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Nevada 2011: Budget Crisis and Political Deadlock

Abstract: As was the case in 2009, the 2011 Nevada legislature faced an environment characterized by recession, a budget crisis and a political budget fight. The 2009 legislature passed multiple taxation bills that collectively constituted a \$781 million tax increase over the course of the 2009–2011 biennium. These tax enhancements were temporary and were scheduled to sunset at the end of the 2011 session of the legislature. A Nevada State Supreme Court decision was responsible for breaking the political deadlock that transpired throughout the course of the 2011 legislature regarding the 2011–2013 biennial budget proceedings. Governor Sandoval and the legislature agreed to extend the sunset tax package for another period of two years because of the court decision. The 2011 legislature did not address the budget problems in Nevada in any meaningful fashion and it looks as though the same budget problems of Nevada will once again be present during the 2013 Nevada legislature.

Keywords: budget; Nevada; tax enhancement; western state budget report

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1 Introduction

As was the case in 2009, the 2011 Nevada legislature faced an environment characterized by recession, a budget crisis and a political budget fight. Republican Governor Brian Sandoval was committed to the formulation of a balanced 2011–2013 biennial budget based upon reduced spending, no tax increases and no new taxes. January 2011 ushered in a new year and a realization that the Nevada budget crisis had not improved from the year 2010. Nevada's dependency on sales tax revenue and gaming tax revenue maintained the budget crisis at a serious level, because the economy and state revenue continued to lag. In essence, it appeared as though the economy in Nevada hit bottom and was flat as the 2011 Nevada leg-

islature attempted to address the 2011–2013 biennial budget. The Republicans in the legislature, along with Governor Sandoval, were unified in their commitment to the enactment of a 2011–2013 biennial budget that was balanced with no tax increases nor new taxes. Many Democrats were of the view that Nevada needed to increase taxes and consider the enactment of new taxes, and proposed new taxes. Political deadlock characterized the 2011 legislature until the end of May of 2011 when the Nevada State Supreme Court issued an opinion that served as the catalyst for the members of the State Assembly, State Senate and Governor Sandoval to arrive at a compromise.

Nevada's budgetary politics have generally been highlighted by low levels of service provision and over-reliance on two primary sources of revenue, namely, sales and gaming taxes (Herzik 1991, 1992; Herzik and Statham 1993; Herzik and Morin 1995; Morin 1994, 1996, 1997, 1998). This article will examine the Nevada political environment, the state biennial process, and the fiscal environment. This article will also examine the 2010 General Election and the 2011 Nevada legislature.

2 The Nevada Political Environment

The Nevada political environment is a composite of Nevada's political culture, government structure and tax structure. The health of the national and state economies directly impacts the operation of state government. The Nevada legislature and government are sensitive to public opinion, and Nevada's biennial budget usually conforms to public opinion and the results of the preceding general election (Herzik and Morin 1995; Morin 2000).

2.1 Political Culture

Nevada's political culture is individualistic. An individualistic political culture possesses a political environment where politics is kind of an open marketplace where individuals and interest groups pursue social and economic goals (Elazar 1984; Dye 1994; Bowman and Kearney 1996). Nevada's political culture emphasizes limited government, fiscal conservatism, fragmentation of state governmental power and citizen control over government at the ballot box. In terms of partisan politics, Nevada is becoming more Democrat than Republican. Nevada's party competition classification in the 1970s was two-party Democratic dominant; however, in the 1980s this classification changed to two-party Republican leaning (Hrebendar and Benedict 1991). In terms of party identification, a November–December 1996 poll

revealed that southern Nevada leaned Democrat while northern and rural Nevada leaned Republican (Beal et al. 1997). Whether Republican or Democrat, Nevadans are politically conservative. As of March 2011, there were 563,069 registered Democrats, 461,277 registered Republicans and 214,409 registered as non-partisan. Southern Nevada has become increasingly Democratic while northern and rural Nevada continues to lean Republican (Secretary of State 2011).

