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Controller Ron Knecht Issues Nevada's First Popular Annual Financial Report (PAFR)

State Controller Ron Knecht announced today that he has issued Nevada's first Popular Annual Financial Report (PAFR) for Fiscal Year 2015. The 12-page document is now available at the State Controller's website, controller.nv.gov and also available in print form.

"In past years, the Controller's office has issued a small four-page 'Citizen Centric Report' that provided little information to people. In keeping the spirit of the Controller's statutory duties, we decided in our first year to drop that and issue a 12-page report jam-packed with facts, figures, charts, tables, analysis and recommendations," he said. "Nevada voters are thoughtful people who want all the facts and information, and this PAFR is a thinking-person's analysis of state spending, revenues, the economic outlook and policy measures needed."

The section on state spending highlights three points:

1. Health and Social Services (HSS) and education accounted for 80% of State Total Spending of $10.9 billion in 2015. Their growth also exceeded growth in State Total Spending in 2005-2015.
2. HSS and K-12 spending grew rapidly while All Other State Spending and the Nevada economy and the wellbeing of Nevadans declined significantly.
3. Most importantly, the burden of state spending on Nevada families and businesses, driven by HSS and education, was 19% higher relative to their incomes in 2015 than in 2005.

The section on revenues makes these points:

1. Government Grants and Contributions, mainly from the federal government, account for 38% of total state revenues of $11.6 billion in 2015, and they grew much faster than other revenues in 2005-2015.
2. Charges for services and grants and contracts for higher education comprise 10% of total state revenues, and they also grew rapidly.
3. Other program revenues amount to 9% of total state revenues, and they grew very slowly.
4. In sum, increases in program revenues, driven mainly by HSS and higher education receipts, grew rapidly while tax revenues grew only moderately.

The PAFR summarizes the economic outlook this way:

"Government at all levels has long been so big, yet still growing relative to our economy, that it increasingly consumes our time, energy and productivity; crowds out private entrepreneurship and business spending and investment; and thereby stifles economic growth. For decades this burden was offset by three growth-inducing factors: 1) demographic and labor-force participation trends; 2) increasing debt levels; and 3) rapid growth in emerging economies, plus globalization and increasing trade and foreign domestic investment. Unfortunately, trends in all three areas have reversed. So, for the foreseeable future, economic growth will be suppressed perhaps even from current 2% real annual rates (or 1% per person per year) and uncertainty has increased greatly. Nevada's public-sector metastasis has been greater and it continues. Nevada's creditworthiness is a single bright spot. However, low economic growth will yield low expected investment returns, greatly challenging management of state retirement and endowment funds."

The PAFR offers the following summary policy recommendations:

“Some people have claimed that Nevada has a revenue problem. Some argue that Nevada spends insufficiently on K-12 education, although they have not said how much would be “enough.” The analyses herein show that total state spending has increased much faster than the incomes of Nevada families and businesses and that state revenues increased even faster than spending. Hence, Nevada has a spending problem, not a revenue problem. Also, K-12 spending has increased much faster than incomes and all other state spending except that for HSS.

“As discussed in the economic outlook section, growth in public spending is a prime reason economic growth in our nation and state has slowed and will continue to be anemic. Instead of new revenue sources, Nevada needs effective cost control in HSS and K-12 spending. Further, claims that budgets have been cut are misleading when actual spending and tax/feepayer burden have increased as they have. Public-sector excess is a drag on the economy and it diminishes human wellbeing and fairness in our society. It, not some alleged failure to adequately fund HSS and K-12, is the principal threat to our prosperity and children’s welfare. For a long time to come, government in Nevada needs to grow slower than our economy.”

Ron Knecht was elected Nevada’s State Controller November 4, 2014, and inaugurated January 5, 2015.

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