# Nevada budget cuts worsen the social crisis

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With the economy of the state of Nevada in freefall, Republican Governor Jim Gibbons and the Democratic-controlled legislature are placing the burden of the crisis firmly on the backs of the working class. Nevada already suffers the highest foreclosure rate in the country and the second-highest rate of unemployment, second only to Michigan.

On March 1, a special session of the Senate and the House of Representatives reached an agreement that reduced the $6.9 billion 2010-11 budget by 22 percent, or $887 million.

K-12 education is to lose $116 million, a 6.9 percent decrease, with a similar percentage being taken from higher education. State government offices are to go on a four-day, 40-hour week, closing on Fridays to save energy costs. The balance is to come from state reserve funds, federal funds the state expects will be approved, higher charges for the use of state parks and museums and increased fees for mining companies.

Nevada is the world's second largest producer of gold, after South Africa, and produces more than three-quarters of the gold in the United States.

Some members of the legislature had wanted the leisure and entertainment industry to pay an additional $32 million in fees, but casino owners flatly rejected any increase in the taxes they pay, which account for nearly one-third of state revenues.

Prior to the latest round of budget cuts, Nevada was already spending the least per resident of all states in the country, according to data from the US Census Bureau. When the budget was drawn up last year, the state faced a $2 billion shortfall—30 percent of the general fund. Gibbons recommended 6 percent pay cuts for state workers and teachers, a $500 million cut from higher education (36 percent) and a $220 million tax increase from the hotel room tax in the major urban centers. The legislature rejected Gibbons's plan but imposed 12 furlough days on state workers (a 4.5 to 11 percent cut in salaries and benefits) and a 4 percent cut in teachers' salaries, while slashing higher education by 12.5 percent.

The additional cuts this year are expected to result in larger class sizes in schools and major erosion of the state's universities. Immediately after the budget deal was announced, the University of Nevada, Reno, announced the loss of 75 faculty members by fall this year and the elimination of more than a dozen degree programs. Students will no longer be able to major or minor in a foreign language, with the exception of Spanish, and the College of Agriculture, Biotechnology and Natural Resources is to close. Further cuts will be announced in the coming months.

According to UNR president Milton Glick, the cuts will be permanent. He told the UNR Nevada Sagebrush, "Recovering (from years of cuts) is not restoring these programs. If you say you're going to do this and restore them later, that's not honest."

Both the governor and the legislature agree that the cuts administered so far are just the beginning. Next year the budget shortfall is expected to top $3 billion.

In the past, states like Nevada benefited from the steady influx of Americans to the West, and immigration from Latin America also stimulated the economy. The real estate bubble gave cities like Las Vegas one of the highest growth rates in the country.

In the last two years, however, cities with the fastest growth have experienced the steepest declines. Las Vegas had the nation's highest rate of home foreclosures last year and home values there have fallen 56 percent since their 2006 peak, according to the S&P/Case-Shiller Single Family Home Price Index. In January last year, there were 13,338 homeless people in and around Las Vegas, up 17 percent in two years.

Las Vegas is heavily dependent on discretionary spending, but now people are traveling less and spending less. Last November, a report by the Pew

Center on the States said Nevada's economy shares many of the weaknesses that have devastated the economy in California—high foreclosure and unemployment rates along with dwindling tax revenues. The report, "Beyond California: States in Peril," named Nevada as one of nine states that ranked "most like California" when comparing economic and political factors. University of Nevada political scientist Eric Herzik is quoted in the report as saying, "Nevada is a state built on easy money. There isn't any easy money right now."

Herzik is referring to the decline in gaming revenues, which fell for the 22 consecutive months before the report was published.

When the economic crisis hit in 2008, Nevada saw the worst economic decline of any state, according to the Rockefeller Institute, a policy research organization at the State University of New York in Albany.

Between December 2008 and December 2009, unemployment rose from 8.4 percent to 13 percent. This represents a significant decrease in the number of jobs in the state, variously estimated as between 6.4 and 9.5 percent. According to the Retail Association of Nevada, Nevadans have lost $25.4 billion in income since the start of the economic crisis two years ago, an average of $9,800 for each of the state's 2.6 million residents.

And worse is to come. The Nevada Department of Employment Training and Rehabilitation predicts an almost 6 percent decline in jobs (65,079) this year over 2009, with a further 2 percent decline in 2011 (23,788).

Construction jobs, which fell 29 percent last year over 2008, are projected to drop another 21 percent this year and 20 percent in 2011.

According to the Nevada Department of Employment, Training and Rehabilitation, during the deepest recession before this one, which lasted 18 months in the 1980s, the worst year-over-year jobs losses were 4.5 percent. On average, Nevada employment expanded by 76 percent in every decade after the 1940s, yet the jobs base between December 1999 and December 2009 grew by just 15 percent.

The leisure and hospitality industry has destroyed 44,100 jobs so far in the economic collapse, second only to construction. International Gaming Technology, a designer of gaming machines and the largest manufacturer in northern Nevada, laid off 700 workers in late 2008 and early 2009.

In November of 2009, the total revenue for Nevada casinos was $873.2 million. That is almost $40 million higher than the $836.8 million in November of 2008, but MGM Mirage spokesperson Alan Feldman told the Las Vegas Sun in February, "Having now been hit by the worst recession in American history and the worst downturn in gaming revenues in Nevada history, we can simply no longer afford to bear the overwhelming share of the burden for running the state."

MGM Mirage, which lost $1.15 billion in the fourth quarter of 2008 and $855 million for all of 2008, operates and owns all or part of 19 casinos in Nevada, Michigan, Mississippi, New Jersey, Illinois and Macau, the gambling enclave off the coast of southeast China. The casino company made $1.58 billion in 2007.

The devastation wrought by the economic crisis could bring in its wake far-reaching political changes. The visit by President Barack Obama to Nevada in February expressed the nervousness of the political establishment. He appeared with Nevada senator and Senate Majority Leader Harry Reid, 70, who was first elected to the Senate in 1986 and who faces re-election in November. Obama won Nevada from the Republicans in 2008, but the economic crisis is expected to strongly affect the Senate races in the state.

According to Bloomberg.com, Reid was considered by the Obama administration to be an instrumental influence in pushing through his health care overhaul. However, as Stacy Fisher, an associate political science professor at the University of Nevada, Reno, commented to Bloomberg.com, "The problem for Harry Reid is he is the voice, and really the face, of the Democratic Party." She added that concerns about the economy are "amplified in Nevada" because the state has "seen the brunt of the recession."