Nevada's political environment is conservative in budgeting and fiscal matters. Republican and Democrat legislators display fiscal conservatism in both the state Senate and the state Assembly (Morin 1994, 1996; Herzik and Statham 1993; Herzik and Morin 1995). Nevada historically has provided a relatively low level of state services resulting in a low tax burden (Morin 1994, 1996; Herzik and Statham 1993; Herzik and Morin 1995). In the past, Nevadans were not necessarily opposed to spending on state programs; however, Nevadans wanted others – visitors, tourists, gamblers and corporations – to bear much of the tax burden (Winter, Calder and Carns 1993).

2.2 Government Structure

Nevada's Constitution structures government at the state level by apportioning power between the legislative, executive and judicial branches (Driggs and Goodall 1996). It provides for a weak, fragmented and decentralized executive branch. The governor, who possesses package veto power, shares executive power and authority with other elected executive officials, boards, commissions, and councils (Driggs and Goodall 1996; Morin 1997a). Nevada's Constitution provides for a bicameral legislature. The state Senate is comprised of 20 members serving four-year terms. The state Assembly is comprised of 42 members serving two-year terms (Driggs and Goodall 1996; Titus 1997). The Nevada legislature meets on a biennial basis, is a citizen or amateur legislature, and is one of a small number of state legislatures to employ a biennial budget system (Thomas 1991; Herzik 1992; Morin 1994, 1996; Herzik and Morin 1995). The Nevada legislature's part-time status, low levels of staff support, and crowded agenda during a 120-day biennial session inadequately equips the legislature to address long-term budgeting and policy issues in any significant manner (Herzik 1992; Morin 1994, 1996; Herzik and Morin 1995).

The Nevada judicial branch consists of a seven-member Supreme Court, district, family, justice and municipal courts. The state's voters have repeatedly rejected proposed constitutional amendments to create an intermediate appellate court (Driggs and Goodall 1996; Neilander 1997). The Nevada Constitution specifically provides for the various types of courts; however, it grants considerable authority to the legislature to determine the structure and operation of

the judicial system. Although elected officials of the legislative and executive branches run for office on a partisan ballot, all state and local judges are elected on a non-partisan ballot by Nevada voters (Bushnell and Driggs 1984).

Nevadans have a long tradition of taking matters into their own hands at the polls and have shaped the structure, operation and direction of state and local government. The Constitution provides for the recall of public officers, the initiative, and the referendum (Bushnell and Driggs 1984; Driggs and Goodall 1996).

Nevada's governmental structure necessarily entails a lack of capacity to adequately respond to economic and budget problems. Heavy reliance upon gaming and sales tax revenue renders Nevada highly vulnerable to economic trends, which must be addressed by the legislature more than once every two years (Morin 1994, 1996; Herzik and Morin 1995). Presently, the legislature employs an Interim Finance Committee in order to address fiscal and budget matters, which may arise between regular sessions. The Interim Finance Committee is comprised of members of the Senate Committee on Finance and the Assembly Committee on Ways and Means from the preceding legislative session (Legislative Counsel Bureau 1997).

2.3 Tax and Fiscal Structure

Beginning in the late 1970s, Nevada moved from having a state and local revenue system characterized as more decentralized to having one more centralized than the average state and local revenue system in the USA (Ebel 1990). In 1979, the legislature enacted a tax relief package and, in response, Nevada voters defeated a constitutional initiative to limit local property taxes, which was similar to California's Proposition 13 (Ebel 1990). As a result, control of local revenues has been shifted from local elected officials to the legislature and its Interim Finance Committee, and to the Nevada Tax Commission (Ebel 1990). Nevada presently possesses one of the most centralized fiscal systems in the USA. The state controls, in one way or another, approximately 80% of the total revenues of local governments (Atkinson and Oleson 1993). Fiscal centralization refers to the degree to which the state restricts local governmental autonomy to determine the level and mix of revenues and expenditures (Gold 1989). Prior to the reduction in local property taxes in 1979 and a tax shift in 1981, only school district revenue was highly centralized, and local governments primarily survived on their own tax base (Ebel 1990).

