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EDITORIAL: Sisolak, lawmakers have opportunity with windfall

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With tax revenue rolling in at a healthy pace and the federal government doling out billions to states under the guise of coronavirus relief, Nevada is sitting on a significant pile of unexpected cash — nearly \$4 billion, in fact. Gov. Steve Sisolak insists he is driven to ensuring the money lays the foundation for shielding the state from future economic fluctuations.

“We must remember that spending is easy,” he said, “investing is hard, but investing will always be worth it. I want to commit to Nevadans here in this moment. I am committed to changing our systems, our systemic issues that make Nevada the hardest hit state in the nation when there’s an economic downturn.”

This is certainly a worthy goal, but it can mean many different things to many different people. Presumably, however, the governor is referring in part to economic diversification, which for decades has been an elusive goal for Nevada policymakers. Despite efforts to attract new industries, the Silver State remains heavily reliant on gaming and tourism and thus more vulnerable to the inevitable economic hiccups.

The challenge for Gov. Sisolak, however, will be to resist calls from his left flank to preserve the very “systems” that he recognizes cry out for change.

Start with education. One of the major obstacles to making Nevada more attractive to the entrepreneurial class is the state’s moribund public school system. Legislative Democrats have long coddled the ineffective status quo, and Nevada has the dismal test scores to show for it. The Clark County School District is in the midst of pondering grading reforms that would water down expectations for students — precisely the wrong approach. Simply showering more money on the education establishment has yielded little in the past.

Instead, Gov. Sisolak should push increased accountability measures as a means of generating academic improvement while also ensuring that parents have myriad options when it comes to where and how they educate their children. This does not mean an abandonment of the public school system — far from it. Choice and the competitive pressure that comes with it can elevate public school performance and build the academic environment necessary for real achievement.

Meanwhile, the governor may want to peruse a recent study by the Cato Institute, which ranks Nevada among the nation’s worst states in terms of erecting harmful regulatory barriers to startup businesses. The review considered a number of components — including occupational licensing, the ease of starting a new enterprise, labor laws and other regulatory costs and factors — and placed the state 43rd, barely ahead of New York and California.

Attracting innovators to position Nevada to better weather unexpected events such as the pandemic will require the dismantling of protectionist barriers that work to preserve the current

system. “State and local governments can do much to improve the entrepreneurial climate by repealing low-value and harmful regulations,” the Cato report concluded. Unfortunately, Democrats in Carson City are moving the state in the opposite direction.

For additional reading, Gov. Sisolak might refer to David Byler’s recent Washington Post column on the success of Texas moving beyond oil and cattle to become a major tech center that is luring entrepreneurs from throughout the United States. Mr. Byler, a data analyst and political columnist for the Post, explains that Texas “has no individual income tax, has cultivated business-friendly policies, and the overall tax burden on business is low. Just as important, land-use laws are lax — businesses can site and build facilities quickly and developers can easily place big, cheap homes on tracts of empty land.”

Nevada has some similar advantages — no state income tax, for instance. Gov. Sisolak has an opportunity to emulate what has clearly worked elsewhere. Will he take it? Or will he align himself with Democratic lawmakers, who seem inclined to further erode the state’s business-friendly climate, preferring to take direction from California’s growth-killing tax and regulatory policies on issues such as housing and development?

“Spending is easy,” Gov. Sisolak noted. And no doubt there will be a clamor in the Legislature to simply dole out portions of this windfall to favored constituencies as political insurance. But if the governor is serious about “changing our systems” to promote long-term stability and prosperity for Nevada, he needn’t reinvent the wheel. Economic diversification begins with demanding accountability from educational institutions while fostering a welcoming environment for job creators that encourages investment and creates opportunity.

Prior to becoming the state’s chief executive, Gov. Sisolak cultivated a reputation as a moderate Democrat with an appreciation for the importance of economic growth. He now has a chance to prove it.