

Nevada's Fiscal Crisis: Where Did All The Money Go?

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by John Dobra, Ph.D.

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John Dobra, Associate Professor of Economics at the University of Nevada, Reno, received his Ph.D from Virginia Poly Technic Institute in 1980. He has written monographs for several professional journals on the subjects of public choice, public finance, industrial organization and public policy. He resides in Reno with his wife Joy, daughter Jessica and son Matt.

EXECUTIVE SUMMARY

Nevada's Fiscal Crisis: Where did all the money go?

*Nevada's current budgetary crisis consists of \$170 Million in revenue shortfall.

*Nevada lacks a unified budgeting and accounting system which would allow its citizens to take a comprehensive look at the state's finances. It is difficult for experts, let alone the typical voter, to figure out how much money we really have and where it goes.

*Nevada ranks 17th nationally in terms of state and local revenue from all sources. This suggests that Nevada has a lot of resources to work with to meet its needs.

Where does the money come from?

*The key to understanding where Nevada's money comes from is to note that we are ranked 6th in general sales tax revenue and 1st in "selective sales." Because of these two taxes, we rank 14th in the nation in per capita revenues from our own, in-state, sources.

*The high level of state and local revenues per capita is obviously due to the gaming industry. Because of gaming, most of the other sectors of the state economy have been enjoying something of a tax holiday.

*Taxes from the tourism industry move Nevada from a rank of 32nd in own source revenues to 14th yet tourism does not export a significant portion of taxes out of state as originally believed.

**Government Finances: 1989-90* shows using combined state and local revenue data gaming contributes 11% of all own source revenues.

*It is true that the tourism industry generates a significant percentage of Nevadan' household income, but the point is that the vast majority of tax revenues come from, and /or at the expense of Nevadans' household incomes.

*80% to 90% of all own source revenues come from Nevada households and (non-gaming) businesses.

*Aside from mining and gaming, Nevada's money also comes from another industry specific tax on insurance premiums. \$53.2 million in insurance premium taxes paid in 1989-90 came largely from Nevadan's household incomes.

*The fallacy of reliance on industry specific taxes is the belief that the targeted industries bear the burden of the tax. What industry specific taxes actually do is to target the burden of taxes on workers and owners in particular sectors of the economy, retarding growth and employment in that and related industries.

Where the money goes

*Nevada ranks 9th in highway spending, 5th in spending for police, 2nd in spending for fire, 4th in spending for corrections, and 3rd in spending for parks and recreation.

*Most Nevadans want police, fire and corrections, and parks and recreation spending, but, perhaps not as much as they are paying for.

*If the state wants to spend more on education, health, and welfare it needs to control spending in the areas where spending is high.

*There is no shortage of non-tax policy options that may free up existing revenues for use in areas where Nevada's expenditures are low.

*No matter how a tax increase is packaged and "sold" to Nevada voters, the burden eventually comes home and is taken from Nevadans' household incomes in the form of higher insurance premiums, lower wages and lost jobs.

News

NEVADA POLICY RESEARCH INSTITUTE

P.O. BOX 20312
RENO, NEVADA 89515-0312
702-786-9600

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Contact: Judy Cresanta
or John Dobra
702/786/9600
Fax/786/9604

Nevada's Fiscal Crisis: Where Did All the Money Go?

Nevada's current budgetary crisis, with its \$170 million revenue shortfall, has heightened interest in the state's finances and turned up the intensity of the usual criticisms of the taxing and spending in Nevada. In a study entitled "Nevada's Fiscal Crisis, Where Did All the Money Go?," Dr. John Dobra, Senior Research Fellow with the Nevada Policy Research Institute, asks the questions: Where does all of Nevada's money come from and where does all the money go?

Indeed there is a problem with the budget as indicated by the sixty-sixth legislative session, unaffectionately named the "session from hell." The sessions shortfall demonstrated the tenuousness of economic forecasting but the most disturbing factor is that Nevada lacks a unified budget leaving information fragmented and difficult to evaluate. "Nevada's Fiscal Crisis, Where Did All the Money Go?" compares Nevada with other states via information provided from the U.S. Bureau of Census.

The study points out two misconceptions: the first, is that a large portion of Nevada's taxes are not exported through the tourist industries as previously assumed. Using combined state and local revenue, data shows gaming contributing only 11% of all own source revenues. The second is in regard to money spent. Nevada spends more money on

highways, tourism and prisons than most other states leaving social infrastructure lagging.

Dobra summarizes that there is no free lunch. No matter what measures are implemented to bring Nevada into the norm, (for example a tax on out of state insurance companies, mining companies or tourists), the burden eventually comes home and is taken from Nevadan's household incomes in the form of higher insurance premiums, lower wages or lost jobs.

To order copy of "Nevada's Fiscal Crisis, Where Did All the Money Go?," call the Nevada Policy Research Institute at 786-9600. There is a \$5 charge for each study.

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NEVADA'S FISCAL CRISIS: Where did all the money go?

by John L. Dobra, Ph.D¹

INTRODUCTION

Nevada's current budgetary crisis, with its \$170 million revenue shortfall, has heightened interest in the state's finances and turned up the intensity of the usual criticisms of the taxing and spending in Nevada. From one side we hear the usual claims that taxes are too high. From the other side we hear that the state is not meeting the needs of the people.

Some legislators blame the Governor for submitting an Executive Budget over 30% higher than the preceding biennium. The Governor blames the Legislature for not enacting his Business Activity Tax, or BAT, which would have avoided the crisis by raising over \$220 million in payroll taxes.

Both sides complain about the politicization of the state's budget process and the development of revenue forecasts which ultimately became more of an exercise in political compromise than economic forecasting. Recall that the Legislature, faced with a deficit because it refused to pass the BAT, solved the problem by increasing the revenue forecast in spite of evidence that a national recession and, more importantly, a recession in California, made a lower revenue forecast more reasonable.

This is not to suggest that the Legislature deserves all the blame for the fiscal crisis, after all, the Governor approved the budget too. In addition, most Nevadans were probably happy to see the end of the Sixty-Sixth session, unaffectionately named the "Session from Hell" because of intense budget, tax, and sectional battles. There was no great cry from the press or from Nevadans for the Legislature to stay in session and fix the budget. Many, if not most, legislators left town knowing there was a problem with the budget, but happy that the Governor, not the Legislature, had to deal with it.

Indeed, there was a problem with the budget and it became apparent within a few months after adjournment. The Governor was forced to choose between reconvening what could have been a sequel to the "Session from Hell," the "Special Session from Hell," or making deep cuts in areas where the Governor had authority to cut. The Governor, probably wisely, chose the latter.

The political dance around the budget goes on as usual but with more intensity, and it is difficult for even those who follow state budget developments to

¹ Associate Professor of Economics, University of Nevada, Reno and Senior Fellow, Nevada Policy Research Institute.

figure out which of the competing claims are true. The state lacks a unified budgeting and accounting system which would allow us to take a comprehensive look at the state's finances. State and local governments have separate budgets although there are some substantial inter-governmental transfers as in the case of school finance and municipal finances.

Even at the state level, information is fragmented and difficult to evaluate. Agencies like the Gaming Control Board and the Department of Transportation are funded outside of the General Fund budgeting process. Federal funds are spent through the General Fund budgeting process in some cases but are not reflected in reports on General Fund Revenues. Analyzing general fund expenditures and revenues is analyzing less than half of statewide public finances. In short, it is difficult for experts, let alone the typical voter, to figure out how much money we really have and where it goes.

This paper represents an attempt to shed some light on some basic questions: How much money does Nevada have, where does it come from, and where does it go?

Partly out of frustration with state sources of financial data but also to get a fresh look and to allow for comparison with other states, we have gone to a federal data source, the U.S. Bureau of Census, **Government Finances: 1989-90**.² More specifically, the attached tables show the rankings of states on per capita revenues and expenditures for all levels of government.

Before going any further, it should be pointed out that the rankings of per capita revenue expenditures and revenues cannot prove anything. That is, we cannot demonstrate that taxes are too high or that we are spending too little. These are policy issues that we elect legislators to decide. We can, however, raise some interesting questions about why the state finds itself in its current budgetary situation. The rankings also provide a useful basis for comparison with other states.

HOW MUCH MONEY IS THERE AND WHERE DOES IT COME FROM?

First, turning to Figure 1 of *Government Finances: 1989-90* showing rankings of state and local revenue from all sources, note that Nevada ranks 17th nationally (column 1). This suggests that, relatively speaking, Nevada has a lot of resources to work with to meet its needs. Looking at total general revenue (column 2), which excludes earmarked funds and fees, we are still in the top half, ranked 23rd. This difference in rankings between revenue from all sources and total general revenues suggests Nevada has greater than average reliance on earmarks and/or fee revenues.