The Nevada Constitution requires a balanced budget for the state (Driggs and Goodall 1996). Although the Constitution previously limited the level of state general obligation debt to 1% of the state's assessed property value, Nevada voters approved a ballot question in 1996 which amended the Constitution to increase the limit to 2% (Ebel 1990; Driggs and Goodall 1996). Debt issued for the purpose

of protecting or preserving the state's property or natural resources are excepted from the 2% constitutional debt limit (Ebel 1990).

Nevada relies on seven main types of taxes as sources of revenue for the state's General Fund. The seven types of taxes include sales, gaming, casino entertainment, business license, mining, cigarette, and insurance premiums. Gaming and sales taxes were to constitute approximately 50% of the General Fund revenue for the 2009–2011 biennium (Legislative Counsel Bureau 2010). Earmarking, the dedication of certain tax revenues to specific programs, is popular in Nevada with both politicians and the public. Nevada is one of the most earmarked states in the USA (Ebel 1990). Nevada ranks 5th among the 50 states, earmarking 52% of its total state tax revenues, which is almost two-and-one-half times the earmarking rate of 21% of the average state (Gold et al. 1987). Earmarking presents three main disadvantages for state government. First, the legislature lacks systematic review in the regular appropriation process. Second, earmarking reduces legislative flexibility in tailoring the budget to address economic changes. Third, once a revenue source has been earmarked, legislators may feel that they are absolved from further responsibility to appropriate additional General Fund revenues to the program (Ebel 1990; Thomas 1991; Winter 1993).

Nevada has no personal income tax, and the legislature lacks any real ability to enact a personal income tax because voters passed a state constitutional prohibition on personal income taxation (Herzik 1991). Nevada state law requires a 5% minimum balance of the General Fund at the end of each fiscal year that cannot be touched (O'Driscoll 1994). Nevada lacks a unified budgeting and accounting system, which renders it quite difficult to examine the state's finances in a comprehensive manner (Dobra 1993). Over the course of the past many years, gaming and sales taxes have represented approximately 75%–50% of all state revenue (Herzik 1992; Morin 1994, 1996, 1997, 1998; Herzik and Morin 1995; Legislative Counsel Bureau 2005, 2010). The only viable tax policy options available to the legislature entail increased tax burdens on business, increasing the sales tax rate and increasing property taxes (Dobra 1993; Advisory Commission on Intergovernmental Relations 1994). The legislature does have the option of increasing non-tax revenues, such as charges for services, licenses, fees and fines (Legislative Counsel Bureau 1997a).

3 The Nevada Budgeting Process

The Nevada budgeting process is driven by the condition of the national economy and the state economy. Nevada's heavy reliance upon gaming and sales taxes for

state revenue places Nevada in a position of being quite vulnerable to economic fluctuations. The fate of Nevada's economy is contingent upon the state of the national economy (State of Nevada Economic Forum 1994; Morin 1996). Nevada experienced the effects of the 1981–1982 national recession, resulting in a budget crisis during the 1981–1983 biennium (Herzik and Statham 1993; State of Nevada Economic Forum 1994). Nevada again experienced the effects of the 1990–1991 national recession, resulting in a budget crisis during the 1991–1993 biennium (Morin 1994; State of Nevada Economic Forum 1994). The fortunes of Nevada's economy in the 1990s and 2000s have paralleled the fortunes of the national economy.

3.1 State Budgeting Process

The budget process in Nevada consists of four stages: (1) executive preparation and presentation, (2) legislative review and adoption, (3) implementation, and (4) review. The four stages are not discrete; they overlap with some activities occurring simultaneously (Driggs and Goodall 1996). Stage one, executive preparation and presentation, begins in the spring of even-numbered years; which was the spring of 2010 for the 2011–2013 biennial budget. The state budget director, a gubernatorial appointee, requests that state agencies prepare their budget requests. Agencies are required to estimate their needs three-and-one-half years ahead of the end of the biennial budget. The state budget director may also provide guidelines for agencies to follow in the agency budget request formulation process (Driggs and Goodall 1996; Reno Gazette-Journal 1996). The guidelines may limit agency requests, such as to a maximum increase of 4% over the existing biennial budget of the agency, and can also incorporate the governor's priorities for the upcoming biennium. The state budget director may convey to state agencies a governor's directive that agencies are to hold the line or that there will be no new taxes (Driggs and Goodall 1996).

