



**NEVADA'S PENDING
2014-2021 FISCAL
DILEMMA: A
CAUTIONARY TALE
OF FEDERAL
REVENUE REDUCTIONS
JANUARY 2014 UPDATE**

About the Authors

ALAN SCHLOTTMANN, PH.D.

Alan Schlottmann is a nationally recognized scholar in urban and regional economics serving as Professor of Economics at the University of Nevada Las Vegas. He is a former William Stokely Scholar at Stokely Management Center at The University of Tennessee and he has held an honorary appointment as Research Fellow, Claremont Graduate University. He has also served as Associate Editor, *Journal of Regional Science*.

Prof. Schlottmann has received national awards from organizations as the Regional Science Association and international recognition from the Netherlands Organization for Scientific Research. His investigative public policy studies include work for both houses of Congress, US General Accounting Office, and numerous federal, state, and local entities.

MARCUS CONKLIN

Marcus Conklin is an economist and associate director for the Lied Institute for Real Estate Studies. Mr. Conklin holds an MA in Political Science from Midwestern State University and an MA in Economics with field in urban and regional economics and public finance from UNLV.

He is the former Majority Leader of the Nevada Assembly, serving a decade in that institution. His policy interests include state revenue and revenue structure, energy, banking and finance, real estate and more.

Mr. Conklin served as Chair, Assembly Committee on Commerce and Labor and Vice Chair, Assembly Committee on Ways and Means.

JOHN RESTREPO

John Restrepo is the Principal of RCG Economics LLC ("RCG"). RCG is based in Las Vegas, Nevada, and was founded in 1997. It is the oldest and most established regional economics, real estate consulting and public policy research firm in Nevada. John earned a MA in Latin American Studies/Economics from Louisiana State University and a BA in Economics from the University of Louisiana.

John has been practicing economist specializing in regional economics, labor markets and real estate development for more than 34 years, 25 of those years in Nevada. Prior to starting RCG, he was the Director of Financial Advisory Services in the Las Vegas office of Coopers & Lybrand (now PricewaterhouseCoopers). Economies and markets that John has analyzed include Nevada, Arizona, California, Texas and the Southeast U.S.

John has prepared numerous economic, demographic and real estate market studies, as well as tax revenue forecasts and economic and fiscal benefit analyses. And, he is a sought after economist and advisor to the real estate industry, investors, state and local governments and educational organizations.

John is the former Chair of the Nevada Economic Forum and is currently the Chair of the Nevada Mining Oversight and Accountability Commission. He services on the Board of Directors of NAIOP-Southern Nevada and on the Las Vegas Metro Chamber of Commerce Government Affairs Committee.

Contents

1. Overview	1
2. Background: Budget Control Act of 2011 and Sequestration: A Revenue Reduction Example	7
3. Cost Shifting to Nevada: Why It Matters and a Summary of the Forecasted Revenue Reductions	10
4. Federal Spending Reductions and Nevada’s Response: No Easy Option.....	14
5. Nevada Revenue Declines: The Details by Federal Department.....	17
Appendix 1: Forecasts and Revenue Declines for Nevada: Statement of Methodology.....	25
Appendix 2: Defense Expenditures and Potential Reductions: An Overview.....	34
References	38
Endnotes	41

Contents

List of Figures

Figure 1: Nevada’s Non-Defense Federal Spending Cuts.....	5
---	---

List of Charts

Chart 1: Total Federal Non-Defense Funding in Nevada: FFY 2013 to FFY 2021 (,000).....	4
Chart 2: Actual & Forecasts: Non-Defense Federal Spending in Nevada as a Percent of Gross State Product: 2006-2021	12
Chart 3: Total Non-Defense Federal Funding to Nevada: FFY 2006-FFY 2013, By Type (, 000)	17
Chart 4: Non-Defense Nevada Federal Funding, Percent by Program: FFY 2013 ...	18

List of Tables

Table A-1: All Federal Non-Defense Transfers to Nevada, FFY 2006 to FFY 2021 (Projected).....	27
Table A-2: Detail breakdown Federal Non-Defense Transfers to Nevada, FFY 2013 to FFY 2021 (Projected)	28
Table A-3: Top 5 Nevada Counties: Projected Contract Revenue Reductions Based on National Averages.....	36
Table A-4: Nevada Defense Businesses Projected Revenue Reductions Based on National Average: FFY 2013-FFY 2021	37

1. Overview

This “white paper” is an update of a report prepared by the Consultant Team of Alan Schlottmann and Marcus Conklin of UNLV, and John Restrepo of RCG Economics for UNLV in April 2013 (<http://www.rcg1.com/unlv-nevadas-pending-2014-2021-fiscal-dilemma-a-cautionary-tale-of-federal-revenue-reductions/>).

A diverse range of plans have been offered to address federal deficit reduction. In total, almost 45 of these plans have been put forth suggesting solutions as a response to what is considered an “unsustainable” national deficit.¹ Although these plans may vary across the political spectrum, and differ in emphasis and design, it is critical for Nevada policymakers to be aware of a fundamental common idea: Significant reductions in nondefense federal spending to the state will occur.

For example, between federal fiscal year (“FFY”) 2012 and FFY 2013 there was a range of federal cuts to many important programs in Nevada including:

- Title 1 (Comp Ed-Low Income Families) Local Education Agencies: - \$5,063,000
- Food Stamp Program (SNAP): -\$51,462,000
- Special Education Basic State Grant: -\$3,977,000
- WIC (Women, Infants, Children) Supplemental Feeding Program: -\$128,000
- Unemployment Insurance State Administration Base Allocation: -\$4,073,000
- Head Start: -\$1,487,000

The discussion of reducing the deficit may be wrapped in terms, such as redefining federal-state partnerships, or exploring new efficiencies at the state level. But the practical reality is quite simple for Nevada policymakers: **funding from federal sources will decline from levels now taken for granted.** For this reason, a

response by the Governor and Legislature will be required in the biennium starting FY 2015 to address these potential reductions.

There is no way to predict with certainty the exact nature, depth and allocation of future reductions in federal funds to Nevada. However, it is important to note that the current level of funding reductions associated with what is popularly termed "Sequestration" are quite similar to those suggested in many of the most popular proposed federal deficit reduction plans.² Therefore, this updated research paper focuses on the Budget Control Act of 2011 ("BCA"), and the associated Sequestration plan as the best possible template for Nevada policymakers to prepare for. In this respect, the discussion of sequestration is to be viewed as a "most likely" guide for future reductions rather than as a specific plan.

The research below provides an overview of current year changes for illustrative purposes and a forecast of projected cuts from federal fiscal years ("FFY") FFY 2014 through FFY 2021 to non-defense spending. An overview of likely proposed reductions to defense spending is given in Appendix 2.

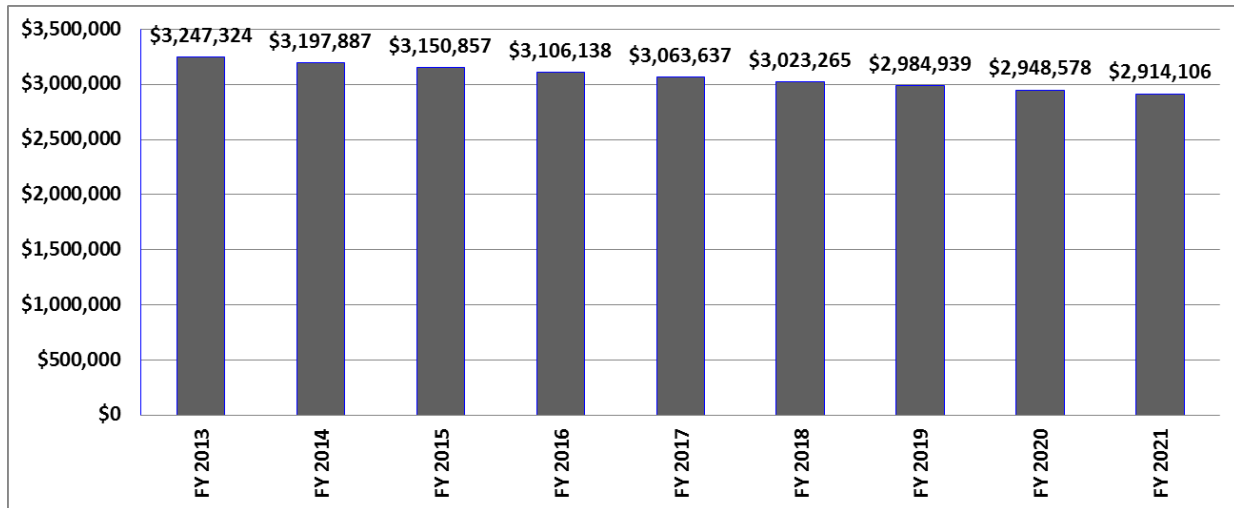
This report includes the final FFY 2013 budget numbers, as well as updated budget cut percentage rates used to forecast FFY 2014 through FFY 2021. The forecast also incorporates portions of the President's Budget for FFY 2014 as an estimate of how areas of the budget not covered under sequestration will change. Also, several individual programs were reclassified into different Federal Departments.

It's important to note that there has been no budget conference since 2010 between the US Senate and the US House of Representatives, because both houses had vastly different views regarding tax and spending policies. However, in December 2013, this situation changed maybe not dramatically, but it did change. The lead budget negotiators (Patty Murray (D)-Washington senator and Paul Ryan (R)-Wisconsin congressman) from both houses revealed that a deal had been made. In December, 2013, the deal passed the Senate by a vote of 64 to 36 and in House by a vote of 332 to 94. The bill was headed to President Obama's desk for his signature; and he is very likely to sign it (likely can update before the paper is published to note it was signed). It steers federal government spending through 2015.

Specifically, It fixes total federal expenditures through FFY 2014 (began on October 1) and FFY 2015. While this budget deal does not affect the results of this study, or the projected impacts on state budgets, we are noting it herein an example of the fluid nature of how the Sequestration process continues to change

In conclusion, in simple terms, the analysis herein suggests a forecasted average reduction in non-defense transfers (federal base-budget lost) to Nevada of about \$33 million per year between FFY 2014 through FFY 2021 for total reduction of 10.3 percent (\$333.2M).

CHART 1: TOTAL FEDERAL NON-DEFENSE FUNDING IN NEVADA: FFY 2013 to FFY 2021 (, 000)



Source: 2013 FFIS Federal Funds Information for States and the Consultant Team.

The annual base-budget losses from FFY 2013 through FFY 2021 are illustrated in Chart 1 above. These forecasts utilize the lower bound estimate of possible cuts in order to present a more conservative approach to the serious issue facing Nevada, its policymakers and its citizens. Thus, this report is meant to be a highly likely future scenario.