In addition, it should be noted that these rankings do not include the increase in the sales tax and the imposition of the new Business License Fee by the 1991 Legislature. Had these tax changes been in effect in 1989-90 to be reflected on this

2 U.S. Bureau of Census, *Government Finances: 1989-90*, Series GF/90-5, U.S. Government printing office, Washington, D.C.

Figure 1. State and Local Governments Ranked According to Selected Per Capita Revenue Amounts: 1989-90

[Amounts in dollars. For meaning of abbreviations and symbols, see introductory text]

Rank	General revenue								
	From Federal Government						General revenue from own sources		
	Total ¹	Total ¹	Total ¹	Public welfare	Education	Highways	Total ¹	Taxes	Property
	1	2	3	4	5	6	7	8	9
	US..... 4 149.87	US..... 3 415.63	US..... 550.05	US..... 241.09	US..... 93.41	US..... 57.77	US..... 2 865.59	US..... 2 018.88	US..... 625.68
1	AK..... 12 943.88	AK..... 11 318.64	DC..... 2 634.65	NY..... 510.71	AK..... 303.35	AK..... 263.21	AK..... 10 019.84	AK..... 4 068.65	AK..... 1 246.11
2	DC..... 8 116.31	DC..... 7 256.98	AK..... 1 296.80	DC..... 497.54	NM..... 187.18	WY..... 198.65	DC..... 4 622.33	DC..... 3 806.12	DC..... 1 197.98
3	NY..... 6 041.81	WY..... 5 334.96	WY..... 1 174.13	MA..... 371.29	UT..... 184.02	SD..... 147.83	NY..... 4 215.84	NY..... 3 266.53	NH..... 1 151.16
4	WY..... 6 005.70	NY..... 5 022.17	NY..... 806.33	ME..... 350.31	MS..... 150.33	RI..... 129.64	WY..... 4 160.83	CT..... 2 874.57	NJ..... 1 148.65
5	HI..... 5 109.44	HI..... 4 544.83	MT..... 782.49	RI..... 339.93	ND..... 149.90	ND..... 129.56	HI..... 3 912.87	HI..... 2 595.68	CT..... 1 055.60
6	CA..... 4 983.53	MN..... 4 031.83	ND..... 777.30	VT..... 335.75	AL..... 142.27	MT..... 126.19	DE..... 3 391.90	NJ..... 2 519.05	NY..... 1 022.78
7	MN..... 4 822.52	CT..... 3 969.18	VT..... 747.85	LA..... 290.85	VT..... 130.18	CT..... 125.55	MN..... 3 389.31	MA..... 2 359.67	WY..... 901.13
8	WA..... 4 794.02	DE..... 3 913.41	RI..... 725.06	AK..... 287.74	HI..... 126.80	DC..... 125.01	CT..... 3 388.23	MD..... 2 305.40	OR..... 853.50
9	OR..... 4 590.68	NJ..... 3 903.68	SD..... 723.18	MN..... 283.75	OR..... 126.25	ID..... 113.17	NJ..... 3 382.15	MN..... 2 304.52	MT..... 828.47
10	NJ..... 4 539.44	CA..... 3 870.13	OR..... 702.98	MT..... 283.75	MT..... 124.63	HI..... 105.02	CA..... 3 261.63	CA..... 2 226.33	VT..... 821.98
11	NE..... 4 454.02	MA..... 3 784.45	MS..... 657.48	MS..... 280.34	WA..... 122.91	UT..... 91.49	MA..... 3 121.17	WY..... 2 203.80	MI..... 819.58
12	WI..... 4 449.33	VT..... 3 586.58	MA..... 643.27	ND..... 277.92	SD..... 122.11	VT..... 90.70	MD..... 3 019.83	WA..... 2 122.87	RI..... 805.57
13	DE..... 4 428.94	OR..... 3 584.93	MN..... 642.53	AR..... 275.77	AZ..... 118.06	NE..... 79.74	WA..... 3 017.10	IL..... 2 101.58	MA..... 777.55
14	CT..... 4 428.14	WA..... 3 555.88	LA..... 641.02	KY..... 265.41	DE..... 114.21	AL..... 78.07	NV..... 2 908.83	WI..... 2 089.77	NE..... 762.25
15	MA..... 4 333.21	MD..... 3 545.34	HI..... 631.96	OH..... 263.04	WY..... 110.84	MD..... 75.40	CO..... 2 898.55	MI..... 2 067.70	IL..... 754.30
16	CO..... 4 278.28	NM..... 3 498.98	NM..... 618.27	WI..... 261.78	CO..... 108.78	WA..... 74.51	WI..... 2 881.04	DE..... 2 058.24	WI..... 738.02
17	NV..... 4 238.48	MT..... 3 494.64	ME..... 616.59	TN..... 261.11	LA..... 107.93	IN..... 74.23	NM..... 2 878.71	RI..... 2 037.32	ME..... 721.94
18	NM..... 4 100.04	ND..... 3 485.74	UT..... 614.99	CA..... 252.48	IA..... 106.78	IA..... 72.80	MI..... 2 871.58	VT..... 2 008.81	MI..... 709.58
19	RI..... 4 092.36	RI..... 3 429.74	CA..... 608.50	WV..... 251.86	WV..... 104.65	NM..... 71.92	OR..... 2 861.94	ME..... 1 973.91	CO..... 684.42
20	MD..... 4 080.47	WI..... 3 411.50	CT..... 582.93	CT..... 247.55	CA..... 104.50	PA..... 71.09	VT..... 2 838.72	OR..... 1 934.19	IA..... 660.25
21	MD..... 4 084.41	CO..... 3 382.20	TN..... 586.19	MI..... 246.10	CA..... 103.52	LA..... 69.34	NE..... 2 760.50	NV..... 1 925.55	KS..... 658.49
22	AZ..... 4 068.29	MI..... 3 373.20	AL..... 557.38	SC..... 230.79	KS..... 101.36	CO..... 68.87	IL..... 2 751.76	CO..... 1 925.41	TX..... 650.99
23	VT..... 4 049.35	NV..... 3 303.67	WV..... 554.26	SD..... 233.25	VA..... 100.67	WV..... 64.27	IA..... 2 746.74	AZ..... 1 920.97	AZ..... 635.61
24	UT..... 4 033.68	ME..... 3 294.42	ID..... 549.18	NJ..... 231.65	GA..... 100.53	TX..... 63.87	AZ..... 2 731.67	VA..... 1 895.53	FL..... 611.90
25	MI..... 4 000.43	IA..... 3 278.58	SC..... 542.18	PA..... 229.14	WI..... 100.23	KS..... 63.06	FL..... 2 719.28	IA..... 1 881.43	CA..... 601.75
26	OH..... 3 921.98	NE..... 3 253.98	WA..... 538.75	OK..... 223.77	DC..... 99.86	NV..... 60.00	MT..... 2 712.15	PA..... 1 858.66	VA..... 597.73
27	ND..... 3 866.92	GA..... 3 226.55	KY..... 538.19	GA..... 218.93	ID..... 97.74	IN..... 59.88	ND..... 2 708.44	KS..... 1 847.63	MD..... 590.31
28	IL..... 3 809.06	LA..... 3 222.47	IA..... 531.84	IN..... 208.32	OK..... 96.83	IL..... 59.56	RI..... 2 704.68	NE..... 1 815.12	WA..... 583.83
29	IA..... 3 785.04	AZ..... 3 171.13	WI..... 530.46	HI..... 207.42	NE..... 96.82	TN..... 59.50	KS..... 2 689.03	OH..... 1 813.05	SD..... 582.57
30	GA..... 3 714.07	GA..... 3 109.58	MD..... 525.51	OR..... 201.33	TX..... 95.82	CA..... 57.39	ME..... 2 677.83	OH..... 1 801.02	SD..... 515.60
31	LA..... 3 687.58	KS..... 3 102.71	AR..... 523.04	NC..... 198.32	KY..... 95.50	VA..... 55.95	VA..... 2 665.57	MT..... 1 794.93	PA..... 515.60
32	PA..... 3 684.31	FL..... 3 095.80	NJ..... 521.73	UT..... 197.85	SC..... 94.68	DE..... 55.41	GA..... 2 595.21	FL..... 1 748.30	GA..... 493.69
33	TN..... 3 683.83	VA..... 3 085.17	DE..... 521.51	AL..... 196.49	NC..... 94.20	AZ..... 52.47	LA..... 2 581.45	NH..... 1 690.39	ND..... 476.08
34	ME..... 3 681.50	PA..... 3 062.32	PA..... 516.74	NM..... 196.47	MI..... 94.10	NC..... 51.90	PA..... 2 545.58	NM..... 1 690.05	IN..... 472.43
35	KS..... 3 652.48	UT..... 3 023.25	GA..... 514.37	IA..... 193.47	MO..... 92.30	OK..... 51.80	IN..... 2 507.19	NC..... 1 674.99	UT..... 431.58
36	FL..... 3 638.11	OH..... 3 000.97	OH..... 509.77	NE..... 193.03	TN..... 91.95	MO..... 51.01	OH..... 2 491.20	TX..... 1 662.65	NV..... 425.09
37	SC..... 3 601.74	IN..... 2 957.60	MI..... 501.62	MO..... 190.47	RI..... 88.53	GA..... 50.76	TX..... 2 438.68	IN..... 1 831.22	ID..... 413.90
38	VA..... 3 552.10	SD..... 2 910.78	NE..... 493.48	IL..... 186.04	IL..... 87.73	ME..... 50.32	UT..... 2 408.25	UT..... 1 582.05	SC..... 401.39
39	NC..... 3 498.10	TX..... 2 871.79	CO..... 483.68	WA..... 181.71	IN..... 81.69	OR..... 50.00	NH..... 2 383.53	OK..... 1 574.82	HI..... 384.07
40	TX..... 3 460.22	SC..... 2 863.15	OK..... 478.54	MO..... 173.31	ME..... 80.82	NJ..... 48.87	NC..... 2 354.17	ND..... 1 568.16	NC..... 352.51
41	AL..... 3 407.58	ID..... 2 835.76	IL..... 474.79	TX..... 163.86	AR..... 76.73	AR..... 48.85	OK..... 2 340.47	WV..... 1 562.45	MO..... 341.50
42	SD..... 3 359.17	OK..... 2 817.01	NC..... 461.66	ID..... 155.10	MA..... 75.10	NH..... 47.98	SC..... 2 320.97	SC..... 1 561.96	MS..... 340.91
43	OK..... 3 354.84	NC..... 2 815.84	IN..... 450.41	WY..... 154.18	FL..... 73.58	WI..... 47.65	ID..... 2 286.58	LA..... 1 561.77	TN..... 321.26
44	ID..... 3 349.08	WV..... 2 798.03	AZ..... 439.45	CO..... 151.22	NY..... 72.94	MS..... 46.93	WV..... 2 243.77	LA..... 1 560.23	DE..... 304.45
45	IN..... 3 277.08	NH..... 2 767.09	TX..... 433.11	DE..... 147.67	NJ..... 72.36	KY..... 44.61	SD..... 2 187.61	MO..... 1 551.32	OK..... 277.42
46	WV..... 3 208.38	AL..... 2 719.18	MO..... 414.87	AZ..... 146.88	PA..... 71.05	SC..... 44.18	AL..... 2 161.79	KY..... 1 495.52	VA..... 268.70
47	KY..... 3 199.96	KY..... 2 697.37	KS..... 413.68	KS..... 146.61	CT..... 69.42	MI..... 42.41	KY..... 2 161.18	SD..... 1 446.54	WV..... 256.36
48	MS..... 3 167.87	MS..... 2 676.81	VA..... 399.60	FL..... 142.45	NV..... 65.25	OH..... 38.41	MO..... 2 135.15	TN..... 1 399.01	KY..... 252.29
49	NH..... 3 159.73	TN..... 2 661.22	NV..... 394.84	NH..... 137.16	NH..... 65.25	FL..... 38.01	TN..... 2 095.02	AL..... 1 328.16	AR..... 228.19
50	MO..... 3 011.96	MO..... 2 550.02	NH..... 383.55	VA..... 135.69	OH..... 63.90	NY..... 34.78	MS..... 2 019.33	AR..... 1 273.21	NM..... 218.50
51	AR..... 2 699.68	AR..... 2 368.00	FL..... 376.52	NV..... 95.03	MO..... 62.79	MA..... 26.94	AR..... 1 844.97	MS..... 1 263.71	AL..... 163.03

