



Envisioning Nevada's Future

Goals & Strategies for Advancing Our Quality of Life

PREPARED FOR THE NEVADA VISION STAKEHOLDER GROUP BY MOODY'S ANALYTICS



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Facing the Future

Nevada's severe, two-year downturn has brought to light many of the long-term challenges facing the state. Not only is its growth subject to painful swings, but Nevada's primary drivers—resource extraction and consumer services—will provide less support than they have in past business cycles. Slower growth will make it harder to offer Nevadans the quality of life they expect.

Nevada's consumer and hospitality industries will feel downward pressure on their revenues as aging baby boomers scramble to make up for low lifetime savings. The state's gaming industry faces new competition across the U.S. and abroad. And in rural Nevada, the growth of primary resource industries will be modest, since commodity prices (other than for gold) are not expected to return to their recent peaks for several years.

The state's long-term growth is still expected to exceed the national average. Nevada's relative cost advantages, its hospitable culture, and its vast natural beauty will continue to attract migrants, mitigating shifts in demand for its core industries. Yet population gains, while still significant, will not match the trend of the last 30 years. Residential, retail and hotel construction will therefore no longer be a primary driver of regional growth.

Nevada's slowing growth potential is troubling because, even during the state's boom years, many of its residents' needs were not being met. For example, a wide range of educational yardsticks suggests Nevada could do a better job of teaching its children and training its workers. Tight state and local budgets notwithstanding, now is the time to make the structural changes and investments Nevada needs, lest its obstacles become insurmountable in the years ahead.

While Nevada's challenges were put into sharper focus by the recession, these issues have been known and discussed for many years. State and private agencies have developed numerous strategic plans, with the goal of providing public services more efficiently.

Stakeholders

In accordance with State of Nevada Senate Concurrent Resolution No. 37 of the 2009 Legislative Session, the Interim Finance Committee's Subcommittee to Conduct a Review of Nevada's Revenue Structure appointed the Nevada Vision Stakeholder Group. The group was created to assist in developing five-, 10-, and 20-year strategic plans for improving Nevada's quality of life. Working with Moody's Analytics, the group's primary task was to look broadly at the most important goals for Nevada's future and to identify the key investments and structural changes needed to achieve them.

Although the group included several policy experts, detailed policy analysis was not its aim. Discussions covered a wide range of topics, from the structure of the economy to education, healthcare, energy and the environment, public safety, and transportation. Stakeholders came from many backgrounds, representing Nevadans' diverse interests. Business leaders joined representatives of organized labor, philanthropic groups and public servants. The members brought a wide range of perspectives, from academic to practical, representing educators, researchers, builders and farmers. Nevada's regional diversity was evident, with members from both urban and rural areas. Given the group's range and broad consensus, its recommendations for the future are relevant and critical for the state.

The stakeholders had the advantage of meeting outside the legislative process. Thus, the group could set goals and make recommendations without considering political trade-offs or other constraints faced by policymakers. This freedom helped generate a wealth of creative ideas, both large and small. Some of these innovations may not receive the attention they deserve because of current legislative or constitutional barriers that can be removed only through structural reform. Yet Nevada's needs are serious enough to suggest that such reforms be on the table for discussion.

Quality of life

Quality of life can mean very different things to different people. This was particu-

larly true within the NVSG because of the diverse interests and viewpoints represented. The group's overall vision for Nevada revolves around a "triple bottom line" principle of economic development, environmental sustainability, and equitable opportunity for the citizens of Nevada. Economic development is the bedrock of progress and the reason living standards continue to rise. Environmental sustainability captures the commitment to responsibly and efficiently manage the state's natural resources. Equity embodies a pledge to ensure that all Nevadans have a share in the state's future.

The discussion of the stakeholders' vision is organized around six subjects, corresponding to broad policy areas that are essential to enhancing Nevadans' quality of life and fostering a fertile business environment throughout the state:

- » The economy
- » Energy and environment
- » Transportation
- » Education
- » Healthcare and well-being
- » Public safety

There is considerable overlap among these subject areas. For example, a successful economy requires plentiful energy, a strong transportation network, and a healthy environment. Similarly, a secure, well-educated and healthy population needs a growing economy.