All state agencies must submit their biennial budget requests to the state budget director by September 1 of the even-numbered years. The state budget director spends September through December examining the agency budget requests, meeting with each agency head, estimating how much revenue will be available for the biennium, and trying to put together a set of budget recommendations that will be acceptable to the governor. The state budget director informs each agency head in December of the office's preliminary budget for the agency. In the event an agency is unsatisfied with its preliminary budget, the agency has the right to make an appeal to the governor. Agency budget requests are submitted to the Nevada legislature by December 10 (Driggs and Goodall 1996; Reno

Gazette-Journal 1996). State agency budgets are outside of the one for the state's building program. The State Public Works Manager receives state construction requests and must present a list of requested projects to the governor by October 1 for ultimate inclusion in the governor's proposed executive budget (Reno Gazette-Journal 1996).

Prior to 1993, the governor was responsible for submitting a budget proposal to the legislature containing his estimated forecast of future state General Fund revenues and proposed expenditures (Morin 1997a). The 1991–1993 budget broke ranks with past budgets and adopted an aggressive 30% increase in state spending based upon a quite optimistic revenue estimate accepted by the Nevada legislature and the governor. Nevada's break with conservative budget practises could not have been more poorly timed (Herzik and Morin 1995). "Almost immediately after the fiscal year commenced, the effect of the National recession began to show up in Nevada. State revenue collections plunged and a hiring freeze was invoked. Over the next 18 months, state agencies suffered through three budget revertments" (Herzik and Statham 1993: 59). In response to the 1991–1993 biennial budget crisis, the legislature enacted legislation in 1993, which provided for the creation of an Economic Forum to estimate and forecast future state General Fund revenues. The Forum, a panel of five economic and taxation experts from the private sector, is required to adopt an official forecast of future state General Fund revenues for the biennial budget cycle. All agencies of the state, including the governor and legislature, are required to use the Forum's forecast (State of Nevada Economic Forum 1994). The Forum must provide its first forecast no later than December 1 of the even-numbered years, just shortly before the beginning of a new legislative session (State of Nevada Economic Forum 1996). The 1993 enactment effectively reduced the scope of the governor's formal powers in preparing the budget.

The second stage of the budget process is legislative review and adoption, which begins with the governor providing the legislature with a general outline of priorities and the proposed executive budget in the State of the State Address during the first week of the biennial legislative session. The proposed executive budget is delivered to the legislature shortly after the Governor's State of the State Address (Driggs and Goodall 1996). The 1995 Nevada legislature attempted to challenge the executive branch's institutional powers by proposing the establishment of a state legislative budget office, similar to the Congressional Budget Office, which would have been responsible for drafting its own version of the state budget for review by the money committees of the Assembly and Senate (Morin 1997a). The legislature and Governor Miller ultimately reached a compromise when Governor Miller threatened to veto the proposed legislative budget office. The compromise entailed giving legislative budget analysts more say in

the preparation of the executive budget drafted by the governor's office; however, the compromise legislation contained a sunset clause providing that the legislation would be void after two years (Morin 1997a). In accordance with this 1995 legislative enactment, the Fiscal Analysis Division of the Legislative Counsel Bureau provided the 1997 legislature with its first report that provided legislators a summary of the financial status of the State and Governor Miller's budget recommendations for the 1997–1999 biennium (Legislative Counsel Bureau 1997a).

