



**James E. Rogers**  
**Chancellor**

**Nevada System of Higher Education**

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## MEMORANDUM

**DATE:** November 24, 2008

**TO:** NSHE Presidents

**FROM:** James E. Rogers

**RE: COMMON GROUND: SPECIAL MEMO BECAUSE OF IMPORTANCE OF BARRICK GOLD CORPORATION RESPONSE**

The weekly communications from the Chancellor's office are ultimately intended to serve as a clearinghouse for ideas in this time of common concern.

The memoranda began focused on the impacts of cuts to NSHE. The memos have grown into a central arena for legislative leaders and business leaders to advocate for various programs. Letters from businesses who work with and rely on a healthy system of higher education have proliferated. Over the coming weeks, the System expects to continue providing ideas and solutions to many of Nevada's challenges. The Chancellor's office hopes to promote thought, discussion and debate. Some of those ideas will come from the Chancellor's office. Many will come from those who are interested in preserving and enhancing the quality of life in Nevada. In fact, our office urges any with a constructive idea to forward it to the Chancellor's office.

While creativity and innovation in the public policy arena have been a focal point of communications from the Chancellor's office, there is one common obstacle to achieving success: Nevada has a narrow revenue stream and the economic recession is further depressing those revenues.

Last week I held a press conference where I highlighted several ideas for new revenue. The central point was to seek immediate assistance from the federal government. The idea is certainly gaining momentum. I will continue to work with Senator Reid and others in the federal delegation. I join with our Governor and state legislative leaders and stand ready to respond to any questions or provide any additional information needed to expedite this request.

I also called for an analysis of the mining industry and its ability to pay more to the state. Attached is a letter from Michael Brown, vice president-U.S. public affairs for Barrick Gold Corporation. While there may be some disagreements between Mr. Brown and me, the obvious

common ground is much more significant. He reconfirms his company's support of education and adequate social services. He also reconfirms his company's and the Nevada Mining Association's support of a broad-based business tax. Most important, he is focused on finding solutions for the state's current crisis and for a brighter future for Nevada. I applaud his commitment and advocacy and pledge to work with him and with all who are part of this effort.

Problems persist. Great work remains to be done. I am encouraged by our resolve, cooperation, and most importantly, our progress.



# BARRICK

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November 21, 2008

Mr. Daniel Klaich  
Executive Vice Chancellor  
Nevada System of Higher Education  
2601 Enterprise Road  
Reno, Nevada 89125

Dear Mr. Klaich:

Thank you for your e-mail. Yes, the Chancellor's statement on Monday came as a surprise to Barrick and the rest of the Nevada mining industry. I have taken the liberty of sharing your e-mail with my colleague, Mary Beth Donnelly of Newmont Mining Corporation, and I consulted her on this response. I trust you will share this response with the Chancellor.

We support education and adequate social services and we believe that the public needs should be satisfied by taxes broadly and fairly applied. We will not shirk our responsibility to engage in the discussions about the future of Nevada. We only ask that those who share our commitment take responsibility for acquiring accurate, factual information before drawing conclusions.

In 2007 Newmont and Barrick produced 84% of Nevada's gold. According to the US Department of Commerce, mining ranks 16<sup>th</sup> among the 20 economic sectors in the Nevada economy. Contrary to the popular myth, we are NOT the state's second largest industry. Our employment base is about 2 percent of state's workforce. While we are not among the largest industries in Nevada we are proud to be good corporate citizens and believe that for years that we have made a contribution to the State that is disproportionate to our relative size.

We applaud passionate advocacy of funding for education. We also understand we need adequate funding for other critical public safety and safety net services. What we don't understand is the reasoning that suggests that taunting an industry is a way to gain its support for university funding. For many years we have, in concert with our state's most significant industry, supported broad based taxes. I have attached the Nevada Mining Association's current policy paper on taxes.

Over the last twenty years every major study of the Nevada tax system has recommended a broad-based business tax. If the Chancellor is suggesting a tax on net business income, or a corporate income tax that would be applied to ALL business, we would have no objection in principle. If however, you have simply decided that because mining appears to be making a profit we should be subjected to a special tax, we would object to that as being both discriminatory and largely divorced from the reality of the fiscal challenges facing the Nevada mining industry in this economic environment.

Now let me try to address your various points and the Chancellor's remarks.

