Spending Trends

Over the past two decades, lawmakers have doubled the size of Nevada's general fund, growing state spending from $2.90 billion in FY 2006 to $5.80 billion for FY 2025.

During these years, Silver State population has grown significantly, creating additional demand for public services. Lawmakers, however, increased spending at a rate far greater than population growth and inflation combined – meaning that Nevadans face a higher per-capita cost of government today than they did 20 years ago.

Key Points

General fund spending is only one component of total spending. Public attention often focuses exclusively on the state's general fund, because this spending falls under the direct control of lawmakers every two years. However, general fund spending accounted for only 30% of total state spending in FY21.[1]

In fact, lawmakers have regularly played games with the budget by pushing spending outside of the general fund in order to make spending appear smaller. In 1967, when lawmakers created the Nevada Plan, they instituted a new sales-tax component to finance education, displacing what had previously been general-fund dollars for this purpose. This assessment was raised repeatedly to push spending off-budget before the new Pupil-Centered Funding Plan began pulling this money back on-budget.[2]

Growth in per capita spending was driven by the tax hikes of 2003. Between FY 1994 and FY 2003, inflation-adjusted, per capita, general fund spending remained relatively constant. However, following the record-breaking tax increases of 2003, lawmakers began spending significantly more on a per capita basis. Between FY 2003 and FY 2009, inflation-adjusted general fund spending per capita grew 30% as lawmakers increased employee pay and benefits, expanded the class-size reduction program, instituted limited full-day kindergarten programs in Clark and Washoe counties and began financing the Millennium Scholarship out of the general fund.

The Great Recession returned real, per-capita spending to historic levels, while tax hikes in 2015 aim to perpetuate boom-era spending levels. Lawmakers were compelled to reduce per capita spending beginning in FY 2010, as tax revenues plummeted due to recession. In constant 2023 dollars, per-capita spending fell from $1,796 in FY 2009 to $1,439 in FY 2015, but remained higher than the $1,345 per capita spent in FY 2001.

The 2015 tax hikes allowed per-capita spending to rise back to $1,642 by FY 2021. This would be higher than any year from FY 1990 to FY 2003.

Since the 2003 tax hikes, lawmakers have spent a cumulative $13.0 billion beyond the inflation-adjusted per capita spending levels that existed in FY 2001.

Recommendations

Enact meaningful spending controls to protect taxpayers. In successive legislative sessions, lawmakers debated whether to enact a constitutional limitation on the growth in state spending. The proposed "Tax and Spending

[1] Nevada Controller's Office, Annual Comprehensive Financial Report, FY 2021.

[2] See "Understanding Nevada's Budget."

[3] Geoffrey Lawrence, "Better Budgeting for Better Results," Nevada Policy Research Institute policy study, 2011.

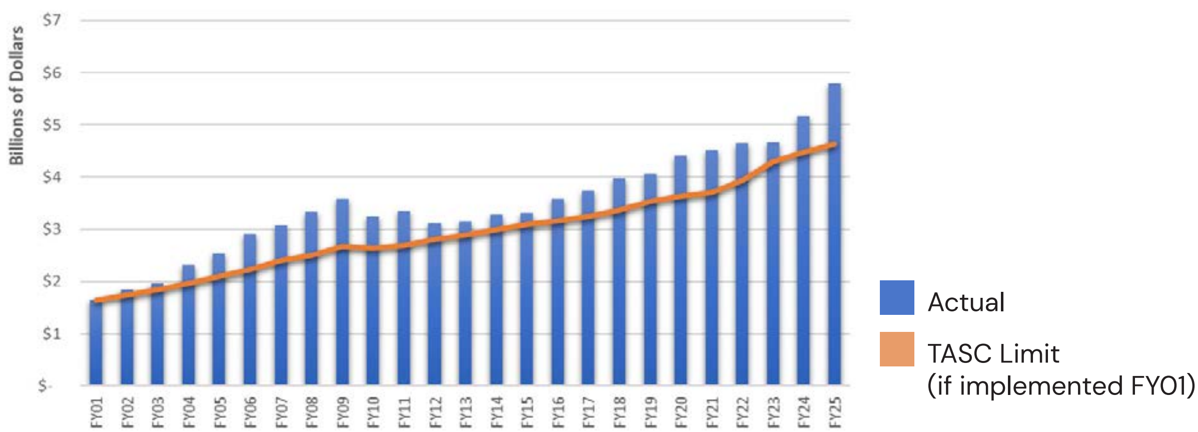
Control" (TASC) amendment would ensure that the real, per capita cost of government does not increase over time by prohibiting lawmakers from increasing spending faster than the rate of population growth combined with inflation.

Opponents of TASC have disingenuously argued that Nevada spending already has population-growth and inflation controls since the governor's executive budget proposal is prohibited from exceeding the per capita spending level that occurred in the 1975-1977 biennium, indexed for inflation. That limitation is meaningless, however, since lawmakers are free to add as much spending as they like to the governor's budget without restraint. [3]

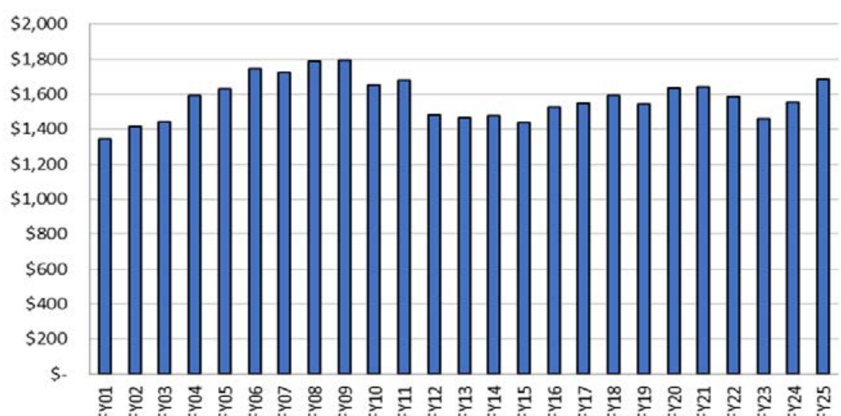
With TASC in place, lawmakers who are convinced of the merits of higher spending on a given program would first need to find savings elsewhere in the budget. TASC would offer long-term certainty to potential investors and job-creators in Nevada by curtailing the perpetual drive for new taxes.

Its enactment should be viewed not only as a centerpiece for fiscal policy, but also as a linchpin for economic development in the Silver State.

NV general fund spending FY01-FY25, Actual versus TASC



Real, per-capita general fund spending FY01 - FY25 (2023 dollars)



Source: State of Nevada, Comprehensive Annual Financial Report, FY21.