This report uses the accepted terminology of “discretionary” versus “mandatory” programs. The bulk of the sequestration cuts will go to the discretionary programs. These programs are annually funded by Congress through appropriations bills and whose budget Congress has the most control over. Mandatory programs, also known as direct spending or entitlement spending, generally have an annual cost that is determined by eligibility criteria established by law. Mandatory programs include Social Security and Medicare. For a simple discussion, see *“Frequently Asked Questions About Sequestration Under the Budget Control Act of 2011”*, September 2012, House Budget Committee, US Congress, Democratic Caucus.³

FIGURE 1: NEVADA'S NON-DEFENSE FEDERAL SPENDING CUTS

Type of Nondefense Spending Reduction due to BCA	FFY 2012 vs. FFY 2013	FFY 2013 vs. FFY 2021	FFY 2014 vs. FFY 2021
Discretionary	-1.6% -\$16.8M	-15.8% -\$164.3	-13.7% -\$138.9
Mandatory	3.6% \$72.5M	-8.7% -\$179.8	-7.6% -\$154.5
Discretionary/Mandatory	2.3% \$3.2M	+7.7% +\$10.9	+6.7% +\$9.6
Total	1.8% \$58.9M	-10.3% -\$333.2	-8.9% -\$283.8

Source: 2013 FFIS Federal Funds Information for States and the Consultant Team. Note: Numbers may not add due to rounding.

Figure 1 above shows a breakdown of the changes to Nevada’s non-defense transfers.

When comparing non-defense transfers to Nevada from FFY 2012 to FFY 2013, there is an increase in overall transfers of \$58.9M (1.8%). This is mainly due to the increase in funding for mandatory (entitlement) programs. The total also includes a \$16.8M loss in discretionary funding.

The loss in discretionary spending will increase over time, eventually reaching a cumulative total of \$138.9M between FFY 2014 and FFY 2021. Additionally, it is estimated that mandatory transfers will be reduced by about \$154.5M during this period. There will, however, be a \$9.6M increase in discretionary/mandatory programs mostly comprised of Pell Grants, which are excluded from sequestration. In total, there will be a projected \$283.8M reduction in federal non-defense program spending between FFY 2014 and FFY 2021 in the state of Nevada.

These cuts should not be considered a temporary measure, but rather a permanent structural change in Nevada’s relationship to federal budgets. This will require thoughtful planning now with respect to Nevada’s revenue and expenditures. While

this white paper is Nevada-specific, a similar dilemma faces all states to varying degrees, depending on the level of federal revenues to each state.

This white paper focuses on the potential reductions in discretionary and mandatory non-defense spending in Nevada. It first gives a background of the Budget Control Act of 2011, which establishes the framework for the sequestration budget cuts. It then summarizes the forecasted revenue reductions and which aspects of Nevada's budget will be most impacted by these reductions. It then addresses how the state of Nevada might respond to these reductions. The paper then concludes with a detailed breakdown of federal funding in Nevada by federal department. Two appendixes are also provided in this report. The first is a statement of methodology describing the forecasting methods used. The second appendix is an overview of the potential reductions to the defense spending.

2. Background: Budget Control Act of 2011 and Sequestration: A Revenue Reduction Example

In addition to agreeing on raising the debt ceiling via the BCA, certain procedures were established to reduce future federal payments, including transfers to states and localities. The BCA designated caps on the amount of revenues that could be expended during annual appropriations process for the 10-year period ending in FFY 2021. The Congressional Budget Office ("CBO") estimates that this would lower federal expenditures by \$917B during the period.

These caps were extensive and apply to the total amount of discretionary expenditures. For the first two fiscal years of the period, the caps affect two groups of payments: non-security (non-defense) and security (defense). By and large, decreases were to be applied evenly between the two types of expenditures. The compulsory cutbacks in the two groups were then applied to discretionary and mandatory expenditures proportionately. It is reasonable to assume that such a procedure or template will be utilized in any future federal deficit reduction plan.

In the case of the remaining years, a threshold on all discretionary expenditures was fashioned. Conclusions regarding the way these caps will impinge on particular agencies, departments or programs nationally and in federal grants to the states will be the responsibility of Congress and the President during the normal appropriations course of action. The BCA caps can't be put aside by a sole Congressional chamber. If the caps are surpassed, the BCA requires "sequestration", which is a programmed, mainly wholesale termination of budgetary assets.

The BCA agreement also established a Joint Select Committee on Deficit Reduction (“the Supercommittee”) tasked to create legislation to lower the federal deficit by a minimum of an extra \$1.5 trillion during the 10-year period. The Supercommittee was comprised of the same number of Democrats and Republicans from the Senate and the House of Representatives; It had broad power to write a plan to lower the federal deficit.

Additionally, if Congress and the President did not pass a joint committee bill lowering the deficit by a minimum of \$1.2 trillion during the 10-year period ending in FFY 2021, there were unwelcome effects. Not ratifying such a bill by January 15, 2012 would initiate programmed spending cutbacks. These cutbacks involved the sequestration noted above. The result: if a Supercommittee bill were not ratified by January 15, 2012, on January 2, 2013 the spending power of numerous federal departments and agencies would be lowered. And this is exactly what happened and where we are today – A potential “fiscal cliff” in Nevada starting in the state’s 2015 fiscal year. Annual (FFY 2013-FFY 2021) direct expenditure decreases were to be attained via sequestration. Decreases were to be realized in the first year (FFY 2013) in the case discretionary expenditures. From FFY 2014 through FFY 2021, the decreases in discretionary expenditures were to be attained by lowering legislative thresholds on discretionary payments for security and non-security activities, not by automatic universal cuts to each group.

Starting in FFY 2014, Congress and the President will decide how spending cuts are achieved through the yearly appropriations process in the case of discretionary spending. It is important to note that a number of programs, like Social Security and Medicaid, were spared from sequestration. And in the case of Medicare, federal payment decreases were limited to two percent.

This automatic expenditure cuts process was supposed to help policy makers agree on deficit reduction to include defense and non-defense expenditures to persuade lawmakers to compromise on lowering the deficit, based on establishing specific

priorities. It was hoped that the Congress would prefer this to universal cuts. Again, this did not happen. Thus, Nevada is faced with the specter of sequestration.

3. Cost Shifting to Nevada: Why It Matters and a Summary of the Forecasted Revenue Reductions

Deficit reduction plans under all of the most likely scenarios tend to mirror current sequestration plans. These potential cuts lead to a variety of revenue reductions for Nevada. The following data is according to the Federal Funds Information for the States ("FFIS"). The forecast methodology is described in Appendix 1, and a table of the results is shown in Table A-1.

It is important to note that Nevada faces these future revenue reductions while still dealing with the effects of the "Great Recession" which wreaked havoc on the state's economy and its residents. The state economy continues to struggle in its recovery, especially as it relates to the job market, and there is absolutely no evidence that Nevada will enjoy a "V-style" recovery. Thus, Nevada will face potential revenue reductions at a critical time of slow economic growth.

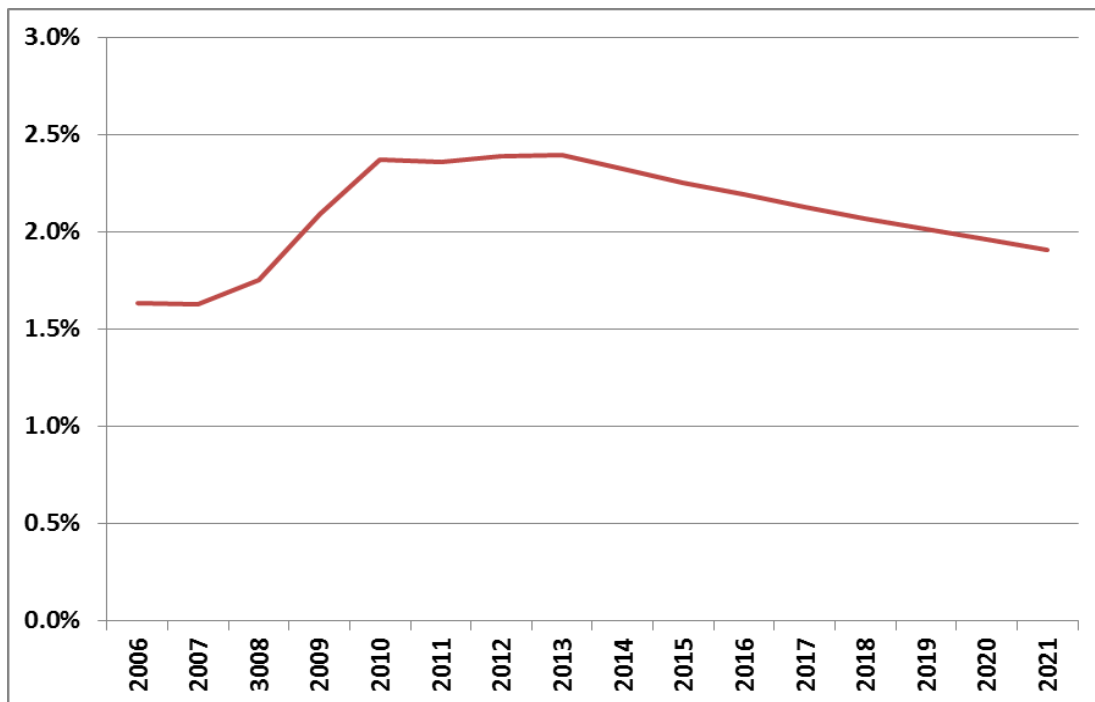
- **Health and Human Services ("HHS") Funding Cuts.** Fortunately, HHS spending in Nevada will be partially spared from sequestration. Between FFY 2012 and FFY 2013, spending rose by 6.8 percent or by \$94.9M. Spending in FFY 2013 was \$1.485B compared to the FFY 2012 spending of \$1.390B. However, starting in 2014 this trend will reverse and cuts will begin to be significant. The Consulting Team estimates that between FFY 2014 and FFY 2021 the total reductions to HHS spending will be 14.9 percent (\$216M).
- **Transportation and Agriculture are a special case.** It is interesting to note that much of the U.S. Department Transportation's ("DOT") and Department of

Agriculture ("DOA") spending is exempt from BCA/sequestration. The Consultant Team's research indicates that DOT funding in Nevada increased by 0.6 percent between FFY 2012 (\$439.2M) and FFY 2013 (\$442M). The DOA spending did decrease by 5.3 percent from FFY 2012 (\$730M) and FFY 2013 (\$691.4M). However it is projected to increase each year in our forecast. Using the President's 2014 Budget as a guideline, the Consultant Team projects funding to rise in these departments by 1 percent each year from FFY 2014 to FFY 2021.