Goals

Determining how Nevada can reach and sustain a desirable quality of life was the task of the NVSG. Members of the group identified a number of broad goals along with specific objectives and strategies to achieve them.

Among these broad goals is the need to **diversify Nevada's industrial structure** in a way that will **reduce volatility** in its economy, employment and public services. Nevada's infrastructure and resources can be leveraged to **attract clean energy producers and other** high value-added industries. Nevada can also take advantage of its position near growth markets on the West

Coast to support its **transportation and logistics industries**.

Complementing the goal of diversification is a **modern, well-maintained transportation system** that will increase the connectedness of communities throughout the state and strengthen Nevada's links with the Intermountain West. New industries must also be developed in conjunction with suitable **water conservation practices**.

Diversity will add well-paying jobs in high value-added industries that can help Nevada stay competitive in a changing global economy. Such jobs require a wider array of skills and increased workforce quality, in turn demanding more from education and training systems. To produce workers for growing, prosperous industries, **graduation rates from high school through graduate school** must rise. The commitment to education must start in **early childhood**, particularly for those from lower-income families, and continue with a focus on **hiring qualified teachers and keeping students engaged**.

A healthy community means providing not only educational opportunities for all but also a **clean and safe environment** and a wide range of cultural and recreational opportunities. A healthy population remains the foundation, producing important objectives for improving Nevadans' access to healthcare while **increasing efficiency to contain costs**.

Greater educational attainment and improved public safety would make Nevada more attractive to households and firms, leading to stronger and more stable economic growth. Income gains associated with growth in turn would improve the performance of the state's systems of education and public safety.

Key themes

While the NVSG's goals are as diverse and wide-ranging as the state itself, several common themes emerged from its discussions regarding strategy, and these are woven through its recommendations. Four such themes are:

- » Workforce development
- » Connectedness and collaboration
- » Utilization of federal resources
- » Adoption of information technology solutions

Other important themes highlighted by members of the NVSG include youth intervention and prevention programs, expanded home- and community-based programs, early-childhood development, efficient use of resources, and accountability.

Key strategies

The NVSG proposed an array of strategies that would help the state achieve its quality of life goals. The following key strategies were proposed by the group for each subject area:

Economy

- » Expand public-private research capabilities and technology transfer through increased venture capital funding and use of federal grant money.
- » Attract growth industries by reviewing the state's incentive system and improving upon its already-accommodative regulatory environment.

Energy & Environment

- » Secure better access to federal land for renewal energy development
- » Promote new water conservation and production technology for application in the state and for export.

Transportation

- » Build Interstate 11 between Las Vegas and Phoenix and seek another round of federal support to eventually extend the road to Reno.
- » Build high speed rail between Las Vegas and southern California

Education

- » Invest in early-childhood education
- » Allow public universities to retain a larger share of tuition and differentiate tuition for different schools and programs.

Health & Well-being

- » Expand enrollment in Medicaid and CHIP programs to expand access to healthcare in the near term.
- » Promote investment in healthcare information technology to lower costs and improve efficiency.

Public Safety

- » Establish a second National First Academy to serve the needs of the western U.S.
- » Expand rehabilitation options for those arrested for drug use.

Measuring progress

For the NVSG's efforts to be of lasting use, progress toward Nevada's goals must be monitored through quantitative performance measures. Tracking performance allows the state to make midcourse corrections or adopt alternative strategies where needed, promoting flexibility and a focus on long-term outcomes.

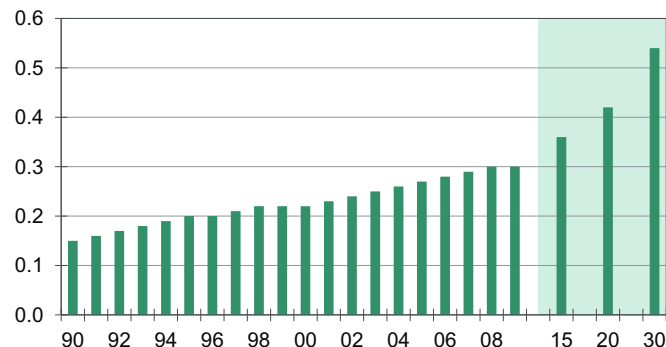
Each stated goal or objective in this report includes a performance metric, with five-, 10- and 20-year benchmarks. In most cases, the near-term goal is simply stabilization, with measurable progress expected in 10 years. After 20 years, the successful implementation of these strategies will advance Nevada's ranking significantly among its relevant peer group of states. The following pages include two key metrics with benchmarks for each subject area. Additional metrics and benchmarks can be found in the focus chapters.