The legislative review process is centered almost entirely in the Senate Finance Committee and the Assembly Ways and Means Committee. State budgeting issues and the governor's budget recommendations are considered by these committees in the context of public hearings and are the subject of interest group and lobbying activities and the subject of discussion and compromises by state legislators (Driggs and Goodall 1996). The Taxation Committee in each house considers tax bills and must act before the Assembly Ways and Means and Senate Finance Committees can finalize the biennial budget. Although the Economic Forum must provide its first forecast no later than December 1 of the even-numbered years, the Forum is required to revise its forecast, if necessary, by May 1 during the legislative session. If either the governor or the legislature want to appropriate more than what is available pursuant to the Forum's official forecast, a revenue enhancement proposal must be made (State of Nevada Economic Forum 1996; Legislative Counsel Bureau 1997a). A reconciliation process takes place between the two money committees prior to the budget going to the floors of the two houses for approval. Consideration of the budget by the full houses is almost always perfunctory (Driggs and Goodall 1996). The second stage of the budget process concludes with legislative passage of the biennial budget and presentation to the governor for signature. The governor lacks effective power to resist legislative changes in the budget that he prepares and presents to the legislature. Nevada's governor is the only governor in the 13 western states to lack line-item veto power; therefore, he must sign or veto the budget passed by the legislature as an entire package. Unlike the President, he lacks pocket veto power. Any bills vetoed by the governor after the legislature has adjourned its biennial session are subject to veto override attempts two years later when the legislature meets again for its next regular session. A vetoed bill must receive a two-thirds vote of all members elected to each house in order to over-ride a governor's veto and become law (Driggs and Goodall 1996; Morin 1997a).

The third stage of Nevada's budgeting process is implementation and is the responsibility of the executive branch. The Nevada legislature employs an Interim Finance Committee to address budget and fiscal matters which may arise between regular sessions. The Interim Finance Committee is comprised of members of the Senate Finance Committee and the Assembly Ways and Means Committee from

the preceding legislative session (Driggs and Goodall 1996; Legislative Counsel Bureau 1997).

The fourth stage of Nevada's budgeting process is review, which entails reviewing the past budget activities of state government. The state Controller audits claims against the state and the Legislative Auditor's office also conducts periodic audits of the financial records of the various agencies. The state Budget Director and the Legislative Fiscal Analysts review past budgets when they prepare recommendations for the future. Lastly, the legislative money committees review past budget actions as they are considering and formulating the next, new biennial budget (Driggs and Goodall 1996).

In 1991, the Nevada legislature created a "rainy day" fund to help stabilize the state budget. This enactment created a state trust fund which would be built up during good times and would be accessed in the case of a fiscal emergency. When the state General Fund surplus reaches a certain threshold at the end of a fiscal year, a portion of the excess is held in the "rainy day" trust fund to help the state through fiscal emergencies (Herzik and Morin 1995; Morin 1996; Legislative Counsel Bureau 1997a). The 1995 legislature indexed the maximum limit on the rainy day fund to 10% of annual appropriations (Legislative Counsel Bureau 1997a).

4 The Nevada Fiscal Environment

Nevada's heavy reliance upon gaming and sales taxes for state revenue places Nevada in a position of being quite vulnerable to economic fluctuations. The fate of Nevada's economy is contingent upon the state of the national economy (Morin 2001). The nation's economy began its 10th year of economic expansion in the spring of 2000 and through November 2000 the nation's economy had continued to grow. The nation's economy had been growing for 116 consecutive months, representing the longest expansion of the nation's economy in the history of the USA (State of Nevada Economic Forum 2000). As we entered early 2007, the Nevada economy remained strong and it was anticipated that the current decade would be characterized by impressive growth (Nevada Department of Employment, Training and Rehabilitation 2007). The Nevada economy, although strong, was beginning to cool down as the legislature began to debate the final components of the 2007–2009 biennial budget. The Economic Forum's forecast was for a slower rate of growth in the Nevada economy than what was originally forecasted by the Economic Forum in December of 2006 (State of Nevada Economic Forum 2007). There was an economic slowdown throughout 2007 and the economic

slowdown continued during 2008. The poor Nevada economy was attributable to a housing slowdown, stagnant retail sales, stagnant gaming revenue and slowing job growth and had resulted in a state budget shortfall (Nevada Department of Employment, Training and Rehabilitation 2007a). By the end of 2008, Nevada's economy was officially in recession (Nevada Department of Employment, Training and Rehabilitation 2008d).