- **Other non-defense spending in Nevada.** Although all federal non-defense transfers to Nevada rose by 1.8 percent from FFY 2012 (\$3.188B) to FFY 2013 (\$3.247B). When we exclude the cuts to Health and Human Services, and the increases to Transportation and Agriculture, our forecasts show an average annual reduction of 3.4 percent (\$19.2M/year) from FFY 2014 through FFY 2021. Cumulatively, the total reduction in federal non-defense spending in Nevada, including HHS, Transportation, and Agriculture is projected to be \$333.2M for the FFY 2014 to FFY 2021 period.
- **Cuts to Nevada vs. Solely Federal-Only Cuts.** One of the reasons that federal funding to the states, including Nevada, is scheduled to see such significant cuts is that it appears the White House and Congress are not going to allow profound reductions to entirely federal non-defense discretionary spending agencies like the Veterans Administration, the FBI, the Centers for Disease Control, Homeland Security and the Social Security Administration.
- **The Overall Effect: Non-Defense Funding for State and Local Services.** As a summary of the forecast, between FFY 2006 and FFY 2012 federal non-defense spending in Nevada averaged 2 percent of Gross State Product ("GSP"). However, more recently, between FFY 2010 and FFY 2012, federal non-defense spending was 2.4 percent of GSP each year. The Consultant Team estimates that non-defense spending in the state will represent 2.4 percent of GSP again in FFY 2013. Between FFY 2013 and FFY 2021, the Consultant Team projects that GSP will grow by 1.5 percent per year. Based on its non-defense federal spending forecast, the

Consultant Team expects that by 2021, federal cuts/sequestration-related changes will reduce this spending to 1.9 percent of GSP. These percentages are shown in Chart 2 below.

CHART 2: ACTUAL & FORECASTS: NON-DEFENSE FEDERAL SPENDING IN NEVADA AS A PERCENT OF GROSS STATE PRODUCT: 2006-2021



Source: Bureau of Economic Analysis, International Monetary Fund's October 2012 annual average inflation 2011-2017 forecast for the US, FFIS and the Consultant Team.

While it is continuing subject of debate in Nevada, these reductions in federal payments to the state will put additional stress on its budget, and, indirectly, to the budgets of local governments around the state. They will essentially lower the number of jobs that Nevada and its municipalities create, slowing the rate of Nevada's recovery, and putting pressure on the adequate delivery of services to residents.

Using modern tax elasticity models and base-level data on sources of tax revenues, a comprehensive statistical study of the Nevada tax system strongly suggests that normal growth of the Nevada economy will not provide additional revenues to replace lost federal funds. Based on issues of both growth and variability in the

major tax instruments of Nevada, Schlottmann and Conklin found that revenue growth in the Nevada tax system tracks growth in the overall economy but it does not provide extra-normal sources of revenue.⁴

4. Federal Spending Reductions and Nevada's Response: No Easy Option

Nevada policymakers will have to respond to the ongoing effects of long-term reduction in federal payments to the state brought about the BCA/sequestration, or alternative budget proposals which often mirror similar reductions in federal funding.

The Nevada policy response could take a number of forms: Tax increases, service cuts, re-prioritizing of spending or a combination of all three. There is no costless solution. In any case, if Nevada chooses to supplant lost federal funding by using state resources, this will represent a direct funding shift to the state due to federal cutbacks. Potential implications of these cuts are discussed below by federal department and agency.

As we have stated, federal policy makers are unlikely to allow deep cuts to Medicare and Social Security for current beneficiaries or those who will be retiring in the next few years. Additionally, while defense spending is also subject to the BCA, there is very little appetite by federal policy makers to reduce federal spending caps on defense since the BCA/sequestration is already calling for an average of 9.25 percent cuts per year between FFY 2014 and FFY 2021 cuts.⁵ This means that's highly unlikely that the future funding caps will be raised or that cuts will reduce to other types of non-defense spending. This is why federal transfers to the states are facing such large cuts – it appears to us that federal policymakers hypothesize that states can raise taxes to fill the federal spending gap.

Nevada's "Most Impacted"

In our opinion, there are two major concerns with future federal spending cuts to Nevada:

- Non-defense discretionary programs (e.g., primary and secondary education, assorted health care services (other than Medicaid) and infrastructure (other than transportation) directly benefiting Nevada that are appropriated by the federal government yearly to the states.
- Entitlements, excluding Medicare and Social Security, (e.g., Medicaid, Food Stamp State Administration, Children's Health Insurance Program ("CHIP") and Temporary Assistance for Needy Families).

The Departments of Transportation and Agriculture funding to Nevada are essentially being held harmless since they are exempt from the BCA/sequestration cuts. As noted above, federal spending in these departments is projected to increase by 1 percent each year from FFY 2014 to FFY 2021.

Growing Service Demands and Caseloads

As an example of rising service demands, according to the 2012 *"The Condition of Education 2012"* report released in May 2012 by the National Center for Education Statistics ("NCES"), public school enrollment in pre-kindergarten through 12th grade rose in 41 states between 1989–1990 and 2010–2011, with the largest jump in Nevada at 134 percent.⁶ Between 2010–11 and 2021–22, Nevada is estimated to experience the second highest rise in total enrollment at 21 percent. From pre-kindergarten through 8th grade, enrollment in Nevada is forecasted to grow by nearly 21 percent. In grades 9 through 12, enrollment in Nevada is projected to rise by 8.2 percent by the 2021-22 school year. Obviously, any reductions in federal funding are a potential problem.

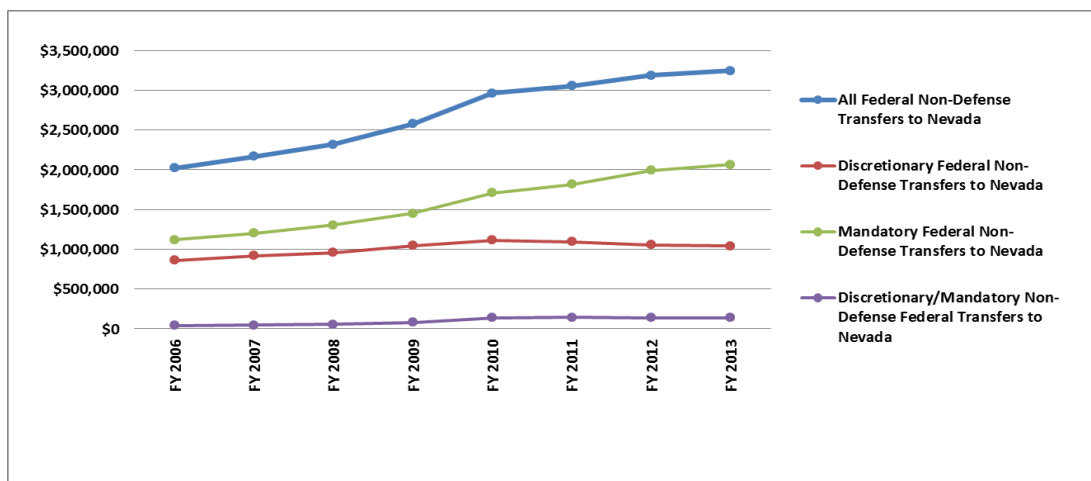
Regarding the share of school funding coming from the state, according to *The Condition of Education 2012*, Nevada had the second lowest amount at 31 percent followed by Illinois at 28 percent report for the 2008-2009 school year (the latest available data). Unfortunately, as discussed below, this will be exasperated with the projected BCA/sequestration cuts.

5. Nevada Revenue Declines: The Details by Federal Department

The following discussion presents the Consultant Team’s review of FFY 2006 to FFY 2013 and forecasted FFY 2014 to FFY 2021 non-defense federal funding in Nevada. It should be noted that these forecasts are developed only at the department level, not for individual programs. For a description of the methodology used to develop the forecasts for each department refer to Appendix 1. The results of the forecast can be found in Table A-1 and the following charts.

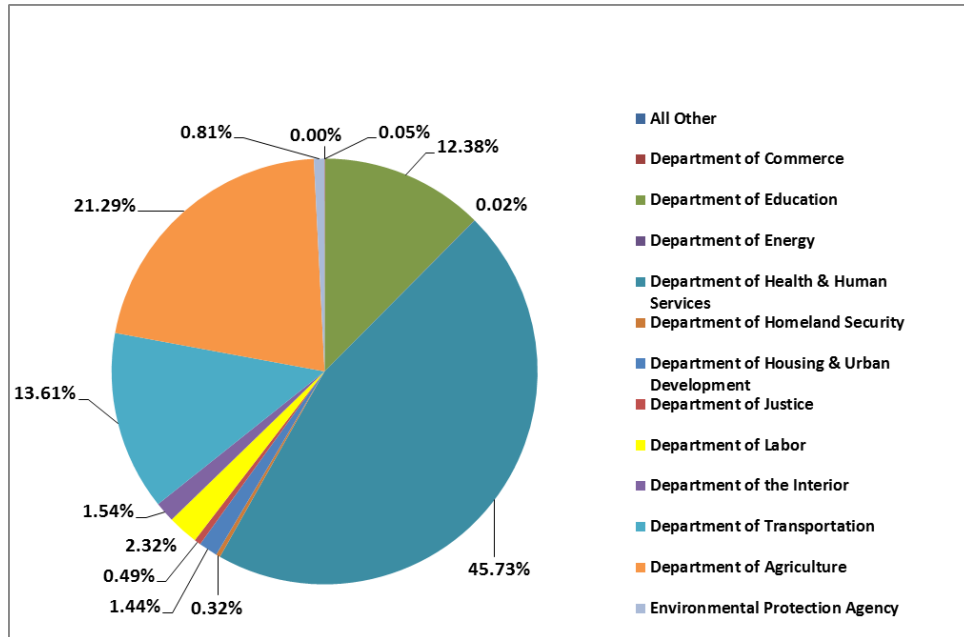
As a basis for the following discussion, the Consultant Team developed two charts to show the most recent (FFY 2013) share of non-defense federal spending in Nevada. Chart 3 provides an overview of total spending, segmented by discretionary, mandatory and discretionary/mandatory, by year, from FFY 2006 through FFY 2013. Chart 4 shows a percent breakdown by federal departmental funding for FFY 2013.

CHART 3: TOTAL NON-DEFENSE FEDERAL FUNDING TO NEVADA: FFY 2006-FFY 2013, BY TYPE (, 000)



Source: May, 2013 FFIS Federal Funds Information for States.

CHART 4: NON-DEFENSE NEVADA FEDERAL FUNDING, PERCENT BY PROGRAM: FFY 2013



Source: May, 2013 FFIS Federal Funds Information for States.

The charts above provide the frame of reference for the forecasts, by department, which now follow. The federal fund transfers for each department represent major programs for Nevada partially funded by such federal transfers.

Department of Agriculture

According to FFIS, 21.3 percent or \$691.4M of the \$3.247B in non-defense federal grants to Nevada in FFY 2013 came from the U.S. Department of Agriculture (“USDA”). Between FFY 2006 and FFY 2013, USDA funding in Nevada rose by \$448.6M or by 185 percent. This massive rate of growth was largely due to the federal government responding to the severe needs of Nevada residents wrought by the Great Recession. For example, the Food Stamps program (SNAP) jumped by 260 percent between FFY 2006 (\$137.2M) and FFY 2013 (\$494.4M).

The top three programs in FFY 2013 were SNAP payments (\$494.4M), the Child Nutrition programs (\$136.3M) and the WIC programs (\$47.5M). Combined, they represented over 98 percent of the USDA funding to Nevada in FFY 2013. The first

of two of these programs are mandatory and the last is categorized as discretionary. From FFY 2014 to FFY 2021, USDA payments to Nevada are projected to increase by 4.4% (\$30.5M). This increase is due to the fact that mandatory programs are largely excluded from the sequestration cuts.