Key Metrics

ECONOMY

Increase Industrial Diversity

Industrial diversity index, U.S.=1

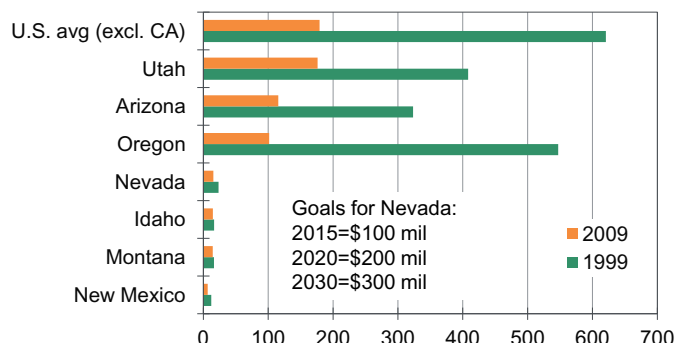


Source: Moody's Analytics

Nevada's economic volatility, the result of overreliance on a few highly cyclical industries, needs to be addressed through industrial diversification. The diversity index measures progress toward this goal. Diversity can be achieved by attracting industries that can be vertically integrated with existing industries, reviewing the state's incentive system, and streamlining the process of transferring federal lands to the state. The 20-year goal aims to narrow the gap in diversity between Nevada and the averaged diversity measures of Arizona and New Mexico by half.

Attract Venture Capital Funding

Venture capital funding, \$ mil



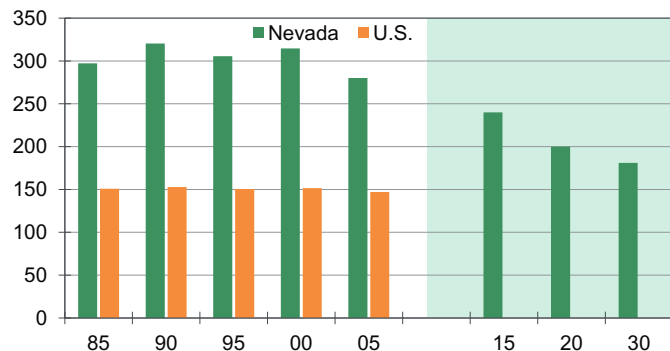
Source: PWC/Venture Economics/National Venture Capital Assoc. MoneyTree Survey

Venture capital funding is a good proxy for capital investment in a state or industry. Venture capital dollars usually flow into fledgling high-skill, innovative firms and industries. By increasing venture capital and expanding the use of federal grant money, Nevada can expand private-public research and technology transfer, helping the state to attract high-growth industries. By 2030, the goal for Nevada is for venture capital investment to reach \$300 million, which is about half the average for states (excluding California) in 2000.

ENERGY & ENVIRONMENT

Increase Water Use Efficiency

Public water withdrawals, gallons per capita per day

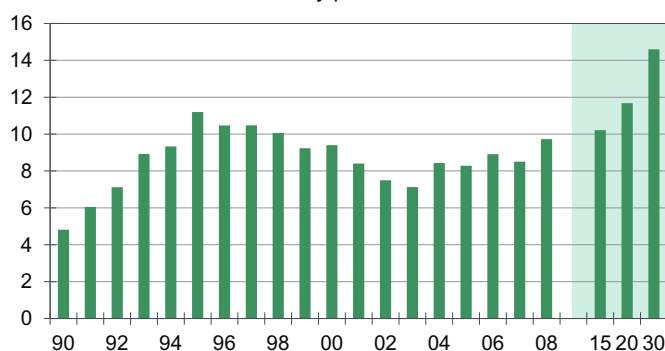


Sources: USGS, BEA, Moody's Analytics

A broad measure of municipal water conservation is the volume of gross water withdrawals per capita per day. In order to enhance Nevada's national leadership in resource conservation and technology, the NVSG recommends promoting water conservation and production technology for use within the state and as an export. By 2030, the goal is to reduce average water use by 35% from the 2005 level.

