



OFFICE OF THE GOVERNOR

December 29, 2009

Dear fellow employee of the Great State of Nevada:

Thank you for your tremendous response to my request for your comments and suggestions. Hundreds of responses have been submitted and your ideas are truly incredible – we are reading and evaluating every suggestion.

In an effort to clarify information we received in the responses, I need to comment on some of the suggestions:

- In the 2009 legislative session, I proposed across the board pay reductions because that was fairer to all employees. However, the Nevada Legislature chose to impose furlough days. My staff is taking furlough days and an additional 1.4% pay decrease. What the Legislature passed did not require Legislators or Constitutional officers to take either a furlough or a pay cut. I continue to voluntarily donate 6% of my salary. If any further reductions are needed, we will share them with you. Most of my staff is not eligible for overtime and we pay the same medical costs that you do. Additionally, not one of my staff has a state vehicle or a state expense account.
- Some people recommend enacting a personal income tax. However, the Nevada Constitution would have to be amended to enact a personal income tax. To do that requires a vote of the people in two different elections. The earliest this could be done is in 2010 and 2012. Imposing a personal income tax is not a viable solution for our immediate problems.
- Similarly, some people suggest an increase in mining and gaming taxes. Mining pays a net profit tax to Nevada, so their taxes have automatically increased. Any increase in the mining tax would also take two votes of the people.
- Gaming has seen 22 consecutive months of declining revenues. Adding taxes for gaming would close some operations and increase layoffs for others. Reducing jobs and adding to unemployment is no better for gaming than it would be for state employees. We are trying to save your jobs in the public sector and those in the private sector as well.
- Some people believe we should increase the sales tax. Studies have shown that increasing sales tax is often counter productive as buyers turn to the Internet to avoid paying the tax. Indeed, sales taxes were raised in the 2009 session, but our sales tax revenues continue to come in below the Economic Forum's estimates. Nevada is a party to the Streamline Sales Tax Initiative which, when enacted, requires vendors to collect and remit state sales taxes on Internet transactions. Existing Nevada law requires that

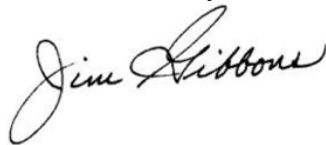
Nevada residents pay sales or use tax on out of state purchases, but since we have no way to know when and where a purchase is made we have to rely on the honor system for payment of this tax.

- State government has seen significant workforce reductions over the last four years. Most of that was absorbed by attrition and vacancies. I'm sure you all feel that pinch everyday. Fewer than 100 state workers have been laid off while more than 120,000 people are receiving unemployment insurance benefits in Nevada. Nevada has the second highest unemployment rate in the nation. We need to remember that the burden of our economy is not being borne solely by state workers. Private sector employers have laid off thousands of workers and their employees have taken millions of dollars in pay reductions and/or furloughs.
- K-12 education and the Nevada System of Higher Education receive over 54% of the state general fund budget. We all want to protect education as much as we can; however, we cannot continue to take virtually all of the budget cuts out of the remaining 46% of the state budget that funds the other state agencies. We must strike a balance to preserve as many jobs as possible, both in education and in state government.
- Banning the importation of municipal waste from California is not an option. The court system has already determined that the Federal Interstate Commerce Clause does not allow Nevada to ban the importation of municipal waste, nor does the law allow us to tax only imported waste.
- Whether we support Yucca Mountain or not, we could not begin receiving royalties on nuclear waste storage soon enough to use that revenue as a viable solution for our fiscal problems.

You have offered some great suggestions, and we are still in the process of reading and evaluating all of them. The comments above are to provide some factual information regarding some of the points that have been made thus far.

Please keep sending your ideas to me. The email address is nevadafirst@gov.nv.gov. You can expect to hear more from me again soon.

Sincerely,

A handwritten signature in cursive script that reads "Jim Gibbons".

Jim Gibbons
Governor