Department of Commerce

The FFIS data notes that .05 percent or \$1.5M of the \$3.247B in non-defense federal spending in Nevada in FFY 2013 came from the U.S. Department of Commerce ("DOC"). The largest portion of this funding was for infrastructure projects under the EDA-Public Works program. This made up 73.2 percent (\$1.1M) of the total DOC spending.

Between FFY 2006 and FFY 2013, DOC spending in Nevada fell 56.4 percent (\$1.9M). From FFY 2014 to FFY 2021, DOC transfers to Nevada are projected decrease by 30.2 percent (\$423,000).

Department of Education

According to FFIS, 12.4 percent or \$402.1M of the \$3.247B in non-defense federal transfers to Nevada in FFY 2013 came from the U.S. Department of Education ("DOEd"). The top three programs in FFY 2013 were the Comp Ed (Title 1) programs (\$106M), the Special Education Basic State Grant (\$66.8M), and the Pell Grants (\$146M). These programs represented 77.6 percent of the total DOEd transfers to Nevada.

Between FFY 2006 and FFY 2013, DOEd funding in Nevada rose by 46.8 percent (\$128.2M). From FFY 2014 to FFY 2021, DOEd payments to Nevada are expected decline by 16.7 percent (\$65.3M). Reductions in this category of federal transfers would largely affect high-poverty schools, since many of these federal transfers are largely focused on these types of schools.

By way of background, "The Condition of Education 2012" report noted most administrators surveyed stated that sequestration funding reductions would "reducing professional development (69.4 percent), reducing academic programs (58.1 percent), eliminating personnel (56.6 percent) and increasing class size (54.9 percent)."⁷ To reiterate, the current sequestration is not a limited one-of-reduction in funding but is directly related to long-term changes in funding to Nevada and other states.

Department of Energy

FFIS also reported that .02 percent or \$545,000 of the \$3.247B in non-defense federal grants to Nevada in FFY 2013 came from the U.S. Department of Energy ("DOE") for two areas – the State Energy Program and the Weatherization Assistance Program.

Between FFY 2006 and FFY 2013, DOE funding in Nevada dropped by 56 percent (\$695,000). From FFY 2014 to FFY 2021, DOE payments to Nevada are projected to decline by 30.2% (\$156,000).

Department of Health & Human Services

According to FFIS, 45.7 percent or \$1.485B of the \$3.247B in non-defense federal grants to Nevada in FFY 2013 came from the U.S. Department of Health and Human Services ("HHS"). The top three HHS programs in FFY 2013 were the Medicaid programs, including the Vendor Payments and Administration, the Temporary Assistance for Needy Families program, and the Foster Care program. These programs represented 80.8 percent of the total HHS spending. These are all mandatory programs.

Overall, Between FFY 2006 and FFY 2013 HHS funding in Nevada jumped 51.5 percent (\$504.7M). Between FFY 2014 and FFY 2021 HHS payments to Nevada are projected to decline 14.9 percent (\$216M).

Department of Homeland Security

The FFIS calculates that .32 percent or \$10.4M of the \$3.247B in non-defense federal grants to Nevada in FFY 2013 came from the U.S. Department of Homeland Security ("HS"). Approximately 40.7 percent (\$4.2M) of this funding was for Emergency Management Performance grants. In addition, 33.3 percent (\$3.5M) of this funding was for the State Homeland Security grant program.

Between FFY 2006 and FFY 2013, HS funding in Nevada dropped by 15.6 percent (\$1.9M). Between FFY 2014 and FFY 2021 HS payments to Nevada are estimated to decline by 30.2 percent (\$3M).

Department of Housing & Urban Development

Per the FFIS, 1.4 percent or \$46.7M of the \$3.247B in non-defense federal grants to Nevada in FFY 2013 came from the U.S. Department of Housing & Urban Development ("HUD"). The majority of this funding was related to two programs – \$14.6M for Community Development Block Grants-Entitlement (Local), and \$14.5M for Public Housing Operating Fund. These two programs represented 62.2 percent of the total HUD payments to the state.

Between FFY 2006 and FFY 2013, HUD funding in Nevada fell 20 percent (\$11.7M). Between FFY 2014 and FFY 2021 HUD payments to Nevada are projected to decline by 30.2 percent (\$13.4M).

Department of the Interior

According to FFIS, 1.5 percent or \$50M of the \$3.247B in non-defense federal grants to Nevada in FFY 2013 came from the U.S. Department of the Interior (“DOI”). This was mainly due to one program, BLM-Payments in Lieu of Taxes which made up 46.7 percent (\$23.4M) of the total DOI spending.

Between FFY 2006 and FFY 2013, DOI funding in Nevada jumped by 48.2 percent (\$16.3M). Between FFY 2014 and FFY 2021 DOI payments to Nevada is expected to fall by 30.7 percent (\$14.5M).

Department of Justice

According to FFIS, .5 percent or \$16M of the \$3.247B in non-defense federal grants to Nevada in FFY 2013 came from the U.S. Department of Justice (“DOJ”). The majority of this funding was for the Criminal Victims Fund programs (\$8M), and the State Criminal Alien Assistance program (\$3.8M). These two programs accounted for 73.7 percent of FFY 2013 DOJ funding to the Nevada.

Between FFY 2006 and FFY 2013, DOJ funding in Nevada dropped 5.9 percent (\$1M). Between FFY 2014 and FFY 2021 DOJ payments to the state is estimated to decrease by 30.4 percent (\$4.6M).

Department of Labor

The FFIS reports that 2.3 percent or \$75.2M of the \$3.247B in non-defense federal grants to Nevada in FFY 2013 came from the U.S. Department of Labor (“DOL”). The largest portion of this funding was for the various Workforce Investment Act programs (\$32.6M). The second largest DOL transfer to Nevada during FFY 2013 was for the UI State Administration Base Allocation program (\$32.8M). Combined, these two programs accounted for 87 percent of DOL spending in the state during FFY 2013.

Between FFY 2006 and FFY 2013, DOL spending in Nevada jumped 58.6 percent (\$27.8M) in an attempt to mitigate the impacts on the state's workforce resulting from the Great Recession. Between FFY 2014 and FFY 2021 DOL transfers to Nevada are projected to decrease 30.2 percent (\$21.6M).

Department of Transportation

The FFIS estimated that 13.6 percent or \$442M of the \$3.247B in non-defense federal grants to Nevada in FFY 2013 was from the U.S. Department of Transportation ("DOT"). The largest shares of this funding were for the FHWA-National Highway Performance Program (\$200.3M), Surface Transportation Program (\$92.1M), and Airport Improvement Program (\$41.5M). These three programs represented 75.6 percent of federal transportation spending in the state in FFY 2013.

Between FFY 2006 and FFY 2013, DOT spending in Nevada jumped 33.2 percent (\$110.1M). Between FFY 2014 and FFY 2021 DOT spending in Nevada is estimated to increase by 7.2 percent (\$32.2M).

Environmental Protection Agency

According to FFIS, 0.81 percent or \$26.2M of the \$3.247B in non-defense federal grants to Nevada in FFY 2013 came from the U.S. Environmental Protection Agency ("EPA"). The largest shares of this funding went to the Drinking Water SRF Grant (\$8.4M), the State and Local Air Quality Management program (\$7.2M), and the Clean Water SRF Grants (\$6.5M). Together, these two programs received 84.5 percent of all EPA transfers to the state in FFY 2013.

Between FFY 2006 and FFY 2013, EPA funding in Nevada grew by 35.8 percent (\$6.9M). Between FFY 2014 and FFY 2021, EPA spending in the state is forecasted to decline by 30.2 percent (\$7.5M).

All Other

In addition to the Departments listed above, the FFIS also includes an “All Other” category. None of the non-defense federal transfers to Nevada fell in this category.

Appendix 1: Forecasts and Revenue Declines for Nevada: Statement of Methodology

Premise: The approach undertaken by the Consultant Team focused on non-defense discretionary and mandatory transfers to the State of Nevada. A brief discussion of defense spending in Nevada is included in Appendix 2. Our research was largely based on data obtained from Federal Funds Information from the States (<http://www.ffis.org>)⁸. FFIS is “a subscription service jointly created by the [National Governors Association](#) and the [National Conference of State Legislatures](#). Our primary mission is to track and report on the fiscal impact of federal budget and policy decisions on state budgets and programs. This information is maintained in a database of more than 200 federal grant-in-aid programs and is disseminated to subscribers through a regular series of reports and briefs.”

Baseline Assumptions:

The Consultant Team established a set of baseline assumptions to identify how sequestration is likely to affect Nevada. Using FFIS data, we selected FFY 2013 as the base-year, although federal funding data from FFY 2006 to FFY 2012 was also included. The forecast period was for FFY 2014 to FFY 2021.

Another important assumption was that the funding caps and percentage cuts identified in the BCA would be used to develop the forecasts for Nevada’s federal funding reductions. These cuts were only applied to the programs identified by the FFIS as “Covered” under sequestration. The percentages used are clearly outlined

Appendix 1: Forecasts and Revenue Declines for Nevada: Statement of Methodology

in a letter addressed to the Speaker of the House of Representatives from the Office of Management and Budget⁹. For Discretionary and Discretionary/Mandatory programs covered by sequestration a reduction of 5 percent per year was used. For Mandatory programs covered by sequestration a reduction of 5.1 percent per year was used.

In addition to the programs identified by the FFIS as “Covered” under sequestration, other programs were identified as either “Exempt” or “Covered/Exempt”. The majority of these programs were projected to increase at a rate of 1% per year. This estimated increase was taken from the President’s 2014 Budget, which is also included in the FFIS data. There were however, several Mandatory programs within the Department of Health and Human Services which, even though identified as “Exempt” from sequestration, are still projected to be cut by 2 percent per year due to the BCA.

Additionally, the caps identified herein are in nominal terms, meaning that they have not been adjusted for inflation. This was done to avoid confusion with comparisons to alternative federal deficit reduction plans, which often use forecasted federal budgets under a two-percent price increase (consistent with the stated price target of the Federal Reserve System). As previously noted, alternative plans are shown on the Committee for a Responsible Federal Budget website (see endnote 1 and endnote 2). Many of these plans appear to suggest a one-year temporary freeze to current levels of cuts during final formulation of the longer term deficit plan for some components.