The Nevada economy continued to weaken and decline during 2009. The unemployment rate increased to 13.0% in December 2009. Nevada ended 2009 with the second highest unemployment rate in the USA. Taxable sales were down and Nevada gaming revenue slipped in December 2009 (Department of Employment, Training and Rehabilitation 2009b, 2010). Nevada's economy continued to be in recession through 2010 and into the middle of 2011. The unemployment rate in January 2011 was 13.6%; although the unemployment rate improved to 12.4% in June 2011, Nevada continued to experience the highest unemployment rate of any state in the USA. Gaming revenue and sales tax revenue slowly increased during the first half of 2011. Nevada is suffering from the effects of a long-term housing slowdown, foreclosures, increasing fuel prices, reduced tourist traffic, lack of available credit for commercial construction projects, high levels of unemployment, reduced consumer confidence and increasing consumer prices (Nevada Department of Employment, Training and Rehabilitation 2008a, 2008b, 2008c, 2009a, 2011, 2011a; O'Driscoll 2008).

5 The 2010 General Election

The year 2010 was a year of Republican success in many parts of the USA; however, there was no Republican wave of victory in Nevada. US Senator and Majority Leader Harry Reid was re-elected to the US Senate. Senator Reid defeated Republican Sharron Angle, a very conservative Republican and a darling of the Tea Party movement. Republican Brian Sandoval, who had defeated incumbent Republican Governor Jim Gibbons in the Republican primary election, easily defeated Democrat Rory Reid, son of US Senator Harry Reid, in the race for governor. Democrat Congresswoman Shelley Berkley was re-elected in US House District 1 and Republican Dean Heller was reelected in US House District 2. First-term Democrat Congresswoman Dina Titus was defeated in her re-election bid in US House District 3 by Republican Joe Heck. All of the incumbent statewide constitutional officers were re-elected (Secretary of State 2010).

The Democrats enjoyed success during the 2010 General Election regarding the partisan composition of the 2011 Nevada Legislature. All of the 42 State

Assembly seats and half of the 21 State Senate seats were up for election in the 2010 General Election. The Clark County delegation continued to control almost 70% of both houses of the 2011 Nevada Legislature. The 2010 General Election produced a divided state government. Republican Governor Brian Sandoval faced a 2011 State Assembly controlled by the Democrats by a margin of 26-16 and a 2011 State Senate controlled by the Democrats by a margin of 11-10. The Republicans gained a total of three new seats in the Nevada Legislature during the 2010 General Election (Legislative Counsel Bureau 2011).

6 The 2011 Nevada Legislature

The Nevada economy and biennial budget were the dominant issue areas confronting the 2011 legislature. In fact, the preoccupation of Governor Sandoval and the 2011 legislature with the budget resulted in political deadlock and almost no other bills and issues of substance were addressed. According to the Nevada Constitution, the 2011 Nevada State Legislature had the responsibility to reapportion the Nevada legislature and districts for the US House of Representatives. Two lawsuits were filed during the course of the 2011 Session of the legislature regarding reapportionment, evidencing political fighting and deadlock regarding the reapportionment issue. The 2011 legislature adjourned without satisfying its reapportionment obligation. Governor Sandoval took the position that he would not call a special session of the legislature to enact a reapportionment plan and that he would leave the issue of reapportionment to Nevada's judiciary (Hager 2011).

Budget crisis, political fighting and deadlock characterized the 2011 Session of the Nevada legislature. Governor Brian Sandoval presented the 2011 legislature with his 2011–2013 Executive Budget in January of 2011. Governor Sandoval's proposed 2011–2013 biennial budget contained an 8% reduction in overall spending from the levels contained in the 2009–2011 biennial budget. In fact, Governor Sandoval's proposed 2011–2013 biennial budget was within 1% of the 2005–2007 biennial budget. Governor Sandoval's approach to the budget was relatively simple and clear. He was opposed to the adoption of new taxes and tax increases. He also proposed to cut state expenditures, maintain a balanced budget and provide essential government services. Governor Sandoval proposed significant spending cuts to higher education and selected social services areas. He also proposed to move responsibility for some government functions from the state to local government. Governor Sandoval employed the revenue projections of the Nevada Economic Forum in its December 2010 report in the formulation of the proposed biennial budget. For fiscal year 2011–2012, the Nevada Economic Forum

