



Office of the Governor

JIM GIBBONS
GOVERNOR

March 16, 2009

Assemblyman Morse Arberry, Jr.
Chairman, Interim Finance Committee
Nevada Legislature
401 S. Carson Street
Carson City, NV 89701-4747

Dear Chairman Arberry,

By letter dated March 2, 2009 you asked the Department of Administration to answer several budget-related questions. I wanted to take the opportunity to personally answer one of those questions. The others will be answered by the Department of Administration by way of a separate letter.

Specifically, you asked how I plan to address declining forecasts for room tax revenue. The Nevada Constitution requires that I propose a balanced budget to the Legislature before the commencement of the regular session, which I did in January of 2009. Once that budget is proposed, it is up to the Legislature to decide whether to accept or modify that budget. The proposed budget was based on the revenue projections available in January of 2009.

As we both know, revenue projections constantly change as new information becomes available. The room tax revenue projections referenced in your letter will undoubtedly change several more times as the session proceeds and updated information becomes available. If the Legislature wants to address each and every change in revenue projections then that is certainly the Legislature's prerogative as the budget is in the Legislature's control at this point and the Legislature has its own fiscal staff.

However, I feel that projections should not be addressed piecemeal. Therefore, I will be happy to provide further recommendations either in a budget amendment addressing stimulus dollars or after the Economic Forum next meets and provides legally-binding revenue projections.

Sincerely,

JIM GIBBONS
Governor

Cc: Assembly Speaker Barbara Buckley
Senate Majority Leader Steven Horsford
Andrew Clinger

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Nevada Assembly

SEVENTY-FIFTH SESSION

COMMITTEE ON WAYS AND MEANS

March 17, 2009

Governor Jim Gibbons
Executive Chambers
State Capitol Building
Carson City, NV 89710

Dear Governor Gibbons:

Thank you for your response to the information I requested from the Director of the Department of Administration. I would agree with the statement in your letter that, as Governor of the State of Nevada, you have a Constitutional duty to propose a balanced budget to the Legislature. However, I am truly amazed with your assessment that the Governor's responsibility ends when the proposed budget is submitted for review by the Legislature.

One of the basic understandings of developing any budget is that some of the assumptions that are made will need to be amended due to better information being made available over time or due to changing economic conditions. This fact has been true in the over 20 years that I have been a member or chairman of the Assembly Committee on Ways and Means. Based on this most basic budget premise, as well as past practices of the Chief Executive over the past 30-40 years, and possibly since Nevada became a state, when necessary, Governors have recommended adjustments after the Executive Budget was submitted for legislative review to ensure that estimated revenues and expenditures remain in balance for each fiscal year of the upcoming biennium. However, your letter indicates that the Governor's responsibility concerning the state's biennial budget ends when it is submitted for review in advance of the legislative session. I believe you are the only Governor in at least the past 30-40 years that would make such an assertion, and I strongly disagree with your position.

Other than the response you provided to me yesterday, I have yet to receive the information I requested from the Director of the Department of Administration, which

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was requested to be received no later than March 16. I sent this request on March 2 and provided two weeks to allow sufficient time to develop the required information. As you know, the Legislature has only 120 days to complete its work. Providing the Budget Division two weeks to develop this information is as much time as can be allocated; yet as of today, I still do not have a response to the majority of the information I requested. I also have no idea when the requested information may be received. I find this most disturbing and unprecedented in my 15-year tenure as chairman of the Assembly Committee on Ways and Means.

I am unaware of a Governor who has refused to balance the biennial budget he has recommended for legislative review, based on new information or changing economic conditions, and submit the required budget adjustments to balance estimated revenues and expenditures. Time is growing short, and the money committees will be closing budgets soon. If the necessary adjustments to ensure estimated revenues and expenditures in the 2009-11 Executive Budget remain in balance are received quickly, the Assembly Committee on Ways and Means will review and consider them. However, receiving input from you on budget adjustments after May 1, as you suggested in your letter, is too late in the legislative process. While some budget adjustments may need to be made based on the revenue projections developed by the Economic Forum, much of the budget closing process must be completed before then, because on May 1 only 30 days will remain in the regular session before the constitutionally mandated adjournment on June 1. Waiting until the final 30 days of the regular legislative session to begin reviewing potential budget adjustments, as well as beginning the time-consuming task of closing budgets, is unrealistic.

I request that you reconsider your position on this issue and provide any necessary adjustments to the 2009-11 Executive Budget as soon as possible. If any budget amendments that you choose to submit are received too late in the process, the Assembly Committee on Ways and Means will be forced for the first time in my 15-year tenure as chairman of the committee, and possibly the first time since Nevada became a state, to make decisions without further input from the Governor concerning budget adjustments that may be necessary to balance estimated revenues and expenditures during the upcoming biennium.

Sincerely,



Morse Arberry, Jr., Chairman
Assembly Committee on Ways and Means