A detailed breakdown of the results of our forecast is shown in Tables A-1 and A-2 below:

Appendix 1: Forecasts and Revenue Declines for Nevada: Statement of Methodology

TABLE A-1: ALL FEDERAL NON-DEFENSE TRANSFERS TO NEVADA, FFY 2006 TO FFY 2021 (PROJECTED)

(All \$ in '000)	Forecasted Federal Transfers to Nevada (,000)																
																	Cumul./Avg.: 2014-
	FFY 2006	FFY 2007	FY 2008	FFY 2009	FFY 2010	FFY 2011	FFY 2012	FFY 2013	FFY 2014	FFY 2015	FFY 2016	FFY 2017	FFY 2018	FFY 2019	FFY 2020	FFY 2021	2021
All Federal Non-Defense Transfers to Nevada																	
Department of Commerce	\$3,383	\$217	\$2,243	\$697	\$267	\$2,427	\$2,105	\$1,475	\$1,401	\$1,331	\$1,264	\$1,201	\$1,141	\$1,084	\$1,030	\$978	\$9,431
Department of Education	\$273,886	\$281,351	\$292,163	\$332,488	\$394,140	\$401,656	\$401,331	\$402,093	\$390,317	\$379,215	\$368,753	\$358,901	\$349,628	\$340,907	\$332,710	\$325,013	\$2,845,443
Department of Energy	\$1,240	\$1,171	\$1,111	\$2,740	\$855	\$992	\$834	\$545	\$518	\$492	\$467	\$444	\$422	\$400	\$380	\$361	\$3,484
Department of Health & Human Services	\$980,437	\$1,055,729	\$1,084,159	\$1,122,131	\$1,243,530	\$1,255,746	\$1,390,153	\$1,485,100	\$1,450,804	\$1,417,424	\$1,384,931	\$1,353,294	\$1,322,488	\$1,292,486	\$1,263,261	\$1,234,790	\$10,719,478
Department of Homeland Security	\$12,296	\$10,176	\$15,428	\$16,319	\$15,719	\$12,359	\$9,920	\$10,381	\$9,861	\$9,367	\$8,897	\$8,452	\$8,028	\$7,626	\$7,244	\$6,881	\$66,356
Department of Housing & Urban Development	\$58,390	\$55,971	\$57,133	\$58,775	\$61,878	\$55,947	\$48,435	\$46,738	\$44,401	\$42,181	\$40,072	\$38,069	\$36,165	\$34,357	\$32,639	\$31,007	\$298,892
Department of Justice	\$17,047	\$17,270	\$15,239	\$18,039	\$17,262	\$19,137	\$16,725	\$16,044	\$15,234	\$14,465	\$13,734	\$13,041	\$12,382	\$11,757	\$11,163	\$10,599	\$102,375
Department of Labor	\$47,453	\$46,938	\$54,207	\$74,685	\$73,761	\$75,825	\$78,428	\$75,238	\$71,476	\$67,902	\$64,507	\$61,282	\$58,218	\$55,307	\$52,542	\$49,915	\$481,149
Department of the Interior	\$33,746	\$33,276	\$50,593	\$58,982	\$53,209	\$46,146	\$48,615	\$50,013	\$47,465	\$45,047	\$42,752	\$40,574	\$38,507	\$36,545	\$34,683	\$32,917	\$318,492
Department of Transportation	\$331,978	\$390,293	\$404,804	\$429,415	\$480,180	\$479,760	\$439,263	\$442,038	\$446,459	\$450,923	\$455,433	\$459,987	\$464,587	\$469,233	\$473,925	\$478,664	\$3,699,210
Department of Agriculture	\$242,853	\$254,786	\$320,875	\$444,311	\$592,619	\$682,341	\$730,084	\$691,442	\$695,044	\$698,849	\$702,849	\$707,039	\$711,413	\$715,966	\$720,692	\$725,588	\$5,677,441
Environmental Protection Agency	\$19,301	\$20,131	\$18,496	\$18,484	\$30,620	\$23,346	\$22,523	\$26,217	\$24,906	\$23,660	\$22,477	\$21,354	\$20,286	\$19,272	\$18,308	\$17,393	\$167,655
Total	\$2,022,011	\$2,167,308	\$2,317,249	\$2,577,760	\$2,964,526	\$3,055,683	\$3,188,416	\$3,247,324	\$3,197,887	\$3,150,857	\$3,106,138	\$3,063,637	\$3,023,265	\$2,984,939	\$2,948,578	\$2,914,106	\$24,389,407
% Annual Change	-	7.2%	6.9%	11.2%	15.0%	3.1%	4.3%	1.8%	-1.5%	-1.5%	-1.4%	-1.4%	-1.3%	-1.3%	-1.2%	-1.2%	-1.3%
\$ Annual Change	-	\$145,297	\$149,941	\$260,511	\$386,767	\$91,156	\$132,734	\$58,908	(\$49,438)	(\$47,030)	(\$44,719)	(\$42,501)	(\$40,372)	(\$38,326)	(\$36,361)	(\$34,472)	(\$333,218)

FFY = Federal Fiscal Year

Source: 2013 FFIS Federal Funds Information for States.

Appendix 1: Forecasts and Revenue Declines for Nevada: Statement of Methodology

TABLE A-2: DETAIL BREAKDOWN FEDERAL NON-DEFENSE TRANSFERS TO NEVADA, FFY 2013 TO FFY 2021 (PROJECTED)

(All \$ in '000)

All Federal Non-Defense Transfers to Nevada	FFY 2013				FFY 2014				FFY 2015			
	FFY 2013 Covered	FFY 2013 Exempt	Covered/ Exempt	FFY 2013 Total	FFY 2014 Covered	FFY 2014 Exempt	Covered/ Exempt	FFY 2014 Total	FFY 2015 Covered	FFY 2015 Exempt	Covered/ Exempt	FFY 2015 Total
Department of Commerce	\$1,475	\$0	\$0	\$1,475	\$1,401	\$0	\$0	\$1,401	\$1,331	\$0	\$0	\$1,331
Department of Education	\$262,893	\$139,200	\$0	\$402,093	\$249,725	\$140,592	\$0	\$390,317	\$237,217	\$141,998	\$0	\$379,215
Department of Energy	\$545	\$0	\$0	\$545	\$518	\$0	\$0	\$518	\$492	\$0	\$0	\$492
Department of Health & Human Services	\$152,642	\$1,332,459	\$0	\$1,485,100	\$144,995	\$1,305,810	\$0	\$1,450,804	\$137,731	\$1,279,693	\$0	\$1,417,424
Department of Homeland Security	\$10,381	\$0	\$0	\$10,381	\$9,861	\$0	\$0	\$9,861	\$9,367	\$0	\$0	\$9,367
Department of Housing & Urban Development	\$46,738	\$0	\$0	\$46,738	\$44,401	\$0	\$0	\$44,401	\$42,181	\$0	\$0	\$42,181
Department of Justice	\$16,044	\$0	\$0	\$16,044	\$15,234	\$0	\$0	\$15,234	\$14,465	\$0	\$0	\$14,465
Department of Labor	\$75,238	\$0	\$0	\$75,238	\$71,476	\$0	\$0	\$71,476	\$67,902	\$0	\$0	\$67,902
Department of the Interior	\$50,013	\$0	\$0	\$50,013	\$47,465	\$0	\$0	\$47,465	\$45,047	\$0	\$0	\$45,047
Department of Transportation	\$0	\$241,703	\$200,335	\$442,038	\$0	\$244,120	\$202,338	\$446,459	\$0	\$246,562	\$204,362	\$450,923
Department of Agriculture	\$55,128	\$636,314	\$0	\$691,442	\$52,367	\$642,677	\$0	\$695,044	\$49,745	\$649,104	\$0	\$698,849
Environmental Protection Agency	\$26,217	\$0	\$0	\$26,217	\$24,906	\$0	\$0	\$24,906	\$23,660	\$0	\$0	\$23,660
Total	\$697,313	\$2,349,676	\$200,335	\$3,247,324	\$662,349	\$2,333,199	\$202,338	\$3,197,887	\$629,138	\$2,317,357	\$204,362	\$3,150,857

Discretionary Federal Non-Defense Transfers to Nevada

Department of Commerce	\$1,475	\$0	\$0	\$1,475	\$1,401	\$0	\$0	\$1,401	\$1,331	\$0	\$0	\$1,331
Department of Education	\$239,750	\$0	\$0	\$239,750	\$227,763	\$0	\$0	\$227,763	\$216,374	\$0	\$0	\$216,374
Department of Energy	\$545	\$0	\$0	\$545	\$518	\$0	\$0	\$518	\$492	\$0	\$0	\$492
Department of Health & Human Services	\$135,910	\$0	\$0	\$135,910	\$129,114	\$0	\$0	\$129,114	\$122,659	\$0	\$0	\$122,659
Department of Homeland Security	\$9,356	\$0	\$0	\$9,356	\$8,888	\$0	\$0	\$8,888	\$8,444	\$0	\$0	\$8,444
Department of Housing & Urban Development	\$46,738	\$0	\$0	\$46,738	\$44,401	\$0	\$0	\$44,401	\$42,181	\$0	\$0	\$42,181
Department of Justice	\$8,022	\$0	\$0	\$8,022	\$7,621	\$0	\$0	\$7,621	\$7,240	\$0	\$0	\$7,240
Department of Labor	\$75,238	\$0	\$0	\$75,238	\$71,476	\$0	\$0	\$71,476	\$67,902	\$0	\$0	\$67,902
Department of the Interior	\$2,687	\$0	\$0	\$2,687	\$2,553	\$0	\$0	\$2,553	\$2,425	\$0	\$0	\$2,425
Department of Transportation	\$0	\$241,703	\$200,335	\$442,038	\$0	\$244,120	\$202,338	\$446,459	\$0	\$246,562	\$204,362	\$450,923
Department of Agriculture	\$51,179	\$527	\$0	\$51,707	\$48,620	\$532	\$0	\$49,153	\$46,189	\$538	\$0	\$46,727
Environmental Protection Agency	\$26,217	\$0	\$0	\$26,217	\$24,906	\$0	\$0	\$24,906	\$23,660	\$0	\$0	\$23,660
Total	\$597,118	\$242,230	\$200,335	\$1,039,683	\$567,262	\$244,653	\$202,338	\$1,014,253	\$538,899	\$247,099	\$204,362	\$990,360

Appendix 1: Forecasts and Revenue Declines for Nevada: Statement of Methodology

TABLE A-2 (CONT.)

(All \$ in '000)

Mandatory Federal Non-Defense Transfers to Nevada	FFY 2013				FFY 2014				FFY 2015			
	FFY 2013 Covered	FFY 2013 Exempt	Covered/Exempt	FFY 2013 Total	FFY 2014 Covered	FFY 2014 Exempt	Covered/Exempt	FFY 2014 Total	FFY 2015 Covered	FFY 2015 Exempt	Covered/Exempt	FFY 2015 Total
Department of Commerce	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Education	\$23,143	\$0	\$0	\$23,143	\$21,962	\$0	\$0	\$21,962	\$20,842	\$0	\$0	\$20,842
Department of Energy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Health & Human Services	\$14,815	\$1,332,459	\$0	\$1,347,273	\$14,059	\$1,305,810	\$0	\$1,319,869	\$13,342	\$1,279,693	\$0	\$1,293,035
Department of Homeland Security	\$1,025	\$0	\$0	\$1,025	\$972	\$0	\$0	\$972	\$923	\$0	\$0	\$923
Department of Housing & Urban Development	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Justice	\$8,022	\$0	\$0	\$8,022	\$7,613	\$0	\$0	\$7,613	\$7,225	\$0	\$0	\$7,225
Department of Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of the Interior	\$47,326	\$0	\$0	\$47,326	\$44,912	\$0	\$0	\$44,912	\$42,622	\$0	\$0	\$42,622
Department of Transportation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Agriculture	\$3,948	\$635,787	\$0	\$639,735	\$3,747	\$642,145	\$0	\$645,892	\$3,556	\$648,566	\$0	\$652,122
Environmental Protection Agency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$98,278	\$1,968,246	\$0	\$2,066,524	\$93,266	\$1,947,954	\$0	\$2,041,220	\$88,509	\$1,928,260	\$0	\$2,016,769

Discretionary/Mandatory Federal Non-Defense Transfers to Nevada

Department of Commerce	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Education	\$0	\$139,200	\$0	\$139,200	\$0	\$140,592	\$0	\$140,592	\$0	\$141,998	\$0	\$141,998
Department of Energy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Health & Human Services	\$1,917	\$0	\$0	\$1,917	\$1,821	\$0	\$0	\$1,821	\$1,730	\$0	\$0	\$1,730
Department of Homeland Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Housing & Urban Development	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Justice	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of the Interior	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Transportation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Agriculture	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Environmental Protection Agency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$1,917	\$139,200	\$0	\$141,117	\$1,821	\$140,592	\$0	\$142,413	\$1,730	\$141,998	\$0	\$143,728

Appendix 1: Forecasts and Revenue Declines for Nevada: Statement of Methodology

TABLE A-2 (CONT.)