### **Foreign**

I am not sure why you think the word "foreign" means "large."

Newmont is a Colorado-based company. Newmont's institutional shareholders are approximately 85% domiciled in the US with approximately 86-88% of the shares held by institutions and the remaining shares are held by retail shareholders.

While Barrick is headquartered in Canada, over 60% of its shares are held by US investors and institutions. Canada is a signatory to the North American Free Trade Agreement, the landmark trade agreement implemented in 1994 by the governments of the United States, Canada and Mexico. The NAFTA trade bloc is the largest in the world and the treaty is one of the most successful and far-reaching in the world. NAFTA trade between Canada and the US supports 61,250 Nevada jobs.

Our two companies combined have 7,500 employees in Nevada. They are the best compensated workers in Nevada with complete health care coverage and retirement programs that vest at hiring. We support an array of charities in urban and rural Nevada. Barrick is the only rural company to receive "Company of the Year" recognition from the Las Vegas Association of Fund-raising Professionals for our philanthropic work in Las Vegas, where we don't have a single employee.

### **Prior Notice**

Newmont has been in Nevada since 1965 and Barrick since 1987. Both have made, and are making, major contributions to the University system and that alone should have warranted prior notice before Monday's press conference. A simple phone call to either of us would have resulted in a meeting, especially last week when the Nevada Mining Association's Board of Directors was holding its meeting at that MGM-Mirage Conference Center. We would have welcomed a visit by the Chancellor to hear his concerns firsthand.

We understand the demands facing the university system and have several initiatives underway to help. Let me detail those:

- Following the Legislature's Special Session, Barrick could see that the Mackay School of Mines would continue to struggle. That is why we initiated an infusion of money into the college through an increase in our mining claim fees. Mining worked with interim legislative committees and the Nevada Division of Minerals to put that in place. I don't know of any sector of the Nevada economy that has done anything like this since the economy tipped into a recession.
- Newmont has been working diligently to save the UNR Fire Academy at Carlin. They have spearheaded a private-public partnership that we hope will keep this facility from closing. As you may know, we recently had the opportunity to take Speaker Buckley to Carlin to see this facility. Assemblyman John Carpenter was with us and stressed the importance of this facility to the rural Nevada economy.

### **Finding Solutions**

Barrick and Newmont through one or more of our representatives, currently serve or offer information and support to virtually every discussion group addressing funding for Nevada.

I spent all of last week travelling around Nevada meeting with various private and public sector officials discussing Nevada's fiscal condition. We also had representatives at the NACO meeting in Carson City. It was a sobering week.

Throughout this year I have been participating in the regular meetings of the Council for a Better Nevada's "Nevada 2030 Group." I have made over a dozen trips to Las Vegas in the last year to participate in discussions with business leaders on the state's fiscal situation.

Since the election the mining industry has met with Speaker Buckley and requested a seat at the table in her "Nevada 2020" process. The board of the Nevada Mining Association has heard her sobering presentation and pledged its willingness to help move the state out of this crisis.

I agree with the Chancellor that a federal infusion of money into the states will be necessary in 2009. It is ironic that I had just finished communicating a similar view to interested parties in Washington DC a few hours before the press conference. In my view a 2009 stimulus package would need to include direct assistance to the states, probably by relieving the state budgets of cost-sharing obligations, such as Medicaid/Medicare. As you know, there is no climate for "earmarks" in DC and I would caution you that the 43 states whose residents pay a personal income tax and the 46 states with a corporate income tax might have different views on your current proposal.

We have worked to infuse knowledge and expertise into the public policy process. We remain committed to working with the legislature, the governor and others with a sincere interest in these matters.

### **Tax Policy**

In prior years we have consistently "come to the table" and supported broad-based taxes, including most recently in 2003. We do not, however, support industry specific taxes. We do not support increases in the gaming tax. We do not support increases in the insurance tax or our net proceeds tax. We would support broad based taxes if fairly applied. If the payroll tax were increased, we would pay at the same rate as all other employers; if a business profits tax were adopted, we would pay that as well. We are all looking to stabilize our tax base. Focusing on an industry selling into a commodity market is hardly stabilizing. If we haven't learned by now that industry specific or activity specific taxes, like the Real Estate Transfer Tax, are not stable we are indeed doomed to repeat the very history we are currently living.