Figure 1.

State and Local Governments Ranked According to Selected Per Capita Revenue Amounts: 1989-90-Con.

[Amounts in dollars. For meaning of abbreviations and symbols, see introductory text]

Rank	General revenue - Con.									
	General revenue from own sources - Con.									
	Taxes - Con.			Charges			Miscellaneous			
	Individual and corporate income	Sales and gross receipts		Total ¹	Education	Hospital	Interest earnings	Rents and royalties	Utility and liquor store revenue	
		General sales	Selective sales							
10	11	12	13	14	15	16	17	11		
	US..... 519.50	US..... 487.66	US..... 227.57	US..... 464.56	US..... 132.04	US..... 125.10	US..... 236.11	US..... 11.14	US..... 235.71	
1	DC..... 1 281.63	HI..... 1 061.99	NV..... 561.71	AK..... 1 095.89	VT..... 314.88	GA..... 318.43	AK..... 3 202.69	AK..... 1 448.74	NE..... 992.20	
2	NY..... 1 191.18	WA..... 1 044.94	DC..... 342.40	DE..... 684.53	ND..... 286.14	MS..... 315.93	WY..... 1 116.10	NM..... 153.70	TN..... 728.64	
3	MA..... 960.92	DC..... 768.63	HI..... 341.18	ND..... 671.57	DE..... 274.91	WY..... 315.84	NM..... 550.61	WY..... 94.60	UT..... 594.31	
4	MD..... 948.47	CT..... 743.35	VT..... 328.61	WY..... 644.88	CO..... 216.70	AL..... 296.93	DE..... 461.06	LA..... 66.17	DC..... 544.57	
5	DE..... 898.53	NM..... 675.35	CT..... 313.80	HI..... 605.12	IA..... 211.88	SC..... 237.99	MT..... 405.27	CO..... 34.55	WA..... 526.81	
6	MN..... 787.65	NV..... 673.59	IL..... 287.73	NE..... 596.18	NE..... 205.04	NE..... 234.83	SD..... 351.74	ND..... 31.43	AZ..... 428.67	
7	CA..... 730.94	AZ..... 637.65	FL..... 286.91	WA..... 584.36	IN..... 194.59	TN..... 221.40	RI..... 328.14	MT..... 27.87	SC..... 345.04	
8	HI..... 712.86	FL..... 634.72	TX..... 282.51	MI..... 580.25	MI..... 188.95	IA..... 219.25	MN..... 325.47	TX..... 18.00	AL..... 344.51	
9	OR..... 694.73	TN..... 628.78	VA..... 279.91	CA..... 574.43	UT..... 183.48	LA..... 191.98	OR..... 323.21	HI..... 14.64	NC..... 334.41	
10	MI..... 659.75	NY..... 615.58	NJ..... 279.58	AL..... 572.61	NH..... 183.31	IN..... 190.38	LA..... 317.53	OK..... 12.20	AK..... 324.01	
11	WI..... 625.81	LA..... 586.24	WA..... 276.77	IA..... 571.54	WI..... 175.20	NC..... 174.89	FL..... 297.99	WA..... 11.21	CA..... 302.64	
12	OH..... 606.24	CA..... 574.26	MD..... 272.75	GA..... 553.53	WY..... 173.44	MN..... 172.54	CO..... 292.40	NE..... 10.32	CO..... 276.47	
13	NC..... 603.83	TX..... 544.48	AL..... 266.88	MS..... 550.11	OH..... 168.26	OK..... 165.86	ND..... 291.85	NV..... 9.83	GA..... 269.51	
14	VA..... 547.66	GA..... 541.69	MN..... 266.22	NV..... 527.55	VA..... 168.26	CA..... 160.87	NV..... 284.38	CA..... 8.88	FL..... 254.27	
15	IA..... 530.71	CO..... 506.30	KY..... 263.87	SC..... 525.71	MN..... 166.85	ID..... 144.87	HI..... 281.66	UT..... 8.17	TX..... 248.17	
16	NJ..... 527.19	MO..... 496.90	NY..... 257.79	CO..... 521.08	KS..... 165.41	KS..... 141.66	UT..... 278.05	CT..... 7.84	MA..... 239.38	
17	PA..... 522.43	UT..... 495.01	WV..... 251.20	NY..... 518.05	OK..... 162.64	FL..... 138.71	KS..... 271.79	AZ..... 7.80	NY..... 238.61	
18	ME..... 519.72	IL..... 491.74	RI..... 248.96	IN..... 515.15	AZ..... 160.10	NV..... 131.97	NJ..... 271.46	MI..... 7.47	OR..... 237.71	
19	GA..... 518.54	SD..... 472.44	NH..... 244.51	OK..... 493.26	SC..... 155.39	NM..... 129.26	CA..... 264.22	SD..... 7.00	VT..... 221.71	
20	KY..... 496.97	IN..... 460.22	OK..... 241.68	LA..... 492.47	AR..... 153.25	MI..... 127.75	NE..... 257.59	MS..... 5.98	KS..... 214.95	
21	RI..... 493.93	WY..... 452.07	DE..... 240.47	TN..... 484.95	MS..... 150.35	NY..... 121.99	NY..... 254.35	RI..... 4.89	NH..... 214.95	
22	VT..... 493.84	KS..... 434.84	ND..... 239.59	FL..... 481.99	AL..... 149.88	UT..... 120.26	AZ..... 253.07	IA..... 4.78	MN..... 120.92	
23	IN..... 483.66	OK..... 433.70	MT..... 228.50	OR..... 478.98	OR..... 149.58	VA..... 118.00	TX..... 251.49	OR..... 4.53	OK..... 197.96	
24	ID..... 472.45	MN..... 430.59	TN..... 221.26	MI..... 478.51	NM..... 148.11	AR..... 114.95	PA..... 242.48	PA..... 4.22	MS..... 188.06	
25	IL..... 457.34	WV..... 426.39	SD..... 220.99	WI..... 477.17	MO..... 144.29	WA..... 114.85	KY..... 239.56	NC..... 4.21	WY..... 184.48	
26	MT..... 450.51	NJ..... 425.79	NM..... 219.48	VA..... 466.08	WA..... 144.02	OR..... 105.08	ME..... 225.02	AL..... 3.72	IA..... 180.18	
27	CO..... 444.78	MS..... 423.27	NC..... 218.89	UT..... 465.17	LA..... 137.06	WI..... 103.94	CT..... 222.28	KY..... 3.69	MI..... 172.95	
28	SC..... 439.09	SC..... 418.21	ME..... 215.25	KS..... 462.71	TX..... 136.49	TX..... 101.74	VT..... 220.96	NY..... 3.54	PA..... 172.02	
29	MO..... 433.85	ME..... 414.50	NE..... 215.22	VT..... 441.53	AK..... 135.62	KY..... 96.94	OK..... 217.55	VA..... 3.54	IN..... 168.30	
30	KS..... 430.68	AR..... 412.97	LA..... 211.04	ID..... 439.33	MO..... 134.37	MA..... 95.98	NH..... 216.32	MN..... 3.47	VA..... 163.25	
31	UT..... 430.06	WI..... 410.18	WI..... 210.98	NC..... 438.41	RI..... 132.80	MO..... 95.28	WV..... 209.41	NH..... 3.17	DE..... 154.86	
32	WV..... 411.88	AL..... 402.27	SC..... 206.83	NJ..... 423.38	NC..... 131.50	CO..... 88.45	MD..... 195.78	WI..... 3.16	MO..... 152.30	
33	CT..... 392.51	NC..... 399.98	AZ..... 206.68	NM..... 416.35	SD..... 127.29	WV..... 88.36	IL..... 194.89	ID..... 3.08	SD..... 150.74	
34	AR..... 369.84	RI..... 396.24	OH..... 202.73	MA..... 412.17	ME..... 124.24	OH..... 87.86	VA..... 186.94	PA..... 3.01	NV..... 150.55	
35	NE..... 359.64	ND..... 381.52	PA..... 200.63	TX..... 408.02	KY..... 120.24	DC..... 81.04	WI..... 181.72	MO..... 2.99	LA..... 145.93	