(All \$ in '000)

All Federal Non-Defense Transfers to Nevada	FFY 2016				FFY 2017				FFY 2018			
	FFY 2016 Covered	FFY 2016 Exempt	Covered/ Exempt	FFY 2016 Total	FFY 2017 Covered	FFY 2017 Exempt	Covered/ Exempt	FFY 2017 Total	FFY 2018 Covered	FFY 2018 Exempt	Covered/ Exempt	FFY 2018 Total
Department of Commerce	\$1,264	\$0	\$0	\$1,264	\$1,201	\$0	\$0	\$1,201	\$1,141	\$0	\$0	\$1,141
Department of Education	\$225,335	\$143,418	\$0	\$368,753	\$214,048	\$144,852	\$0	\$358,901	\$203,327	\$146,301	\$0	\$349,628
Department of Energy	\$467	\$0	\$0	\$467	\$444	\$0	\$0	\$444	\$422	\$0	\$0	\$422
Department of Health & Human Services	\$130,831	\$1,254,099	\$0	\$1,384,931	\$124,277	\$1,229,017	\$0	\$1,353,294	\$118,051	\$1,204,437	\$0	\$1,322,488
Department of Homeland Security	\$8,897	\$0	\$0	\$8,897	\$8,452	\$0	\$0	\$8,452	\$8,028	\$0	\$0	\$8,028
Department of Housing & Urban Development	\$40,072	\$0	\$0	\$40,072	\$38,069	\$0	\$0	\$38,069	\$36,165	\$0	\$0	\$36,165
Department of Justice	\$13,734	\$0	\$0	\$13,734	\$13,041	\$0	\$0	\$13,041	\$12,382	\$0	\$0	\$12,382
Department of Labor	\$64,507	\$0	\$0	\$64,507	\$61,282	\$0	\$0	\$61,282	\$58,218	\$0	\$0	\$58,218
Department of the Interior	\$42,752	\$0	\$0	\$42,752	\$40,574	\$0	\$0	\$40,574	\$38,507	\$0	\$0	\$38,507
Department of Transportation	\$0	\$249,027	\$206,405	\$455,433	\$0	\$251,517	\$208,469	\$459,987	\$0	\$254,033	\$210,554	\$464,587
Department of Agriculture	\$47,254	\$655,595	\$0	\$702,849	\$44,888	\$662,151	\$0	\$707,039	\$42,641	\$668,773	\$0	\$711,413
Environmental Protection Agency	\$22,477	\$0	\$0	\$22,477	\$21,354	\$0	\$0	\$21,354	\$20,286	\$0	\$0	\$20,286
Total	\$597,593	\$2,302,140	\$206,405	\$3,106,138	\$567,629	\$2,287,538	\$208,469	\$3,063,637	\$539,168	\$2,273,543	\$210,554	\$3,023,265

Discretionary Federal Non-Defense Transfers to Nevada

Department of Commerce	\$1,264	\$0	\$0	\$1,264	\$1,201	\$0	\$0	\$1,201	\$1,141	\$0	\$0	\$1,141
Department of Education	\$205,556	\$0	\$0	\$205,556	\$195,278	\$0	\$0	\$195,278	\$185,514	\$0	\$0	\$185,514
Department of Energy	\$467	\$0	\$0	\$467	\$444	\$0	\$0	\$444	\$422	\$0	\$0	\$422
Department of Health & Human Services	\$116,526	\$0	\$0	\$116,526	\$110,699	\$0	\$0	\$110,699	\$105,164	\$0	\$0	\$105,164
Department of Homeland Security	\$8,022	\$0	\$0	\$8,022	\$7,621	\$0	\$0	\$7,621	\$7,240	\$0	\$0	\$7,240
Department of Housing & Urban Development	\$40,072	\$0	\$0	\$40,072	\$38,069	\$0	\$0	\$38,069	\$36,165	\$0	\$0	\$36,165
Department of Justice	\$6,878	\$0	\$0	\$6,878	\$6,534	\$0	\$0	\$6,534	\$6,207	\$0	\$0	\$6,207
Department of Labor	\$64,507	\$0	\$0	\$64,507	\$61,282	\$0	\$0	\$61,282	\$58,218	\$0	\$0	\$58,218
Department of the Interior	\$2,304	\$0	\$0	\$2,304	\$2,189	\$0	\$0	\$2,189	\$2,079	\$0	\$0	\$2,079
Department of Transportation	\$0	\$249,027	\$206,405	\$455,433	\$0	\$251,517	\$208,469	\$459,987	\$0	\$254,033	\$210,554	\$464,587
Department of Agriculture	\$43,880	\$543	\$0	\$44,423	\$41,686	\$549	\$0	\$42,234	\$39,602	\$554	\$0	\$40,156
Environmental Protection Agency	\$22,477	\$0	\$0	\$22,477	\$21,354	\$0	\$0	\$21,354	\$20,286	\$0	\$0	\$20,286
Total	\$511,954	\$249,570	\$206,405	\$967,929	\$486,356	\$252,066	\$208,469	\$946,892	\$462,038	\$254,587	\$210,554	\$927,179

Appendix 1: Forecasts and Revenue Declines for Nevada: Statement of Methodology

TABLE A-2 (CONT.)

(All \$ in '000)

Mandatory Federal Non-Defense Transfers to Nevada	FFY 2016				FFY 2017				FFY 2018			
	FFY 2016 Covered	FFY 2016 Exempt	Covered/Exempt	FFY 2016 Total	FFY 2017 Covered	FFY 2017 Exempt	Covered/Exempt	FFY 2017 Total	FFY 2018 Covered	FFY 2018 Exempt	Covered/Exempt	FFY 2018 Total
Department of Commerce	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Education	\$19,779	\$0	\$0	\$19,779	\$18,771	\$0	\$0	\$18,771	\$17,813	\$0	\$0	\$17,813
Department of Energy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Health & Human Services	\$12,662	\$1,254,099	\$0	\$1,266,761	\$12,016	\$1,229,017	\$0	\$1,241,033	\$11,403	\$1,204,437	\$0	\$1,215,840
Department of Homeland Security	\$876	\$0	\$0	\$876	\$831	\$0	\$0	\$831	\$789	\$0	\$0	\$789
Department of Housing & Urban Development	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Justice	\$6,856	\$0	\$0	\$6,856	\$6,507	\$0	\$0	\$6,507	\$6,175	\$0	\$0	\$6,175
Department of Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of the Interior	\$40,448	\$0	\$0	\$40,448	\$38,385	\$0	\$0	\$38,385	\$36,428	\$0	\$0	\$36,428
Department of Transportation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Agriculture	\$3,374	\$655,052	\$0	\$658,426	\$3,202	\$661,603	\$0	\$664,805	\$3,039	\$668,219	\$0	\$671,257
Environmental Protection Agency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$83,995	\$1,909,151	\$0	\$1,993,147	\$79,712	\$1,890,620	\$0	\$1,970,332	\$75,646	\$1,872,656	\$0	\$1,948,302

Discretionary/Mandatory Federal Non-Defense Transfers to Nevada

Department of Commerce	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Education	\$0	\$143,418	\$0	\$143,418	\$0	\$144,852	\$0	\$144,852	\$0	\$146,301	\$0	\$146,301
Department of Energy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Health & Human Services	\$1,644	\$0	\$0	\$1,644	\$1,562	\$0	\$0	\$1,562	\$1,484	\$0	\$0	\$1,484
Department of Homeland Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Housing & Urban Development	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Justice	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of the Interior	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Transportation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Agriculture	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Environmental Protection Agency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$1,644	\$143,418	\$0	\$145,062	\$1,562	\$144,852	\$0	\$146,414	\$1,484	\$146,301	\$0	\$147,784

Appendix 1: Forecasts and Revenue Declines for Nevada: Statement of Methodology

TABLE A-2 (CONT.)

(All \$ in '000)

All Federal Non-Defense Transfers to Nevada	FFY 2019				FFY 2020				FFY 2021			
	FFY 2019 Covered	FFY 2019 Exempt	Covered/ Exempt	FFY 2019 Total	FFY 2020 Covered	FFY 2020 Exempt	Covered/ Exempt	FFY 2020 Total	FFY 2021 Covered	FFY 2021 Exempt	Covered/ Exempt	FFY 2021 Total
Department of Commerce	\$1,084	\$0	\$0	\$1,084	\$1,030	\$0	\$0	\$1,030	\$978	\$0	\$0	\$978
Department of Education	\$193,143	\$147,764	\$0	\$340,907	\$183,469	\$149,241	\$0	\$332,710	\$174,280	\$150,734	\$0	\$325,013
Department of Energy	\$400	\$0	\$0	\$400	\$380	\$0	\$0	\$380	\$361	\$0	\$0	\$361
Department of Health & Human Services	\$112,137	\$1,180,348	\$0	\$1,292,486	\$106,519	\$1,156,741	\$0	\$1,263,261	\$101,183	\$1,133,607	\$0	\$1,234,790
Department of Homeland Security	\$7,626	\$0	\$0	\$7,626	\$7,244	\$0	\$0	\$7,244	\$6,881	\$0	\$0	\$6,881
Department of Housing & Urban Development	\$34,357	\$0	\$0	\$34,357	\$32,639	\$0	\$0	\$32,639	\$31,007	\$0	\$0	\$31,007
Department of Justice	\$11,757	\$0	\$0	\$11,757	\$11,163	\$0	\$0	\$11,163	\$10,599	\$0	\$0	\$10,599
Department of Labor	\$55,307	\$0	\$0	\$55,307	\$52,542	\$0	\$0	\$52,542	\$49,915	\$0	\$0	\$49,915
Department of the Interior	\$36,545	\$0	\$0	\$36,545	\$34,683	\$0	\$0	\$34,683	\$32,917	\$0	\$0	\$32,917
Department of Transportation	\$0	\$256,573	\$212,660	\$469,233	\$0	\$259,139	\$214,786	\$473,925	\$0	\$261,730	\$216,934	\$478,664
Department of Agriculture	\$40,506	\$675,460	\$0	\$715,966	\$38,477	\$682,215	\$0	\$720,692	\$36,551	\$689,037	\$0	\$725,588
Environmental Protection Agency	\$19,272	\$0	\$0	\$19,272	\$18,308	\$0	\$0	\$18,308	\$17,393	\$0	\$0	\$17,393
Total	\$512,134	\$2,260,145	\$212,660	\$2,984,939	\$486,456	\$2,247,336	\$214,786	\$2,948,578	\$462,065	\$2,235,107	\$216,934	\$2,914,106