Increase Alternative Energy Production

Geothermal and solar electricity production, % share of U.S.



Source: Energy Information Administration

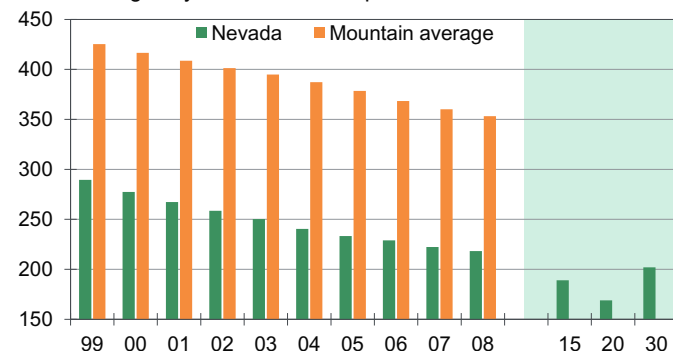
Nevada is gradually adding renewable energy generation capacity, but despite having considerable potential, the state's market share of renewable power is rising very slowly. The NVSG believes securing better access to federal lands for renewable energy development could raise the state's share of solar, geothermal, and wind energy production by 50% over the next 20 years.

Key Metrics

TRANSPORTATION

Increase Connectivity With Mountain West

Interstate highway centerline miles per 1 mil residents

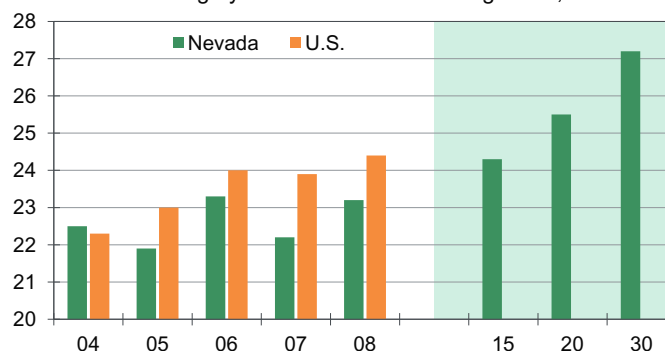


Source: Census Bureau, Bureau of Transportation Statistics

Nevada boasts a high-quality road network, but transport links to neighboring communities such as Phoenix and southern California need to be improved. The NVSG proposes the state improve highway links between Las Vegas and Phoenix and eventually extend the route north to Reno. The NVSG also recommends pursuing the development of a high-speed rail service between Las Vegas and southern California.

Increase Alternative Transportation Usage

Workers commuting by means other than driving alone, %



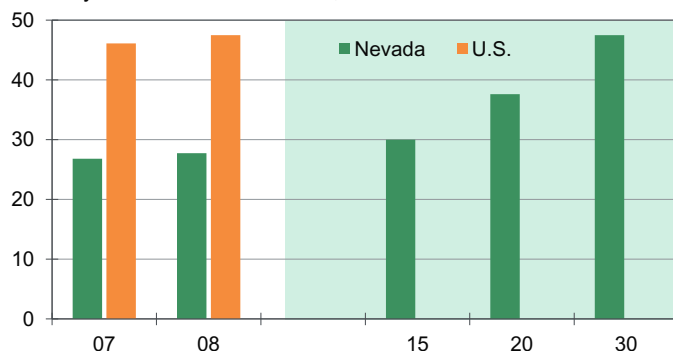
Source: Census Bureau: American Community Survey

The share of commuters who find alternatives to driving alone highlights the travel choices available to workers. The 20-year goal is to match or exceed the share of commuters using alternative means in Montana, the current leader in the Mountain West. In 2008, Montana's share was 27.2%.