36	OK..... 348.63	OH..... 381.22	MS..... 197.87	OH..... 401.67	MT..... 119.32	HI..... 62.11	AL..... 180.43	DC..... 2.98	KY..... 143.52	
37	AZ..... 339.33	ID..... 380.43	IA..... 196.67	NH..... 377.19	IL..... 118.38	CT..... 54.68	IA..... 178.62	FL..... 2.49	NM..... 131.33	
38	AK..... 336.62	NE..... 378.82	KS..... 194.34	AR..... 367.57	WV..... 117.12	AK..... 51.58	IA..... 178.49	DE..... 2.44	OH..... 129.65	
39	AL..... 334.80	PA..... 355.58	AK..... 193.18	DC..... 363.00	CA..... 113.53	NJ..... 44.31	IN..... 174.04	MO..... 2.41	IL..... 129.29	
40	NM..... 279.01	IA..... 351.15	GA..... 185.81	AZ..... 356.13	MA..... 110.81	IL..... 43.15	WA..... 173.65	ME..... 2.40	AR..... 116.42	
41	LA..... 268.05	MI..... 342.94	CO..... 182.27	MO..... 355.82	ID..... 110.76	DE..... 32.92	MI..... 171.03	KS..... 2.27	ID..... 110.06	
42	ND..... 238.57	MD..... 328.77	AR..... 181.94	WV..... 352.66	PA..... 110.41	MT..... 32.55	ID..... 168.11	SC..... 2.13	ME..... 106.58	
43	MS..... 213.90	MA..... 325.21	ID..... 180.23	MD..... 350.29	TN..... 109.07	AZ..... 31.87	SC..... 165.47	IN..... 2.07	CT..... 105.70	
44	NH..... 151.47	VA..... 298.85	MO..... 178.15	KY..... 348.78	NJ..... 102.53	ME..... 29.66	MO..... 162.96	GA..... 2.04	NJ..... 103.95	
45	TN..... 89.19	KY..... 295.14	CA..... 176.67	MT..... 331.33	HI..... 94.31	PA..... 28.80	DC..... 181.57	TN..... 1.88	HI..... 94.52	
46	FL..... 54.01	VT..... 241.61	OR..... 172.81	IL..... 327.04	CT..... 90.71	ND..... 25.51	NC..... 157.58	OH..... 1.12	WI..... 93.93	
47	SD..... 44.15	AK..... 131.21	MA..... 157.10	ME..... 323.06	FL..... 87.19	SD..... 21.29	GA..... 155.37	AR..... 1.11	MD..... 88.65	
48	TX..... .01	DE..... -	IN..... 152.03	PA..... 319.43	GA..... 85.85	RI..... 7.53	AR..... 151.70	WY..... .90	MT..... 84.88	
49	NV..... -	MT..... -	UT..... 147.58	CT..... 319.11	NV..... 79.94	MD..... 6.94	TN..... 150.59	IL..... .86	ND..... 72.77	
50	WA..... -	NH..... -	MI..... 137.40	SD..... 313.60	NY..... 74.82	VT..... 4.55	OH..... 139.32	NJ..... .79	WV..... 72.49	
51	WY..... -	OR..... -	WY..... 128.98	RI..... 255.20	DC..... 21.48	NH..... 3.43	MS..... 133.81	MA..... .61	RI..... 67.58	

¹Includes amounts not shown separately.

table, we estimate that it would have increased Nevada total per capita revenues by approximately \$70, moving Nevada to 16th in the total revenue ranking in column 1.3

It is also interesting to note who ranks higher than Nevada in these categories. These states can be broken into three basic groups:

- 1) high cost of living states (AK, HI, DC, NY, & NJ);
- 2) states that have traditionally had high taxes (MA, MN, OR, & WI); and
- 3) wealthy states (CA & CT).

Although Nevada has historically been in the top third of the states in per capita income, its rank by that variable is likely to fall as a result of the recent growth in population. Hence, Nevada really does not fit in any of these categories and we have to ask ourselves what we are doing in this company?

The answer to this can be seen in the other columns of the Figure. First, we can eliminate federal largess as the source of our relatively high revenue per capita. We do very poorly in Washington, D.C., ranking 49th. If we could just do as good as the median state, the state of Washington (ranked 26th), on obtaining federal funding, we could move up to 15th in total revenue per capita.

We can also eliminate high property taxes as the cause for Nevada's high ranking on revenue. Nevada ranks 36th in property tax revenues per capita. If our property taxes were at the level of the median state, Virginia, Nevada would be ranked 12th in revenues from our own sources (Column 7).

The key to understanding where the money comes from is to note that we are ranked 6th in general sales tax revenue (column 11). We are 1st in "selective sales" (column 12), which includes \$338.2 million in gross gaming receipts and casino entertainment taxes paid in 1989-90.⁴ Because of these two taxes we rank 14th in the nation in per capita revenues from our own, in-state, sources. This reinforces the point above that we have a lot of resources to meet our needs compared to other states.

There are a couple of other points to be made about the revenue side. First, the high level of state and local revenues per capita is obviously due to the gaming industry. If you subtract the \$281.92 per capita in "selective sales" taxes in column 12 which represents the \$338.2 million in gaming taxes paid to the state general fund in 1989-90 and \$40.42 per capita representing \$49.7 million in other real estate and other taxes and licenses paid by the gaming industry,⁵ from Nevada's \$2,908.83 per capita

3 The Business License Fee has raised \$47 million in the current year. Divided by 1.23 million population, this raises about \$38 per capita. The sales tax increases the sales tax figure in column 11 of table 32 by approximately 5%, or \$33 per capita.

4 *Nevada Legislative Appropriations Report*, Fiscal Analysis Division, Legislative Counsel Bureau, Sixty-Sixth session, Carson City, 1991.

5 *Nevada Gaming Abstract 1989*, State Gaming Control Board, Carson City, Nevada, December 1989, p. 1-56.

in "Total General Revenues from own sources" (column 7), the resulting \$2,586.49 per capita would put Nevada 32nd in own source revenues. Hence, the second point is that because of the gaming industry most of the other sectors of the state economy have been enjoying something of a tax holiday. Even if we add in the taxes adopted in the Sixty-Sixth session mentioned above, the Business License Fee and the increase in the sales tax, Nevada would still be 32nd in total own source revenues.