Discretionary Federal Non-Defense Transfers to Nevada

Department of Commerce	\$1,084	\$0	\$0	\$1,084	\$1,030	\$0	\$0	\$1,030	\$978	\$0	\$0	\$978
Department of Education	\$176,238	\$0	\$0	\$176,238	\$167,426	\$0	\$0	\$167,426	\$159,055	\$0	\$0	\$159,055
Department of Energy	\$400	\$0	\$0	\$400	\$380	\$0	\$0	\$380	\$361	\$0	\$0	\$361
Department of Health & Human Services	\$99,906	\$0	\$0	\$99,906	\$94,911	\$0	\$0	\$94,911	\$90,165	\$0	\$0	\$90,165
Department of Homeland Security	\$6,878	\$0	\$0	\$6,878	\$6,534	\$0	\$0	\$6,534	\$6,207	\$0	\$0	\$6,207
Department of Housing & Urban Development	\$34,357	\$0	\$0	\$34,357	\$32,639	\$0	\$0	\$32,639	\$31,007	\$0	\$0	\$31,007
Department of Justice	\$5,897	\$0	\$0	\$5,897	\$5,602	\$0	\$0	\$5,602	\$5,322	\$0	\$0	\$5,322
Department of Labor	\$55,307	\$0	\$0	\$55,307	\$52,542	\$0	\$0	\$52,542	\$49,915	\$0	\$0	\$49,915
Department of the Interior	\$1,976	\$0	\$0	\$1,976	\$1,877	\$0	\$0	\$1,877	\$1,783	\$0	\$0	\$1,783
Department of Transportation	\$0	\$256,573	\$212,660	\$469,233	\$0	\$259,139	\$214,786	\$473,925	\$0	\$261,730	\$216,934	\$478,664
Department of Agriculture	\$37,622	\$560	\$0	\$38,181	\$35,741	\$565	\$0	\$36,306	\$33,953	\$571	\$0	\$34,524
Environmental Protection Agency	\$19,272	\$0	\$0	\$19,272	\$18,308	\$0	\$0	\$18,308	\$17,393	\$0	\$0	\$17,393
Total	\$438,936	\$257,133	\$212,660	\$908,729	\$416,990	\$259,704	\$214,786	\$891,480	\$396,140	\$262,301	\$216,934	\$875,375

Appendix 1: Forecasts and Revenue Declines for Nevada: Statement of Methodology

TABLE A-2 (CONT.)

(All \$ in '000)

Mandatory Federal Non-Defense Transfers to Nevada	FFY 2019				FFY 2020				FFY 2021			
	FFY 2019 Covered	FFY 2019 Exempt	Covered/ Exempt	FFY 2019 Total	FFY 2020 Covered	FFY 2020 Exempt	Covered/ Exempt	FFY 2020 Total	FFY 2021 Covered	FFY 2021 Exempt	Covered/ Exempt	FFY 2021 Total
Department of Commerce	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Education	\$16,905	\$0	\$0	\$16,905	\$16,043	\$0	\$0	\$16,043	\$15,224	\$0	\$0	\$15,224
Department of Energy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Health & Human Services	\$10,822	\$1,180,348	\$0	\$1,191,170	\$10,270	\$1,156,741	\$0	\$1,167,011	\$9,746	\$1,133,607	\$0	\$1,143,352
Department of Homeland Security	\$748	\$0	\$0	\$748	\$710	\$0	\$0	\$710	\$674	\$0	\$0	\$674
Department of Housing & Urban Development	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Justice	\$5,860	\$0	\$0	\$5,860	\$5,561	\$0	\$0	\$5,561	\$5,277	\$0	\$0	\$5,277
Department of Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of the Interior	\$34,570	\$0	\$0	\$34,570	\$32,807	\$0	\$0	\$32,807	\$31,134	\$0	\$0	\$31,134
Department of Transportation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Agriculture	\$2,884	\$674,901	\$0	\$677,785	\$2,737	\$681,650	\$0	\$684,387	\$2,597	\$688,466	\$0	\$691,064
Environmental Protection Agency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$71,788	\$1,855,249	\$0	\$1,927,037	\$68,127	\$1,838,391	\$0	\$1,906,518	\$64,653	\$1,822,073	\$0	\$1,886,725

Discretionary/Mandatory Federal Non-Defense Transfers to Nevada

Department of Commerce	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Education	\$0	\$147,764	\$0	\$147,764	\$0	\$149,241	\$0	\$149,241	\$0	\$150,734	\$0	\$150,734
Department of Energy	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Health & Human Services	\$1,409	\$0	\$0	\$1,409	\$1,339	\$0	\$0	\$1,339	\$1,272	\$0	\$0	\$1,272
Department of Homeland Security	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Housing & Urban Development	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Justice	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Labor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of the Interior	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Transportation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Department of Agriculture	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Environmental Protection Agency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$1,409	\$147,764	\$0	\$149,173	\$1,339	\$149,241	\$0	\$150,580	\$1,272	\$150,734	\$0	\$152,006

FFY = Federal Fiscal Year

Source: 2013 FFIS Federal Funds Information for States.

Appendix 2: Defense Expenditures and Potential Reductions: An Overview

Defense Spending and the States

According to the Pew Center's "The Impact of the Fiscal Cliff on the States" report, "Federal spending on defense accounts for more than 3.5 percent of the total gross domestic product (GDP) of the states, but there is wide variation across the states. Federal defense spending makes up almost 15 percent of Hawaii's GDP, compared with just 1 percent of state GDP in Oregon."¹⁰ In the case of Nevada, the 2010 share of GDP (GSP) associated with defense spending on purchases, salaries and wages was 1.8 percent, about 51 percent of the national average.

Scheduled Defense Spending Changes

The Sequester

Like non-defense reductions, the defense funding decreases resulting from sequestration will also affect Nevada's budget. However, unlike non-defense spending that will have to be addressed by the state in its budgeting process, defense spending reductions will primarily impact the rate of economic growth in Nevada. This is especially true since the state has several military bases with notable amount of activity like Nellis Air Force Base, Hawthorne Army Depot, Creech Air Force Base and Fallon Naval Air Station. For example, the cover letter to the FFY 2012 *Economic Impact Analysis* prepared by Nellis Air Force Base, states:

"In Fiscal Year 2012, our combined operations and maintenance outlays totaled more than \$482 million. There were approximately 8,425 military and 4,065

Appendix 2: Defense Expenditures and Potential Reductions: An Overview

civilians employed between the two bases and the NTTR with a combined payroll of more than \$694.3 million. On any given day, one thousand temporary-duty personnel conducted business at Nellis, Creech, or the NTTR. There were an estimated 5,637 indirect jobs created with an approximate annual dollar value of \$229.7 million.

Simultaneously, the Las Vegas metropolitan area counted a total of 28,029 military retirees among its residents. The combined retirement payroll of 14,036 Air Force; 5,474 Army; 6,527 Navy; 1,599 Marines; and 393 Coast Guard retirees amounted to a yearly salary of \$673.8 million.

Using the prescribed parameters provided in this report, the total economic impact of Nellis, Creech, and NTTR operations in Fiscal Year 2012 amounted to more than \$5 billion.”

It must be noted that the White House reduced the defense budgets between FFY 2011 and FFY 2021 by \$487B (\$48.B per year), equating to a nine-percent cut per year. Over and above the \$487B, BCA/sequestration required another \$500B (9.4 percent) in discretionary defense reductions from FFY 2013 through FFY 2021 defense for a total drop of 18.4 percent in spending for the BCA period.

Using Congressional Research Service (“CRS”) calculations regarding the national percent change in defense “base budget” spending between FFY 2010 and FFY 2011, defense spending in Nevada stayed at 2010’s \$2.369B (per FFIS). Between FFY 2011 and FFY 2012 (\$2.383B), CRS calculated an increase of 0.57 percent rise in defense funding in Nevada. For FFY 2013, the Obama Administration is proposing a 1.3 percent cut to the national base budget. Applying this change to Nevada results in defense spending in Nevada being reduced to \$2.35B.

Appendix 2: Defense Expenditures and Potential Reductions: An Overview

It is important to mention that sequestration-related defense reductions are targeted largely to discretionary spending. For example, while the OMB estimates that

mandatory defense payments, nationally, will be lowered by 10 percent, the cut will be relatively small-\$100M. The costs associated with uniformed military personnel, which are discretionary, have been exempted from sequestration.

As mentioned above, Nevada’s economy is at risk from reductions in defense funding on purchases, salaries and wages. These reductions have the potential of decelerating economic growth in the state, negatively impacting its budget by decreasing a variety of revenue sources, like sales and use tax revenues, and raising the demand for state services.

Below is a table provided by Center for Security Policy (“CSP”) and adjusted by the Consultant Team. According to CSP, five Nevada counties will potentially be affected by most by the BSA/sequestration. They are:

TABLE A-3: TOP 5 NEVADA COUNTIES: PROJECTED CONTRACT REVENUE REDUCTIONS BASED ON NATIONAL AVERAGES

County	2000-2011 Nevada Discretionary Defense Spending	FFY 2011 Nevada Discretionary Defense Spending	2013-2021 Annual Revenue Reduced @ -9.0%	Under Sequestration: 2013-2021 Annual Revenue Reduced @ -9.4%	Total
Washoe	\$3,896,769,883	\$878,558,144	(\$79,070,233)	(\$82,584,466)	(\$161,654,698)
Clark	\$5,134,060,514	\$317,007,731	(\$28,530,696)	(\$29,798,727)	(\$58,329,423)
Mineral	\$387,818,573	\$94,648,421	(\$8,518,358)	(\$8,896,952)	(\$17,415,309)
Carson City	\$159,761,248	\$22,401,121	(\$2,016,101)	(\$2,105,705)	(\$4,121,806)
Douglas	\$158,021,732	\$9,601,812	(\$864,163)	(\$902,570)	(\$1,766,733)
TOTAL	\$9,736,431,950	\$1,322,217,229	(\$118,999,551)	(\$124,288,420)	(\$243,287,970)

Source: Center for Security Policy and The Consultant Team.

CSP also developed estimates of the numbers of small and minority business that will be potentially impacted by most by the BSA/sequestration. These businesses are listed below, by type. The Consultant Team segmented the CSP data to show

Appendix 2: Defense Expenditures and Potential Reductions: An Overview

both the FFY 2012 implemented cuts along with the proposed BCA/sequestration cuts.