We are disappointed that memories have faded and we are not given credit for having absorbed a 250% tax increase in 1993. We pay our property tax at a higher rate than any other industry. If all business joined us on the "split roll" we might not be having this discussion.

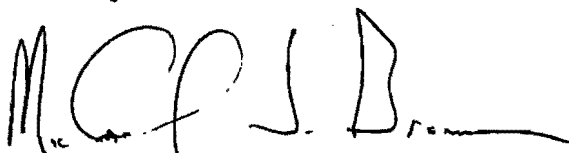
Furthermore, if indeed it is Nevada residents that require service, our payments to government on a per employee basis more than covers their theoretical need for state services. We pay our mining industry employees the highest salaries in the State with full benefits. We hire the most educated workforce (except for the education system itself) in the state. Our rural counties have the highest high school graduation rates in the state. My company provides a college scholarship to the dependents of all our employees. Our operations are located in remote parts of the state and thus need little police or fire protection and yet we are accused of not paying our fair share. One need only compare us with retailers, for example, with their tens of thousands of employees earning an average wage of less than 20,000 dollars and very limited benefits to see the disparity. We not only pay our fair share, but for a relatively small industry, we make a disproportionately positive economic impact.

### **Statistics**

Reading the Chancellor's remark it is impossible for us to dissect how you arrived at your statistics and conclusion. Clearly no one consulted with mining before the conference. It is a staggering distortion to claim we have somehow achieved \$2 billion dollars in profits, especially since the Net Proceeds Tax is a property tax, not an income tax. As an industry we paid over \$200 million in taxes last year. That includes Net Proceeds, Sales and Modified Business Tax. We would be pleased to arrange a formal briefing for the Chancellor on how mining is taxed and how the Net Proceeds of Mines tax functions.

In conclusion, yes we are not happy with the broadside swipe at our industry on Monday. However, we are willing to look beyond that and continue to participate with all reasonable groups to help Nevada find a remedy to this crisis. We hope going forward this can be done in a professional, open and transparent manner. Let me know how best to go forward.

Sincerely,

A handwritten signature in black ink, appearing to read "M. J. Brown". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael J. Brown  
Vice President - US Public Affairs

## **NEVADA MINING ASSOCIATION'S POLICY ON NEW NEVADA TAXES**

### **Policy Statement**

1. The Nevada Mining Association recognizes that Nevada's state government faces future funding challenges because of its narrow tax base and increasing demands on state services caused by significant population growth. Under existing structures, the state's general fund will not keep pace with these new demands for state services.
2. The Association strongly believes that any new taxes must be broad-based, include all sectors of the Nevada economy, and apportioned according to the taxpayer's ability to pay.
3. The state must not seek any new single-source taxes such as new or increased taxes solely on the gaming, mining, or insurance industries.
4. The mining industry will pay its fair share of any new taxes in the same manner, and to the same extent, as any other Nevada business.
5. Finally, these new taxes should not be aimed at any individual citizens or companies, and appropriate safeguards or exemptions should be put in place to help Nevada's small business owners.

### **Discussion**

It has become difficult not to conclude, as most observers have, that the demands on the governmental infrastructure caused by the tremendous growth in Nevada, especially, but not exclusively in southern Nevada has outstripped the pace of revenue collection. It is apparent that this condition will persist for the foreseeable future. History has shown, and recent events have corroborated, that the predominant components of the tax base of Nevada's general fund, gaming and sales taxes, are sensitive to domestic and world events that effect not only the economy but also personal attitudes, including the sense of safety of our citizens and tourists.

In Nevada, the primary contributors to local government funding are mining in rural areas and development in urban areas. These contributions are generally derived from property taxes. While the property tax revenues are relatively stable, there is reason to believe they would be stronger if the formula for depreciation were modified to ensure that all property is equally taxed at full cash value.

Taxes to support public needs should be spread equally over the society from which those needs arise. Therefore, any new taxes should be broad based, and not focused on specific industries such as gaming, mining and insurance. Taxation broadly based will engender the broadest predicate of accountability in the expenditure of those revenues.

If it is possible within the above guidelines to do so, tax modification should be accomplished in a way that Nevada can avoid looking for temporary "fixes" at each legislative session, as the greatest tax incentive for businesses growing in or considering relocating to Nevada is stability and predictability in taxation.

**Nevada Mining Association**  
**June, 2002**