EDUCATION

More Children in Early Education Programs

3- to 4-yr-olds enrolled in school, %

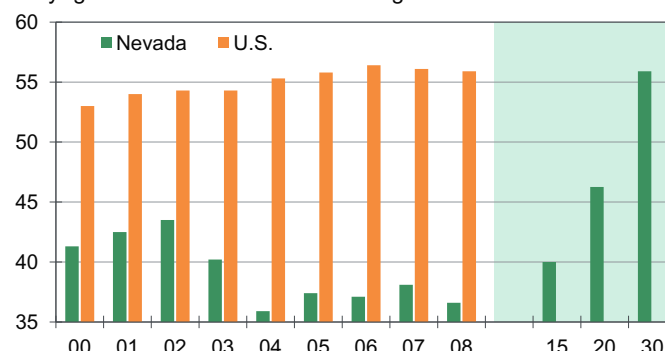


Sources: Census Bureau: American Community Survey, Moody's Analytics

The American Community Survey documents children aged three and four years who are enrolled in school programs. Nevada lags the national average, with just over one in four children attending preschool, compared with nearly one-half nationally. Numerous factors influence parents' decisions to enroll children in such programs, including their employment status and the cost of the programs. Nevada's goals are to show modest progress by 2015, to reduce the gap with the nation by half by 2020, and to meet the current U.S. average by 2030.

Increase Postsecondary Graduation Rates

Six-yr graduation rate of bachelor's degree students



Sources: Dept. of Education, National Center for Higher Education Management Systems

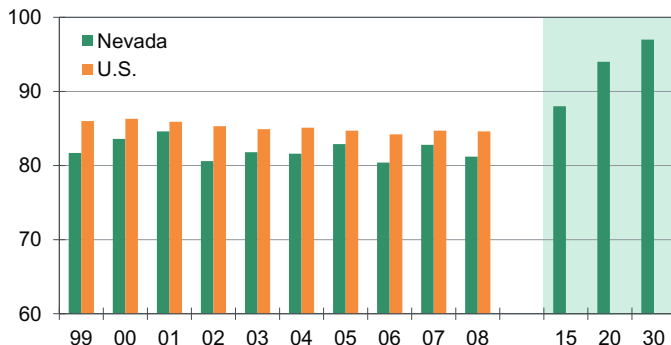
The Department of Education provides data on first-time full-time degree-seeking students at Title IV institutions, allowing for a graduation rate for postsecondary education. Selecting the bachelor's degree graduation rate and examining the six-year time frame, rather than the traditional four years, show a standardized comparison while displaying that some students who do not finish in four years will complete their degree soon thereafter. The goals are to show modest progress by 2015, to halve the gap with the nation by 2020, and to meet the current U.S. average by 2030.

Key Metrics

HEALTH & WELL-BEING

Health Insurance Coverage

Individuals with health insurance, as a % of the population

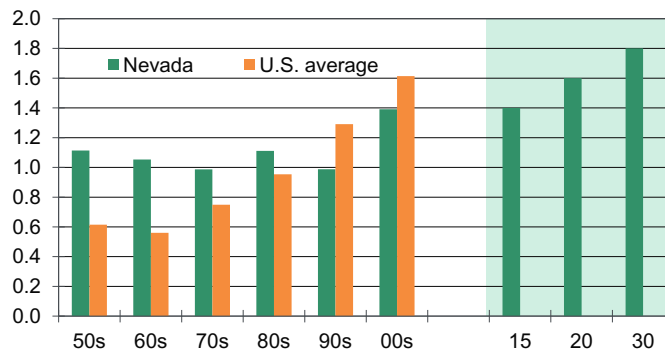


Source: Census Bureau

Expanding enrollment in Medicaid and CHIP programs is an important near-term strategy that would effectively expand healthcare insurance coverage. This would help to achieve two important goals: expanding Nevadans' access to quality healthcare services and containing overall healthcare costs. In response to and with the assistance provided by current federal programs and federal health insurance reform, a target of 94% coverage by 2020 would match projected national averages.

Healthcare Revenue From Federal Sources

Federal health-related revenue, as a % of state general revenue



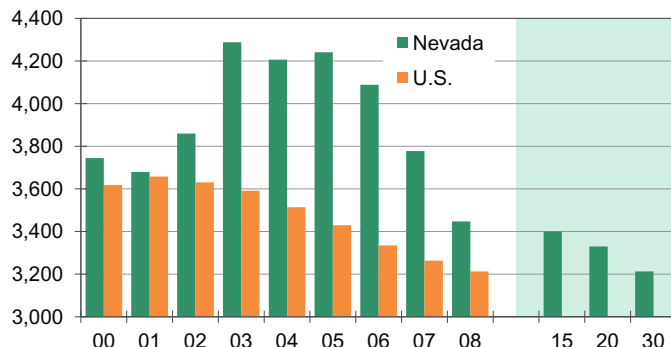
Source: Census Bureau

By restricting eligibility for programs for which Nevada receives federal assistance to insure children and the poor, a greater share of state healthcare expenses must be paid by state residents. Nevada should set out to raise its share of federal healthcare funding to 1.8% of revenues by 2030, bringing it more in line with other states.