A third point to be made on the revenue side concerns where the money comes from. It is generally presumed that the gaming industry bears the bulk of the tax burden in the state. Indeed, as noted above, the tourism industry does make a very significant contribution to the state's revenues. Taxes from the tourism industry move Nevada from a rank of 32nd in own source revenues to 14th. On the other hand, gaming tax revenues are usually viewed only in the context of general fund revenues. In the 1989-90 fiscal year, which matches the federal data cited, gaming taxes accounted for 42.8% of general fund revenues.⁶ On the other hand, using combined state and local revenue data from Government Finances: 1989-90 shows gaming contributing 11% of all own source revenues.

Even if we assume that tourists pay 25% of sales tax revenues, which would raise the estimate of revenues from the tourism industry to \$560.69 per capita or \$691 million, this would still only raise the contribution of the gaming and tourism industry to all own source revenues to approximately 19%. Again, the point is not that gaming does not pay enough taxes. The point is that 80% to 90% of all own source revenues come from Nevada households and (non-gaming) businesses. Anyone who thinks that the state is getting a "free ride" from tourists should think again. The vast majority of money spent by the state, county governments, and city councils in Nevada comes from Nevada taxpayers, not tourists. It is true that the tourism industry generates a significant percentage of Nevadans' household income, but the point is that the vast majority of tax revenues come from, and/or at the expense of Nevadans' household incomes.

Industry Specific Taxes

This perspective on "where the money comes from" is reinforced by examining the state's reliance on industry specific taxes. The tax burden of the gaming/tourism industry has been discussed in some detail above. There are two other significant industry specific taxes that should be mentioned, however: the insurance premium tax and mining taxes.

The case of the insurance premium tax provides an excellent example of the point above that the vast majority of Nevada state and local tax revenues come from and/or are at the expense of the household incomes of Nevadans. Since the state requires insurance to license a car, lenders require insurance to obtain a mortgage on property, and many employers are required by contracts or are simply compelled by

⁶ Nevada Legislative Appropriations Report, op. cit.

market competition to provide health insurance coverage, the vast majority of insurance purchases are non-discretionary. In economic terms this implies that the demand for insurance is extremely inelastic relative to supply so that the vast majority of the premium tax is passed on the consumer.

Hence, we suspect that the \$53.2 million in insurance premium taxes paid in 1989-907 came largely from Nevadans' household incomes in the case of automobile and property insurance and from the funds available to employers to pay labor costs in the case of health insurance. The only sense in which the insurance industry bears this tax is to the extent that it lowers their profits because consumers buy fewer forms of discretionary insurance such as life insurance and "riders" or extensions of required coverage because the tax is included in the premium. Anyone who thinks the insurance industry pays the insurance premium tax should think again.

The case of mining taxes is only slightly different from the case of the insurance premium tax in terms of the incidence, or who pays the tax. Since no one is required to purchase the state's main mineral product, gold, and producers have no control over price, taxes cannot be passed on to consumers and are initially paid at the expense of producers' profits. On the other hand, and as in any industry, as taxes squeeze profits producers look for ways to cut costs to maintain profit margins acceptable to investors. This almost invariably involves cutting variable, non-capital, costs which, as a general rule, means lay-offs of workers who then become the ultimate bearer of the tax burden. Even if lay-offs do not occur immediately because of the tax, to the extent that the tax does come out of company profits and raises production costs it will render marginal ores unprofitable and hasten the closing of the mine and associated lay-offs.

As we have seen, the fallacy of reliance on industry specific taxes is the belief that the targeted industries bear the burden of the tax. What industry specific taxes actually do is to target the burden of taxes on workers and owners in particular sectors of the economy, retarding growth and employment in that and related industries.

One argument frequently heard from advocates of raising industry specific taxes relates to these industries' ability to pay. While the ability to pay principle of tax equity is a longstanding philosophical principle of tax equity which can be traced back to Rousseau and John Stuart Mill, it makes more sense to discuss ability to pay in the context of taxes on individuals rather than businesses which shift the burden to various classes of consumers, workers, and resource owners. It should also be noted that the other longstanding philosophical position on tax equity, which can be traced back to Adam Smith and other writers is the benefit principle. This principle holds that the burden of taxation should bear a reasonable relationship to the benefits the taxpayer derives from government.⁸

⁷ Ibid.

⁸ For a more complete discussion of these principles of tax equity refer to almost any text on public finance. For example, see Richard A. Musgrave and Peggy B. Musgrave, *Public Finance in Theory and Practice*, 5th ed., New York: McGraw-Hill, 1989, 218-33.

Without detailed industry specific tax data it is difficult to be precise about how the burdens of Nevada's industry specific taxes are shifted around, but as a first approximation we can compare the relative burdens of gaming, mining, and other industries. Consider, for example, that the gaming and mining industries, with a total of 171,700 employees (92% of which are in gaming),⁹ paid a total of \$463 million in direct taxes.¹⁰ On a per worker basis, which is critical because of the tax impacts for limiting earnings and employment in these industries, these figures imply a burden of \$2,696.

Compare these burdens to those in the non-gaming and non-mining sectors of Nevada's economy which employed 369,800 workers in January 1992 and paid only \$85 per worker for the Business License Fee.¹¹ These non-gaming and non-mining businesses also paid property and sales taxes but it is difficult to imagine that they would come anywhere close to the burden of the mining and gaming industries. It is equally difficult to imagine that the benefits derived by these various classes of Nevadans varies as widely as their tax burdens. Presumably, it costs the same to educate the child of a gaming industry or mining industry worker as the child of a plumber or warehouse worker. As discussed below, it can be argued that targeted industries may impose certain costs on the state but it is still difficult to imagine that differences in benefits are even close to differences in tax burdens between these segments of the state economy.

To conclude the discussion of "where the money comes from," the point above should be reiterated. Even in the case of industry specific taxes, businesses do not pay taxes, people pay taxes. The point is obvious when talking about property taxes and sales taxes. However, even when taxes are collected from businesses, as in the case of Nevada's collection of industry specific taxes, it is a fallacy to believe that businesses can be made to pay taxes. The ultimate burden of the tax will fall on businesses' workers, owners, or consumers.

WHERE THE MONEY GOES

Turning to the expenditure side, column 1 of Figure 2 shows Nevada ranked 16th in total expenditures per capita which seems reasonable compared to our #17 ranking in total revenues. The real question the tables raise is what do we do with our money? The figure can answer that question. For example, columns 3 and 4 show that our current expenditures are somewhat lower than total (29th) but our capital outlays are higher (5th). This is consistent with the fact that we are a fast growing state and reflects the perceived need build infrastructure to meet the needs

9 *Economic Update, 1st Quarter, 1990*, State of Nevada, Employment Security Department, 1990.

10 Mining taxes are from John L. Dobra and Paul R. Thomas, *The U.S. Gold Industry 1992*, Nevada Bureau of Mines and Geology, University of Nevada, Reno, December 1992. Gaming taxes are from *Nevada Gaming Abstract 1989*, State Gaming Control Board, Carson City, Nevada, December 1989, p. 1-56 and *Nevada Legislative Appropriations Report*, Fiscal Analysis Division, Legislative Counsel Bureau, Sixty-Sixth session, Carson City, 1991.

11 Based on \$47 million raised from 551,600 statewide non-governmental employees in January 1992 which includes gaming and mining employers subject to the fee. *Nevada Economic Data*, State of Nevada, Employment Security Department, 1990.

Figure 2.