TABLE A-4: NEVADA DEFENSE BUSINESSES PROJECTED REVENUE REDUCTIONS BASED ON NATIONAL AVERAGE: FFY 2013-FFY 2021

Type of Business	Numbers of This Business Type 2011	Revenue for This Business Type 2011	FFY 2013-FFY 2021 Annual Revenue Reduced @ -9.0%	Under Sequestration: FFY 2013-FFY2021 Annual Revenue Reduced @ -9.4%	Total
Minority Owned	69	\$47,246,371	(\$4,252,173)	(\$4,441,159)	(\$8,693,332)
Small Businesses	28	\$43,181,373	(\$3,886,324)	(\$4,059,049)	(\$7,945,373)
Small Disadvantaged	33	\$10,379,187	(\$934,127)	(\$975,644)	(\$1,909,770)
Veteran-Owned	39	\$22,253,142	(\$2,002,783)	(\$2,091,795)	(\$4,094,578)
Service-Disabled Veteran	38	\$33,565,527	(\$3,020,897)	(\$3,155,160)	(\$6,176,057)
Black American	14	\$15,093,068	(\$1,358,376)	(\$1,418,748)	(\$2,777,125)
Hispanic American	20	\$4,101,803	(\$369,162)	(\$385,569)	(\$754,732)
Asian-Pacific Owned	25	\$10,784,112	(\$970,570)	(\$1,013,707)	(\$1,984,277)
Women-Owned	99	\$904,115,817	(\$81,370,424)	(\$84,986,887)	(\$166,357,310)

Note: Numbers were not totaled because some businesses fall in multiple categories.
Source: For the Common Defense.

Clearly, the FFY 2012 and BCA/sequestration will impact a variety of small and minority businesses. As noted above, the most direct impacts are to the state's economy and its rate of growth, and the associated reduction in tax revenues. Like the non-defense spending cuts, any action that reduces federal funding to the state directly or indirectly impacts the state's budget and the state's economy.

FFY 2013-FFY 2021 Defense Spending Projections: Nevada

While at the national level, the defense spending cuts are potentially quite severe, it's unknown how they will affect Nevada. An argument can be made that many of Nevada's military bases and installations are so important to the national security that they will be spared from the cuts and might even benefit from spending reductions at military facilities in other states. Accordingly, the Consultant Team found it too speculative to forecast defense spending for the BCA period from FFY 2013 through FFY 2021.

References

1. Center on Budget and Policy Priorities, "*Strengthening State Fiscal Policies for a Stronger Economy*", February 8, 2012.
2. Center on Budget and Policy Priorities, "*State and Local Governments Should Close Online Hotel Tax Loophole and Collect Taxes Owed*", April 12, 2011.
3. Center on Budget and Policy Priorities, "*Federal Government Will Pick Up Nearly All Costs of Health Reform's Medicaid Expansion*", March 28, 2012.
4. Center on Budget and Policy Priorities, "*How Health Reform's Medicaid Expansion Will Impact State Budgets*," July 25, 2012.
5. Center on Budget and Policy Priorities, "*Reducing Federal Deficits Without a Significant Revenue Increase Would Shift Substantial Costs to States*," December 6, 2012.
6. The PEW Center on the States, "*State of the States 2010, How the Recession Might Change States*," February 2010.
7. Congressional Research Service, "*The Budget Control Act of 2011*", August 19, 2011.
8. United States Department of Defense, "*Fiscal Year 2011 Budget Request*", February 2010.
9. The PEW Center on the States, "*State's Revenue Estimating, Cracks in the Crystal Ball*", March 2011.
10. Institute of Politics at Harvard University, FELS Institute of Government at University of Pennsylvania, American Education Foundation, "*The State of the States, The Full Report 2012*", 2012.
11. National Governors Association and the National Association of State Budget Officers, "*The Fiscal Survey of States*," Spring 2012.
12. American City & County, "*Fiscal Negotiations Could Affect Local Governments*", January 28, 2013.
13. Brian Galle & Kirk J. Stark, "*Beyond Bailouts: Federal Tools for Preventing State Budget Crises*", January 2012.
14. Center Budget and Policy Priorities, "*Where Do Our State Tax Dollars Go?*" March 28, 2012.
15. Center on Budget and Policy Priorities, "*Out of Balance, Cuts in Services Have Been States' Primary Response to Budget Gaps, Harming the Nation's Economy*", April 18, 2012.
16. Urban-Brookings Tax Policy Center, "*What Federal Tax Reform Means for State and Local Tax and Fiscal Policies*", April 25, 2012.

References

17. Rockefeller Institute of Government, *"Federal, State & Local Education Finances"*, May 22, 2012.
18. The Tax Policy Center, *"State Tax Systems Can Be Important Part of Safety Net"*, May 21, 2012.
19. Federal Funds Information for States, *"The VIP Series: Potential Impact of BCA Sequester"*, June 2012.
20. Center on Budget and Policy Priorities, *"States Continue to Feel Recession's Impact"*, June 27, 2012.
21. Rockefeller Institute of Government, *"The Impact of the Great Recession on Local Property Taxes"*, July 2012.
22. The PEW Center on the States, *"Report: Without Major Overhauls, State Budget Crises Will Linger"*, July 18, 2012.
23. Republican National Committee, *"The BIG FALL, An Examination of the Failed Obama Record"*, July 24, 2012.
24. Taxpayers for Common Sense, *"Sliding Past Sequestration"*, October 2012.
25. The PEW Center on the States, *"Budget Cuts, Revenue Swings Await States In 'Fiscal Cliff' Drama"*, November 16, 2012.
26. Urban Institute and Brookings Institution, *"Back From the Dead: State Estate Taxes After the Fiscal Cliff"*, November 14, 2012.
27. The PEW Center on the States, *"The Impact of the Fiscal Cliff on the States- Factsheet All States"*, November 2012.
28. The PEW Center on the States, *"The Impact of the Fiscal Cliff on the States,"* November 2012.
29. The PEW Center on the States, *"The Impact of the Fiscal Cliff on the States: Sequestration,"* December 2012.
30. The PEW Center on the States, *"States' Fragile Recovery at Risk,"* January 23, 2013.
31. The White House, *"Impact of March 1st Cuts on Middle Class Families, Jobs and Economic Security: Nevada,"* 2013.
32. National Association of Counties, *"Debt Limit and Ongoing Fiscal Debate: County Risks and Opportunities,"* January 2013.
33. Wells Fargo Securities, LLC Economics Group, *"Sequestration: Which States Are Most Vulnerable?"* February 18, 2013.
34. Executive Office of the President-Office of Management and Budget, *"OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013,"* March 1, 2013.
35. Center on Budget and Policy Priorities, *"Tax Expenditures: How Cutting Spending Through the Tax Code Can Lower the Deficit, Improve Efficiency, and Boost Fairness in the US Tax Code,"* March 5, 2013.
36. Center on Budget and Policy Priorities, *"Sequestration by the Numbers,"* March 22, 2013.
37. State of Nevada Budget Division, *"Budget Highlight-2013-2015 Biennium,"* October 12, 2012.
38. Morningstar, *"The State of State Pension Plans-A Deep Dive Into Shortfalls and Surpluses,"* November 26, 2012.
39. Urban Institute, *"Funding and Investing in Infrastructure,"* December 2011.
40. National Governors Association and The National Association of State Budget Officers, *"The Fiscal Survey of States,"* Fall 2012.

References

41. George Mason University, *"The Economic Impact of the Budget Control Act of 2011 on DOD & non-DOD Agencies,"* July 17, 2012.
42. The Center for Arms Control and Non-Proliferation, *"Fiscal Year 2011 Defense Spending Request: Briefing Book,"* February 2010.
43. Senate Appropriations Committee Majority Staff, *"Under Threat: Sequestration's Impact on Nondefense Jobs and Services,"* July 25, 2012.
44. The PEW Charitable Trusts, *"Housing Wealth and Higher Education: Building a Foundation for Economic Mobility,"* December 2011.
45. U.S. Government Information-GPO, *"National Defense Authorization Act for Fiscal Year 2012,"* December 31, 2011.
46. Executive Office of the President of the United States, *"OMB Report Pursuant to the Sequestration Transparency Act of 2012,"* 2012.
47. The PEW Charitable Trusts, *"A Widening Gap in Cities-Shortfalls in Funding for Pensions and Retiree Health Care,"* January 2013.
48. The PEW Center on the States, *"The Impact of the Fiscal Cliff on the States-Federal Defense Spending on Procurement, Salaries, and Wages as a Percentage of State GDP,"* November 2012.
49. The PEW Center on the States, *"The Impact of the Fiscal Cliff on the States-Fiscal Cliff Report,"* November 2012.
50. The PEW Center on the States, *"The Widening Gap Update,"* June 2012.
51. The PEW Center on the States, *"Avoiding Blank Checks-Creating Fiscally Sound State Tax Incentives,"* December 2012.
52. Congressional Research Service, *"Defense: FY2011 Authorization and Appropriations,"* November 23, 2010.
53. Congressional Research Service, *"Defense: FY2012 Budget Request, Authorization and Appropriations,"* February 13, 2012.
54. Congressional Research Service, *"Defense: FY2013 Authorization and Appropriations,"* September 5, 2012.
55. Research America, *"Sequestration: Health Research at the Breaking Point,"* 2013.
56. Federal Funds Information for States, *"BCA Sequester: Impact of Two-Month Delay,"* January 15, 2013.
57. Federal Funds Information for States, *"Clarification: Current Status of Sequester, FY 2013 Appropriations,"* March 8, 2013.
58. AAAS, *"Brief: Federal R&D and Sequestration in the First Five Years,"* September 27, 2012.
59. NASBRO, *"State Expenditure Report-Examining Fiscal 2010-2012 State Spending,"* 2012.
60. Chang & Adams Consulting, *"Southwest Defense Alliance-The Regional and State Economic Impact of National Defense,"* 2012.

Endnotes

¹ A list and interactive comparison matrix for these diverse plans is available at Committee for a Responsible Federal Budget [CRFP] (<http://crfb.org/compare/>).

² See CRFP, op. cit. the first six plans and projections shown in the matrix.

³ House Budget Committee, US Congress, Democratic Caucus "*Frequently Asked Questions About Sequestration Under the Budget Control Act of 2011*", September 2012.

⁴ Theodore Roosevelt Institute, "*The Nevada Tax System: The Short-Run Dynamics and Long-Run Dynamics of Nevada Taxes-A Framework for Public Policy Analysis*", Alan Schlottmann, Marcus Conklin. al., 2008 (Available on-line at RCG Economics, <http://www.rcg1.com/the-nevada-tax-system-tri-2008-2010/>)

⁵ Congressional Budget Office [CBO], "*Estimated Impact of Automatic Budget Enforcement Procedures Specified in the Budget Control Act*", September 12, 2011.

⁶ National Center for Education Statistics [NCES], "*The Condition of Education 2012*", May 2012.

⁷ See NCES, op. cit.

⁸ (<http://www.ffis.org>).

⁹ See OMB letter March 1, 2013.

¹⁰ The Pew Center on the States, "*The Impact of the Fiscal Cliff on the States*", November 2012.