

Questions arise over Nevada's economic outlook

Key Nevada lawmaker questions panel's grim finding of USD 1.2 billion state revenue shortfall

Carson City, Nevada (AP) – No Nevada law requires lawmakers to accept a panel's finding that the state faces a nearly USD 1.2 billion revenue shortfall – and a key Democratic legislator said that's a good thing because the finding appears questionable.

Assemblywoman Sheila Leslie, D-Reno, the Assembly majority whip, commented as lawmakers prepared for a special session called by Republican Gov. Jim Gibbons, who's relying on the Economic Forum's estimate Friday of the huge revenue shortfall by mid-2009.

The governor must accept the forum's projections that will be made next fall as he finalizes a budget plan for the 2009 Legislature, and lawmakers must accept an update from the forum before they adjourn. But other projections by the forum, including the one it produced Friday, don't have to be followed.

Leslie said Monday questions remain about the forum's finding that led to a calculation of at least USD 250 million in cuts being needed now, atop USD 914 million in reductions the governor and lawmakers already approved. The lawmakers' own fiscal analysts had estimated less than USD 100 million in new cuts were needed.

„The discrepancy between the two numbers makes me very uneasy,“ said Leslie, a member of Assembly Speaker Barbara Buckley's leadership team. „We don't want to make budget-cutting decisions based on the wrong numbers.“

Leslie said there was little time to prepare for the forum's meeting. She also said a new forum member, MGM Mirage executive Cathy Santoro, appeared to dominate the meeting in pushing a very conservative view of the state's economy.

While lawmakers worked on their final revenue estimate which will determine budget-cutting steps to be taken during the special session, they also continued to revise lists of possible cuts in government that will be needed.

„Our list is getting bigger and longer, and things that we took off late last week we will be putting back on,“ Leslie said.

Gibbons spokesman Ben Kieckhefer said Monday that the governor is sticking with the forum's estimate in developing moneysaving proposals he will outline on Thursday, the day before the special session starts.

„These are top-notch economists with broad expertise in various segments of our economy,“ he said. „They were unanimous in their forecasts, and the governor respects their opinion.“

Gibbons had planned to have the special session start Monday, but delayed it until Friday to give legislators and his staffers more time to prepare.

Moneysaving plans likely to be considered by the legislators include a delay in 4 percent cost-of-living pay raises scheduled to take effect July 1 for state workers and educators. That would cover roughly half of the shortfall.

Lawmakers also could consider budget reductions beyond the 4.5 percent cuts already in place for most state agencies. Gibbons already has asked agencies for plans to reduce spending by up to another 4 percent through mid-2009.

A 4 percent cut would save nearly USD 100 million more, but

would have a big impact on many government agencies. State prisons chief Howard Skolnik said he would have to shut down the 1,000-inmate Nevada State Prison in Carson City by January to achieve a 4 percent budget reduction.

Other proposals that could be considered include one by MGM Mirage Chief Executive Terry Lanni to increase the state's businesswide payroll tax from 0.06 percent to 0.12 percent. That would generate an estimated USD 246 million a year for the state.

The legislators also may consider Lt. Gov. Brian Krolicki's „securitization“ plan that could raise USD 600 million or more through a one-time bond sale.

The legislators are certain to vote on use of the state's USD 267 million rainy-day fund in advance of the 2009 Legislature. Use of that fund already has been approved by key lawmakers and the governor. But to actually tap the fund now, a special-session vote by the full Legislature is necessary.

The state has faced a series of dismal reports on slumping revenues from major sources, such as casino and sales taxes. Besides the revenue shortfall of nearly USD 1.2 billion by mid-2009, another USD 1 billion shortfall is expected in the two-year budget cycle that will end in mid-2011.