PUBLIC SAFETY

Promote Low-Crime Environment

Property crimes per 100,000 population

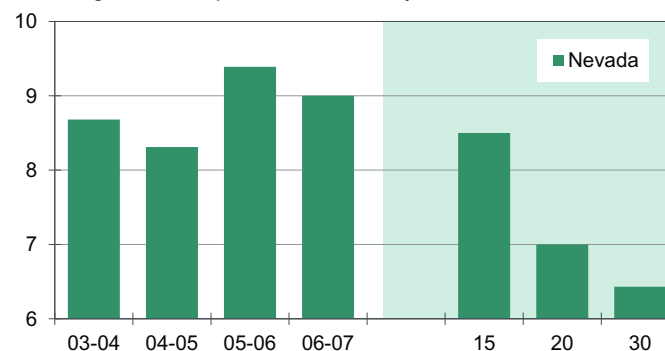


Sources: Census Bureau, Federal Bureau of Investigation, Moody's Analytics

According to the Federal Bureau of Investigation's Uniform Crime Reports, the property crime rate includes incidences of burglary, larceny-theft, motor vehicle theft, and arson. The goals are to extend recent improvement in 2015, to halve the gap with the nation by 2020, and to meet the current U.S. average by 2030.

Minimize Substance Abuse

Illicit drug use in the past month, %, 12 yrs and older



Sources: SAMHSA, Moody's Analytics

Data from the Substance Abuse and Mental Health Services Administration's survey show the level of substance abuse in Nevada. Lowering that level will improve the quality of life for families and communities as it reduces the state's crime rate. Because Utah's substance abuse rate is the lowest within the Mountain West, Nevada's goals focus on narrowing its gap with Utah. The goals are to extend recent improvement through 2015, halve the gap with Utah by 2020, and meet that state's current average by 2030.

Key Themes



Workforce development

Nevada needs to develop a skilled and flexible workforce that can thrive in the 21st century economy.

A skilled and adequate workforce raises the productivity and competitiveness of employers in the state and encourages other firms to relocate to Nevada. A more educated workforce creates more economic value, leading to stronger income growth and better overall household well-being. Making training and educational opportunities available to all Nevadans advances equity across the state.

To meet Nevada's healthcare and education goals, it is particularly important to im-

prove employee training and retention rates in light of labor shortages in these fields.

Many of the growth industries that Nevada wants to attract also require a skilled workforce, including workers with math, science and engineering degrees.

Building on current strengths in the workforce and the economic structure of Nevada is key to diversifying the state's economy. For example, Nevada has developed world-class expertise in public safety and security. New regional or national training centers could use such expertise

not only to train the local workforce but also to attract new jobs and funding. Links among the private sector, state and local educational institutions, and federal facilities could also foster such initiatives, again illustrating how connectedness can help shape a future vision for Nevada.

A highly educated and skilled workforce is an absolute necessity for the development of a sustainable energy industry. Greater educational attainment and higher incomes also lead to better health, longer life spans, and improved public safety.



Connectedness and coordination

Increased collaboration between public and private sectors, among communities within the state, and with other regions and the federal government will foster growth, access, and efficient resource allocation.

Given Nevada's widely dispersed communities and markets, internal and external connectedness is a key factor in its quality of life.

An improved transportation infrastructure within Nevada and between the state and its major trading partners would further economic development, help sustain the environment, and promote equity among its citizens. Opportunities for improvement include highway development between Reno and Las Vegas as well as between Las Vegas and Phoenix. Connections between Nevada and southern California could also be strengthened with alternative transportation options such as high-speed rail. The highly developed airport infrastructure already in place guarantees long-term links with the global economy.