projected General Fund revenues to be \$2.6 billion. For fiscal year 2012–2013, the Nevada Economic Forum projected General Fund revenues to be \$2.7 billion. The 2011–2013 biennial total of \$5.3 billion was 12.4% lower than the revised revenue estimate of \$6.1 billion for the 2009–2011 biennium. Gaming taxes were projected to constitute 27.0% of the total General Fund revenue for the 2011–2013 biennium and sales and use taxes were projected to constitute another 30.3% of the total General Fund revenue for the 2011–2013 biennium. The Nevada Economic Forum submitted its revised report on May 2, 2011, revising upward its revenue projections, which resulted in a revenue projection of \$6.2 billion. The Democrat leaders in the Nevada legislature contended that Governor Sandoval’s recommended budget and cuts were unacceptable. The Democrat leaders proposed a revenue plan that called for \$1.5 billion in new tax revenue. (State of Nevada Economic Forum 2010, 2011; Clifton 2011; Department of Administration 2011.)

The 2011 Nevada legislature faced, once again, an environment characterized by recession, a budget crisis and political deadlock until the end of May of 2011. The Republican members of the legislature were unified in their support of Governor Sandoval’s proposed budget and no tax position. The Democrat members of the legislature generally desired to enact tax increases. The Democrats lacked the requisite two-thirds supermajority in the Nevada Assembly and the Nevada Senate in order to enact tax increases and new taxes. The Nevada State Supreme Court served to end the political deadlock regarding the budget near the end of May of 2011. The State Supreme Court issued an opinion and ruled that the State of Nevada had violated the Nevada State Constitution by taking local government tax money to fill a gap in the state budget during the 2010 Special Session of the Nevada legislature. It was estimated that the State of Nevada could potentially experience a liability to local governments totaling more than \$600 million based upon this decision of the Nevada State Supreme Court (Clifton 2011a). The action of the Court prompted Governor Sandoval and leaders in the legislature to re-examine the proposed budget and the political deadlock associated with the biennial budget proceedings. Governor Sandoval backed away from the no taxes position he had maintained throughout the course of the 2011 legislature. Leaders from the Nevada Assembly, Nevada Senate and Governor Sandoval achieved a budget deal. It was agreed that taxes enacted during the 2009 legislature and scheduled to sunset in 2011 would be extended for a period of two years. Extending the sunset taxes would produce approximately \$600 million over the course of the 2011–2013 biennium. The 2011 Nevada legislature and Governor Sandoval enacted a 2011–2013 biennial budget calling for \$6.2 billion in general fund spending. In essence, the budget enacted by the 2009 legislature is similar to the budget enacted by the 2011 Nevada legislature (Clifton 2011a; Hager 2011a; Rindels 2011).

7 Conclusion

The approach of the 2011 Nevada legislature was essentially the same approach employed by the 2009 legislature. The 2009 legislature passed multiple taxation bills that collectively constituted a \$781 million tax increase over the course of the 2009–2011 biennium. The tax package included increases to the sales and use tax, room tax, Modified Business Tax, Governmental Services Tax, and the short-term car rental tax (Legislative Counsel Bureau 2009a). These tax enhancements were temporary and were scheduled to sunset at the end of the 2011 session of the legislature. The Nevada State Supreme Court was responsible for breaking the political deadlock that transpired throughout the course of the 2011 legislature regarding the 2011–2013 biennial budget proceedings. The 2011 legislature was able to achieve agreement with Governor Sandoval and extend the sunset tax package for another period of two years. This tax package is scheduled to sunset in 2013. The 2011 legislature did not address the budgetary problems in Nevada in any meaningful fashion. It failed to enact a reapportionment plan and essentially provided the judiciary with the opportunity to complete this legislative function. It looks as though the budget problems of Nevada shall be present once again during the 2013 Nevada legislature. Just how long can one kick the can down the road? Apparently, the can will be around to kick down the road again during the 2013 Nevada Legislature.

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