State and Local Governments Ranked According to Selected Per Capita Revenue Amounts: 1989-90

[Amounts in dollars. For meaning of abbreviations and symbols, see introductory text]

Rank	General expenditure								
	Total	Total	Current expenditure	Capital outlay	Education		Public welfare	Hospitals	Health
					Higher	Elementary and secondary			
1	2	3	4	5	6	7	8	9	
	US..... 3 923.88	US..... 3 358.46	US..... 2 928.45	US..... 428.01	US..... 295.20	US..... 812.23	US..... 444.37	US..... 202.69	US..... 97.39
1	AK..... 10 981.98	AK..... 9 774.63	AK..... 8 739.77	AK..... 1 034.86	DE..... 499.45	AK..... 1 660.74	DC..... 1 107.79	DC..... 471.88	AK..... 254.03
2	DC..... 8 853.68	DC..... 6 622.43	DC..... 5 969.08	HI..... 852.70	WY..... 492.22	WY..... 1 193.38	NY..... 889.50	WY..... 400.09	DC..... 258.16
3	NY..... 5 962.73	NY..... 5 021.26	NY..... 4 465.06	AZ..... 822.85	ND..... 485.08	NY..... 1 096.86	MA..... 758.45	GA..... 396.33	MI..... 168.30
4	WY..... 5 233.69	WY..... 4 753.77	WY..... 3 870.57	VT..... 783.20	VT..... 452.50	NJ..... 999.51	AK..... 681.29	NY..... 381.33	DE..... 152.89
5	MA..... 4 598.80	CT..... 4 083.14	CT..... 3 558.60	NV..... 757.31	AK..... 446.43	CT..... 983.50	MA..... 585.41	AL..... 348.69	HI..... 143.31
6	CA..... 4 568.92	HI..... 3 983.53	MA..... 3 498.48	DC..... 653.35	NM..... 439.86	VT..... 964.81	CA..... 575.51	MS..... 347.60	MA..... 141.82
7	WA..... 4 534.49	MN..... 3 913.55	NJ..... 3 407.02	MN..... 596.56	IA..... 433.55	DC..... 944.28	ME..... 587.20	SC..... 306.67	RI..... 136.51
8	CT..... 4 524.52	NJ..... 3 872.95	CA..... 3 405.18	WA..... 574.00	UT..... 428.61	MN..... 917.95	WI..... 550.97	LA..... 306.47	NY..... 133.07
9	HI..... 4 433.68	MA..... 3 866.98	DE..... 3 390.74	MD..... 567.41	AZ..... 409.94	OR..... 898.68	RI..... 548.24	IA..... 277.25	SC..... 119.97
10	MN..... 4 406.57	DE..... 3 866.58	MN..... 3 318.99	NY..... 556.19	WI..... 392.59	WA..... 879.33	CT..... 545.16	NE..... 274.96	WA..... 118.65
11	NJ..... 4 383.15	CA..... 3 795.20	VT..... 3 261.54	CT..... 524.54	NE..... 388.31	WI..... 875.14	MI..... 502.65	TN..... 249.11	FL..... 118.55
12	DE..... 4 228.27	RI..... 3 674.32	RI..... 3 253.54	MI..... 523.16	MI..... 381.97	MT..... 874.10	OH..... 494.37	MN..... 248.75	CA..... 113.43
13	AZ..... 4 225.60	VT..... 3 615.68	HI..... 3 130.83	FL..... 516.83	CO..... 381.70	ME..... 872.64	VT..... 487.66	NC..... 230.95	WY..... 111.48
14	NE..... 4 166.84	AZ..... 3 557.99	MI..... 3 042.54	GA..... 500.60	KS..... 380.06	MI..... 859.34	NJ..... 470.54	MA..... 229.25	NC..... 110.88
15	RI..... 4 122.49	MD..... 3 478.94	WI..... 3 038.14	VA..... 483.81	HI..... 369.75	PA..... 845.84	PA..... 439.49	IN..... 225.65	CT..... 107.16
16	NV..... 4 016.28	NV..... 3 430.97	OR..... 2 980.94	CO..... 478.99	OR..... 361.63	NH..... 840.28	IA..... 437.70	CA..... 222.81	VA..... 105.67
17	VT..... 3 984.37	WI..... 3 417.73	ND..... 2 969.33	DE..... 475.83	NC..... 358.92	VA..... 838.32	WA..... 431.23	MT..... 221.77	MT..... 105.57
18	MI..... 3 949.79	WA..... 3 413.30	ME..... 2 929.76	ID..... 439.96	WA..... 350.44	MD..... 828.42	MD..... 397.55	CT..... 202.30	OH..... 104.94
19	OR..... 3 921.86	OR..... 3 397.18	MD..... 2 911.53	NJ..... 435.93	MN..... 344.49	DE..... 825.66	HI..... 397.01	KS..... 196.85	MD..... 100.24
20	MD..... 3 904.36	ND..... 3 395.51	WA..... 2 839.30	IA..... 403.42	CA..... 337.25	TX..... 820.56	IL..... 396.79	NV..... 194.20	AL..... 99.12
21	CO..... 3 877.93	MI..... 3 356.92	CO..... 2 771.43	TX..... 426.93	VA..... 333.65	CO..... 813.95	ND..... 391.51	TX..... 190.60	NH..... 98.24
22	UT..... 3 750.47	NM..... 3 276.00	NM..... 2 752.84	ND..... 426.19	AL..... 332.69	CA..... 811.85	KY..... 388.67	NM..... 186.27	MN..... 94.77
23	WI..... 3 742.72	ME..... 3 271.10	IA..... 2 750.72	AZ..... 424.03	IN..... 324.30	NE..... 809.76	MT..... 366.36	MI..... 185.25	NM..... 94.26
24	ND..... 3 729.40	CO..... 3 250.42	AZ..... 2 735.14	NE..... 421.88	SC..... 314.47	RI..... 806.60	IN..... 360.48	VA..... 184.05	WI..... 91.97
25	MT..... 3 654.89	IA..... 3 184.14	MT..... 2 721.24	RI..... 420.78	MS..... 307.69	ND..... 788.43	WV..... 353.14	VA..... 177.00	OR..... 90.61
26	NM..... 3 621.20	FL..... 3 159.98	LA..... 2 708.37	SD..... 419.07	ID..... 306.99	GA..... 788.78	AZ..... 350.41	AR..... 167.15	SD..... 88.39
27	FL..... 3 569.59	VA..... 3 150.79	PA..... 2 688.08	OR..... 416.22	OK..... 305.88	MA..... 777.65	OK..... 350.40	ID..... 166.71	AZ..... 85.23
28	ME..... 3 580.25	MT..... 3 145.27	KS..... 2 675.08	NC..... 411.26	MO..... 305.15	FL..... 774.79	DE..... 343.41	WA..... 159.74	IL..... 84.91
29	OH..... 3 548.95	LA..... 3 063.12	NV..... 2 673.66	TN..... 410.38	TX..... 296.81	KS..... 772.98	OR..... 337.65	MO..... 151.28	CO..... 83.30
30	GA..... 3 515.25	NE..... 3 053.01	VA..... 2 666.98	UT..... 404.05	KY..... 290.19	AZ..... 770.75	NE..... 336.12	OR..... 147.85	UT..... 83.02
31	PA..... 3 500.65	GA..... 3 033.08	FL..... 2 643.15	IL..... 402.26	TN..... 281.21	NV..... 767.71	AR..... 335.71	UT..... 140.42	VT..... 81.57
32	IA..... 3 499.05	KS..... 3 023.75	OH..... 2 634.39	NH..... 400.76	OH..... 280.09	OH..... 767.48	GA..... 333.42	OH..... 140.34	MO..... 79.49
33	TN..... 3 491.11	IL..... 3 021.62	NE..... 2 631.13	CA..... 390.03	ME..... 269.75	SC..... 752.54	NH..... 332.56	CO..... 139.80	PA..... 78.71
34	LA..... 3 442.94	PA..... 3 004.22	IL..... 2 619.36	WI..... 379.59	RI..... 269.59	IA..... 749.78	LA..... 320.01	HI..... 136.66	TN..... 78.57
35	IL..... 3 432.88	NH..... 2 963.29	NH..... 2 562.53	SC..... 372.07	NJ..... 262.22	NM..... 748.69	CO..... 311.63	KY..... 131.84	ME..... 78.56
36	VA..... 3 432.81	OH..... 2 954.32	GA..... 2 532.48	MA..... 368.50	WV..... 260.49	IN..... 743.37	SC..... 309.75	NJ..... 129.64	GA..... 74.31
37	SC..... 3 416.95	UT..... 2 879.41	SC..... 2 487.19	LA..... 354.75	IL..... 257.24	NC..... 742.77	KS..... 305.90	WV..... 126.23	NJ..... 72.25
38	KS..... 3 395.16	SC..... 2 859.26	UT..... 2 475.36	VT..... 354.15	AR..... 250.71	UT..... 719.16	MI..... 303.46	WI..... 124.99	ID..... 71.25
39	NC..... 3 352.92	NC..... 2 823.23	IN..... 2 429.91	KS..... 348.67	NY..... 247.62	IL..... 718.87	NC..... 289.51	RI..... 121.00	WV..... 70.33
40	NH..... 3 287.79	SD..... 2 798.55	NC..... 2 411.97	KY..... 345.15	LA..... 239.72	SD..... 718.71	FL..... 288.16	IL..... 113.42	NV..... 68.43
41	TX..... 3 242.48	TX..... 2 780.37	SD..... 2 379.48	ME..... 341.34	SD..... 233.79	MO..... 714.89	TN..... 283.87	AK..... 110.83	IA..... 66.33
42	AL..... 3 175.01	IN..... 2 761.53	WV..... 2 363.87	OK..... 337.09	GA..... 231.33	LA..... 686.03	SD..... 282.08	ND..... 96.19	LA..... 64.01
43	SD..... 3 098.54	AL..... 2 689.52	AL..... 2 357.33	AL..... 332.19	MT..... 229.27	WV..... 670.98	MO..... 281.17	AZ..... 85.79	KS..... 62.29
44	OK..... 3 097.94	OK..... 2 679.11	TX..... 2 353.44	WI..... 331.62	NV..... 226.68	OK..... 669.15	MS..... 276.22	PA..... 84.65	IN..... 60.63
45	WV..... 3 032.43	ID..... 2 632.71	OK..... 2 342.02	OH..... 319.93	MO..... 223.34	ID..... 642.61	UT..... 267.41	ME..... 82.75	AR..... 59.79
46	IN..... 3 030.01	KY..... 2 606.65	KY..... 2 261.50	PA..... 316.14	NH..... 216.30	HI..... 617.93	AL..... 265.58	MT..... 74.57	KY..... 59.62
47	KY..... 2 960.31	TN..... 2 604.79	MS..... 2 254.81	MI..... 314.38	FL..... 205.69	MS..... 617.61	VA..... 256.97	SD..... 72.27	MS..... 59.46
48	ID..... 2 925.55	WY..... 2 590.31	TN..... 2 194.42	MO..... 308.50	CT..... 198.52	AR..... 593.55	TX..... 253.38	DE..... 69.03	OK..... 53.51
49	MS..... 2 882.94	MS..... 2 562.30	ID..... 2 192.75	MS..... 307.50	MA..... 194.94	AL..... 578.48	ID..... 248.48	MD..... 68.78	TX..... 51.65
50	MO..... 2 787.49	MO..... 2 440.77	MO..... 2 132.27	WV..... 226.44	PA..... 173.98	TN..... 546.16	WY..... 240.77	NH..... 41.28	ND..... 38.77
51	AR..... 2 527.83	AR..... 2 276.39	AR..... 2 065.27	AR..... 211.13	DC..... 165.96	KY..... 542.37	NV..... 211.33	VT..... 40.07	NE..... 38.27