Connectedness applies to energy as well as transportation. For example, Nevada has ample resources to develop renewable energy, but connections are needed to link energy resources to markets within the state and elsewhere. Nevada's renewable energy producers must have a sufficient transmission infrastructure available to export energy to high-demand markets outside the state. Such connections would cross federal lands, illustrating the necessity of collaboration among federal, state and private entities.

Coordination among different levels of government and the private sector can shorten distances and equalize opportunities. This can include communication and training for state agencies, local governments and community groups so that each can leverage its work on that of others and so that all can take

advantage of federal resources. Sometimes it is as simple as helping smaller communities learn about grant opportunities and acquire the skills needed to take advantage of them.

Public-private partnerships and collaboration across agencies and levels of government are important on many fronts. Communication across agencies is particularly important for the effective governance of rural communities. Community-based alternatives to institutional elder care, mental health/behavioral care, incarceration, and parole can greatly improve efficiency.

Private firms and households also need to work with the government to ensure that public educational institutions produce the skills required by businesses, and to nurture systems of philanthropy and private giving as they catch up with Nevada's rapid growth.

Utilization of federal resources

Nevada needs to help residents benefit from federally managed resources within the state and make better use of available federal funds to leverage state revenue.

The federal government owns 86% of the land in Nevada and thus wields enormous influence over activities critical to the state's economy and quality of life, including agriculture, minerals, transportation, energy and recreation. The NVSG seeks appropriate levels of partnership with the federal government to make sure federal resources benefit Nevadans.

Nevada also receives fewer federal funds than almost any other state. In many cases, the state could leverage its own resources by partnering with existing federal programs. As it is, millions of federal dollars that might support public services in Nevada are often left on the table. This is a particular problem during recessions, when demand for government aid rises substantially. A good example

is the federal Supplemental Nutrition Assistance Program, also known as food stamps. According to the Nevada Department of Health and Human Services, in fiscal 2010 the state forfeited nearly \$350 million because of nonparticipation.

The state is also forgoing tens of millions of dollars in federal grants. In a recent study performed by Federal Funds Information for States, Nevada ranked last in fiscal 2009 for per capita federal spending on select grants at \$973. The national average was \$1,672.¹ These are funds that typically require no state match and can be used by a number of public and private entities. State agencies, local govern-

¹ Federal Funds Information for States. "FY 2009 Per Capita Federal Spending on Select Grants" (2010). <http://www.ffis.org/node/2100>.

ments and nonprofit entities need the proper resources to search out such grants and apply for them. To support the NVSG's equity goals, such grant-seeking resources should be provided to smaller communities that may not have the capacity to do so on their own.

Effectively linking state, local and private sector programs with federal funds and grants could help achieve goals for health and well-being, transportation, education and workforce development, energy resources, and the environment. Such moves would not only improve the effectiveness of local initiatives but also help smooth out the volatility of public services. This is not to suggest that Nevada should depend entirely on federal resources, only that it should take advantage of available resources whenever appropriate.

Adoption of information technology solutions

New technologies can allow state and local government as well as nonprofit agencies to provide services more efficiently.

The development of an innovative IT infrastructure would greatly facilitate connectedness and cooperation in Nevada among federal, state and local entities, helping them provide services more effectively and efficiently. State and local governments could significantly lower administrative costs with better record-keeping and communication technology. IT investments and improved database management stand to help both public and private entities. Among governments, consolidated beneficiary databases for public assistance and other aid programs, criminal records, and health records can help agencies deliver services and monitor performance.

Given Nevada's size and the sharp contrasts between its rural and metropolitan areas, the development and implementation of an IT infrastructure represent challenges. However, meeting these challenges would promote equity in the provision of services across the state while fostering economic development.

A strong IT infrastructure can help attract new firms and industries to the state. Nevada's economy would benefit from increased diversification as well as growth among its existing businesses.

Expanding technology use by primary and higher educational systems would also

pay dividends in terms of equity. Online courses and other technology-based educational offerings not only improve student engagement but also give all Nevadans access to learning opportunities.

Nevada can maximize its existing IT infrastructure. Key IT competitive advantages are already present at the Nevada Test Site, Yucca Mountain Nuclear Waste Repository, McCarran International Airport, and private firms such as Switch Communications. Sustainable leveraging of these assets will help attract new businesses and industries to Nevada, ultimately benefiting the entire triple bottom line.