislature and the only thing left to do is to fund it.
3. Implement career and technical education enhancements for each high school. So many kids in high school today are bored; an enhanced curriculum for these students will make school more relevant and improve our high school graduation rate.
4. Expand full-day kindergarten to every school. We know it works and it's time to make it available to every child.
5. Provide a new plan for failing schools. Allocate funding for tutoring boot camps for each school and expand flexibility for any failing school to develop a plan that meets the needs of those students.
6. Expand the real empowerment model to every school. This is a method that can greatly benefit Nevada schools when implemented correctly.
7. Encourage charter school innovation. We have two of the best charter schools in the nation: Ace Charter School in Reno and the Agassi School in Las Vegas. Create a new chapter for schools such as these to allow further flexibility in their operations and allow them access to capital money for expansion and improvement.
8. Create a rainy day fund for education that will prevent education funding from being cut when the economy suffers and will ensure that all local support school taxes fund education only. Building programs when times are good and dismantling programs when times are bad demoralize parents, teachers, and students.
9. Reconsider every tax break that siphons money from education. While we may wish to consider strategic tax incentives to broaden our economy, the biggest impediment to economic diversification is our education system. Diverting money from that system hurts our schools and hurts our economy in the long run.

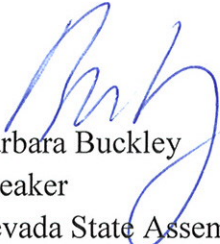
Some say that money alone won't fix our schools. That is true, but if we do not marry innovation, accountability, and sufficient financing, we are bound to keep complaining about our education system, and we will not see the results we would like and that our children deserve.

Many of these ideas will be debated on the campaign trail this year. They will also be debated by the interim Education Committee and other interim study committees which will be recommending bill drafts to the next legislature. While our Legislative Counsel Bureau will be responding separately to your letter about the bill draft procedure for the special session, I would suggest that all long-term education reform ideas need to be debated in those two places: on the campaign trail or in the interim committee process. Using the special session process to hear proposals that could have been introduced in the last legislative session (or the one before that) and for which no consensus has been developed is not envisioned by our constitution and would be a waste of taxpayer dollars in these economically challenged times.

Lastly, the issues most important to our state's long-term success are job creation and economic development. This past legislative session, I sponsored ACR 30. This resolution established an interim study on making Nevada a logistical hub in the West, which would create jobs and economic opportunity in our state. Now, more than ever, we must do all we can to create new jobs and to diversify the economy. Therefore, I invite you to attend the first meeting of the Study on the Development and Promotion of Logistics and Distribution Centers and Issues Concerning Infrastructure and Transportation on January 25th at 9am. Your input and ideas will be welcomed.

As always, if you have any questions about any of these ideas, feel free to contact me.

Regards,



Barbara Buckley
Speaker
Nevada State Assembly