Figure 2.

State and Local Governments Ranked According to Selected Per Capita Revenue Amounts: 1989-90-Con.

[Amounts in dollars. For meaning of abbreviations and symbols, see introductory text]

Rank	General expenditure—Con.							Exhibit: Salaries and wages	Utility and liquor store expenditure
	Highways	Police	Fire	Correction	Parks and recreation	Sewerage	Interest on general debt		
	10	11	12	13	14	15	16		
	US..... 245.50	US..... 122.94	US..... 53.02	US..... 99.05	US..... 57.60	US..... 73.62	US..... 199.99	US..... 1 371.71	US..... 312.82
1	AK..... 975.11	DC..... 454.25	DC..... 160.83	DC..... 660.15	AK..... 132.62	DC..... 212.30	AK..... 1 441.16	DC..... 3 299.95	DC..... 1 763.12
2	WY..... 630.35	AK..... 195.92	NV..... 100.88	AK..... 208.92	HI..... 119.73	AK..... 122.81	DE..... 419.52	AK..... 3 014.40	NE..... 1 045.57
3	AZ..... 466.08	NY..... 188.51	RI..... 95.72	NY..... 185.25	NV..... 119.57	NJ..... 121.06	WY..... 381.74	NY..... 2 032.97	TN..... 754.48
4	SD..... 395.69	CA..... 165.15	MA..... 91.41	NV..... 155.18	DC..... 99.04	WI..... 110.57	LA..... 369.85	WY..... 1 895.53	WA..... 698.63
5	ND..... 390.87	NV..... 162.26	AK..... 82.50	CA..... 146.80	MN..... 95.74	MA..... 103.21	DC..... 355.03	MA..... 1 598.86	UT..... 675.31
6	MT..... 388.84	NJ..... 154.06	CA..... 80.81	MD..... 131.44	IL..... 89.47	RI..... 95.97	NY..... 312.48	MN..... 1 598.46	AK..... 669.11
7	CT..... 379.84	AZ..... 152.69	CT..... 77.74	AZ..... 124.57	FL..... 89.05	HI..... 93.79	CA..... 304.14	CA..... 1 548.67	NY..... 537.49
8	MN..... 375.46	FL..... 147.17	NY..... 76.59	MA..... 115.41	CO..... 86.57	CA..... 93.43	NJ..... 293.67	NJ..... 1 532.71	AZ..... 464.70
9	NY..... 370.60	WY..... 143.57	OR..... 70.76	FL..... 113.36	NM..... 86.04	MD..... 83.23	CT..... 268.80	CT..... 1 502.92	CA..... 418.57
10	VT..... 357.07	CT..... 139.26	MD..... 64.02	CO..... 112.50	MD..... 76.76	NY..... 81.46	NV..... 265.22	DE..... 1 494.83	SC..... 395.66
11	DE..... 354.22	MD..... 138.78	WA..... 62.57	DE..... 106.88	CA..... 74.38	DE..... 80.99	AZ..... 256.20	NE..... 1 477.84	NC..... 387.42
12	IA..... 344.85	MA..... 134.51	NH..... 59.48	NJ..... 106.47	NY..... 73.52	MN..... 80.55	MA..... 251.43	CA..... 1 461.30	MA..... 352.79
13	NE..... 331.80	IL..... 133.19	FL..... 57.03	GA..... 105.17	RI..... 72.38	VA..... 80.27	HI..... 249.18	WA..... 1 445.78	GA..... 339.64
14	KS..... 330.72	DE..... 129.42	WI..... 56.75	MI..... 103.11	WY..... 71.42	OH..... 80.20	MN..... 248.46	MD..... 1 424.62	CO..... 339.01
15	NM..... 324.20	MI..... 125.87	VA..... 56.47	CT..... 98.36	WA..... 67.86	NH..... 76.70	FL..... 246.49	CO..... 1 413.94	FL..... 337.39
16	ID..... 323.43	HI..... 124.24	IL..... 56.03	NM..... 97.86	NJ..... 66.53	AZ..... 76.19	SD..... 244.10	MI..... 1 407.10	AL..... 333.50
17	VA..... 320.52	CO..... 123.54	OH..... 53.11	VA..... 95.87	AZ..... 63.09	MI..... 75.71	NH..... 242.92	OK..... 1 396.89	TX..... 307.94
18	MD..... 315.56	WI..... 122.98	CO..... 51.93	OR..... 93.53	DE..... 57.56	WA..... 75.58	PA..... 240.54	VA..... 1 358.68	OR..... 270.61
19	CO..... 300.05	RI..... 121.64	AZ..... 51.81	SC..... 86.14	WI..... 56.82	IL..... 73.97	CO..... 238.68	OR..... 1 338.34	MN..... 240.32
20	ME..... 297.16	NM..... 121.61	NJ..... 47.90	KS..... 84.75	UT..... 56.70	VT..... 73.20	MT..... 236.13	VT..... 1 329.91	VT..... 237.74
21	NH..... 293.67	VA..... 116.62	ME..... 44.24	WY..... 84.36	VA..... 54.12	CT..... 72.87	OR..... 226.50	AZ..... 1 325.13	PA..... 234.34
22	WI..... 277.55	OR..... 114.03	NM..... 44.06	WA..... 84.26	CT..... 53.64	ME..... 72.74	KY..... 225.07	WI..... 1 322.64	OK..... 213.97
23	WV..... 269.51	LA..... 111.30	GA..... 43.87	TX..... 83.06	GA..... 51.62	OR..... 71.77	ND..... 219.55	ND..... 1 315.82	KS..... 212.75
24	NY..... 266.61	NH..... 106.75	HI..... 42.90	TN..... 82.56	LA..... 50.46	TX..... 71.11	WV..... 209.54	FL..... 1 301.61	SD..... 206.62
25	IL..... 264.16	OH..... 103.11	OK..... 42.37	NC..... 80.12	OR..... 49.47	CO..... 70.06	NM..... 207.99	KS..... 1 297.17	MO..... 202.20
26	NJ..... 258.17	MN..... 102.83	MI..... 41.85	RI..... 79.93	NC..... 49.38	IA..... 69.78	TX..... 203.72	NV..... 1 290.34	NH..... 197.68
27	RI..... 250.87	WA..... 102.17	WY..... 41.71	HI..... 72.31	MO..... 47.33	NV..... 69.76	MD..... 203.12	RI..... 1 277.70	MI..... 197.36
28	TX..... 249.29	GA..... 101.27	TX..... 40.69	WI..... 71.25	TN..... 46.68	PA..... 69.38	KS..... 200.98	SC..... 1 267.16	HI..... 192.66
29	OK..... 246.99	TX..... 100.38	TN..... 40.50	NH..... 70.91	SD..... 46.66	LA..... 69.05	VT..... 196.13	GA..... 1 250.25	WY..... 187.89
30	LA..... 244.99	NC..... 97.42	KS..... 39.95	OH..... 70.16	ND..... 46.07	IN..... 66.27	ME..... 188.17	IL..... 1 238.65	IA..... 186.83
31	UT..... 243.50	MO..... 96.59	MO..... 39.24	LA..... 69.02	IA..... 44.43	NM..... 60.52	IL..... 174.78	NC..... 1 238.19	NJ..... 183.72
32	OR..... 242.11	KS..... 92.19	LA..... 36.87	OK..... 67.17	MI..... 44.33	UT..... 59.32	UT..... 168.18	IA..... 1 235.49	MS..... 180.55
33	TN..... 241.67	ID..... 89.79	NE..... 36.33	IL..... 65.04	NE..... 41.44	NC..... 57.04	CA..... 167.89	NM..... 1 231.72	IN..... 179.05
34	HI..... 238.36	UT..... 89.51	MN..... 35.30	PA..... 64.88	OK..... 40.91	TN..... 56.41	WI..... 166.53	MT..... 1 231.68	OH..... 178.05
35	PA..... 231.26	PA..... 89.16	IN..... 35.24	ME..... 64.87	MA..... 40.48	FL..... 55.52	VA..... 159.82	UT..... 1 203.41	VA..... 171.84
36	NC..... 227.92	IN..... 86.73	AL..... 35.03	KY..... 63.36	TX..... 40.10	MO..... 54.63	WA..... 153.25	OH..... 1 196.79	IL..... 170.78
37	GA..... 222.78	TN..... 85.47	NC..... 34.96	UT..... 62.36	KS..... 39.03	GA..... 53.52	OK..... 144.38	TX..... 1 194.40	KY..... 170.29
38	WA..... 222.45	VT..... 84.69	UT..... 34.54	IN..... 57.49	OH..... 38.89	ID..... 51.48	TN..... 141.19	MO..... 1 149.88	DE..... 169.50
39	KY..... 218.85	IA..... 83.86	VT..... 32.17	MN..... 54.72	AL..... 38.57	MS..... 47.43	OH..... 136.61	AL..... 1 142.51	NV..... 167.18
40	MS..... 217.58	SC..... 83.00	ID..... 31.45	AL..... 52.65	SC..... 33.68	SC..... 47.13	AL..... 134.56	AL..... 1 142.44	NM..... 159.58
41	AL..... 216.58	NE..... 80.90	IA..... 31.04	NE..... 52.65	ID..... 33.42	WY..... 45.57	NE..... 131.52	IN..... 1 138.75	MO..... 154.15
42	FL..... 213.38	MT..... 80.54	SC..... 30.13	ID..... 51.79	KY..... 32.98	OK..... 44.93	MO..... 128.40	PA..... 1 107.00	LA..... 152.22
43	MO..... 212.24	OK..... 79.81	KY..... 29.61	MO..... 51.75	NH..... 31.98	KY..... 44.48	MI..... 127.64	ME..... 1 104.89	CT..... 142.07
44	AR..... 207.97	AL..... 78.31	MS..... 28.26	VT..... 47.74	WV..... 29.66	WV..... 43.45	IA..... 122.14	TN..... 1 095.01	AR..... 122.83
45	DC..... 205.05	ME..... 76.11	MT..... 27.54	IA..... 44.86	IN..... 29.35	NE..... 38.06	MS..... 120.06	ID..... 1 083.99	WI..... 117.66
46	MI..... 200.12	SD..... 74.99	PA..... 24.66	SD..... 43.86	ME..... 27.51	AR..... 34.23	AR..... 117.66	NH..... 1 076.18	ID..... 107.82
47	OH..... 197.14	KY..... 71.60	AR..... 24.03	AR..... 42.94	VT..... 27.32	SD..... 33.86	SC..... 116.32	MS..... 1 073.05	ME..... 106.46
48	IN..... 189.11	MS..... 64.86	SD..... 23.61	MT..... 42.84	PA..... 26.68	KS..... 32.57	IN..... 115.59	KY..... 1 040.66	MT..... 104.65
49	CA..... 169.12	ND..... 61.82	ND..... 21.79	MS..... 41.15	MT..... 24.87	AL..... 30.77	GA..... 111.75	SD..... 1 009.50	RI..... 85.72
50	SC..... 165.16	AR..... 61.65	DE..... 18.53	ND..... 32.23	AR..... 22.84	ND..... 29.07	ID..... 98.85	WV..... 986.41	WV..... 84.44
51	MA..... 164.02	WV..... 49.90	WV..... 18.01	WV..... 25.95	MS..... 22.76	MT..... 27.10	NC..... 93.44	AR..... 973.11	ND..... 65.15

*Includes amounts not shown separately.

of a growing state.

Where the story becomes curious is comparing Nevada's rankings in columns 5 through 9 with the rankings in columns 10 through 14. Taking some license, it is arguable that the expenditures in columns 5 through 9 represent money spent on Nevadans: educating our children, taking care of the less fortunate, helping our senior citizens and poor with their health problems.

Looking at these individual categories, Nevada is 31st in elementary and secondary education spending (column 6); 51st in public welfare expenditures (column 7); 44th in higher education spending (column 5); and we are 20th in hospital spending which probably reflects the **cost of care** more than the availability of state funded health services for those eligible. What this suggests is that while we have a lot of resources to help the people of this state, very little of it trickles down to them.

We have identified where the money does not go, now consider where it does go. In highway spending, we rank 9th in the nation. This makes sense because we have more highway miles per capita than smaller, more populous states. However, the other columns raise other questions. We rank 5th in spending for police; 2nd in spending for fire; 4th in spending for corrections; and 3rd in spending for parks and recreation (which includes visitors authorities that maintain facilities like golf courses and convention centers, and put on events to attract tourists).

Surely, these expenditures are important to Nevadans. But, isn't it also true that a large proportion of these expenditures are made for the benefit of the tourism industry? We have beefed up parks and recreation facilities and tourism agencies and commissions to attract tourists, beefed up highways to get them here, and beefed up police and fire departments to protect them while they are here.

Most Nevadans, of course, want police, fire, corrections, and parks and recreation spending, but, perhaps not as much as they are paying for. For the sake of illustration, assume that Nevadans would like expenditures in these areas that would make them rank 26th in the nation. According to the table, this level of service would cost \$263.92 per capita or, with 1.23 million people, \$325 million. On the other hand, we currently (1989-90) pay \$537.89 per capita or \$662 million. In other words, we are paying \$337 million more for these services than we hypothetically want. This \$337 million, incidentally, is approximately two times the current revenue shortfall.

It is fairly obvious where the money goes if you accept these general assumptions. By these assumptions, the tourism industry costs the state and local governments \$337 million per year. Again, this is not to suggest that these additional costs are unjustified. Recall that the tourism industry generates an estimated \$561.69 per capita or \$691 million, leaving a significant surplus after paying the hypothetical \$337 million to support the tourism industry.

CONCLUSIONS

In reviewing the fiscal landscape of Nevada we have tried to avoid even the appearance of advocating higher or lower taxes or spending. The role of policy analysts is simply to discover and make known facts upon which policy can be developed and executed. Clearly, however, if one were so inclined the data reviewed above could be used to argue both sides of the tax and spend debate.

Advocates of higher taxes and spending can point to the low levels of expenditures on education, health, and welfare. Advocates of lower taxes can point to the relatively high level of resources the state already has. Interestingly, both arguments are reasonable in that they are supported by facts.

What these arguments reflect, in some respects, is the source of the fiscal deadlock in the last Legislative session. Accepting both of these arguments suggests that if the state wants to spend more on education, health, and welfare it needs to control spending in the areas where spending is high.

This implies a need to focus on non-tax policy areas. Some of the obvious areas to look at include developing alternatives to incarceration for non-violent criminals to get a grip on corrections spending; privatizing certain services ranging from state motor pools to tourism marketing services; tort reform to relieve pressure on the state's courts and help reduce insurance and medical costs; insurance reform related to the state's industrial insurance system and private insurance reforms such as "no-fault"; and streamlining health care delivery systems. Indeed, there is no shortage of non-tax policy options that may free up existing revenues for use in areas where Nevada's expenditures are low.

If spending on health, welfare, and/or education is to be expanded beyond the savings that can be realized from these high expenditure areas then tax policy will have to be the focus. If this is to be the case, the caveats above concerning the burden of the state's existing tax system should be kept in mind. Specifically, there is no "free lunch." No matter how a tax increase is packaged and "sold" to Nevada voters as, for example, a tax on out of state insurance companies, mining companies, or tourists, the burden eventually comes home and is taken from Nevadans' household incomes in the form of higher insurance premiums, lower wages and lost jobs.

Because of the recent passage of a Constitutional prohibition of personal income taxes, the only viable tax policy options will be a tax on businesses, consumption taxes, or property taxes. However, as we have seen, businesses are not tax payers. They are merely collection points. Our patch-work of industry specific taxes really only succeed in shifting the burden around, forcing workers in certain industries and consumers of certain products and services to bear a disproportionate burden.