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Nevada Sees an Opening in California's Troubles

By STEVE FRIESS

LAS VEGAS — Like buzzards circling a dying animal, Nevada business leaders gleefully mocked the California budget crisis on Thursday and crowed about the opportunities it offered their state to poach companies from its ailing neighbor.

The president of the nonprofit Nevada Development Authority, A. Somer Hollingsworth, donned a tinfoil hat for part of a speech in which he told local business executives and politicians that California's excessive government had led to its near-bankruptcy.

"Nobody's really working there — everybody's a recipient of some kind of state program," said Mr. Hollingsworth, whose organization's mission is recruiting companies to the Las Vegas area and whose talk was entitled, "California Has Lost Its Mind and Las Vegas Is Providing Psychoanalysis."

After reciting Nevada's favorable attributes — no personal or corporate income tax, lower sales taxes than in California — he asked, "Why would you not move?"

California faces a \$26.3 billion budget shortfall for which lawmakers have no solution, so the state has been forced to issue more than 91,000 i.o.u.'s worth more than \$350 million to its employees in lieu of paychecks. Banks there have said they will not honor them after Friday.

Mr. Hollingsworth made fun of several fees and taxes proposed by California lawmakers, like a \$50-an-ounce tariff for recreational [marijuana](#). "Whatever happened to a nickel bag, huh?" he said to laughter.

One member of the audience, Jason McMillin, who recently moved his lighting business to Las Vegas from Utah, rejected the idea that it was unseemly for a state to openly take advantage of another's misfortune.

"It's irresponsibility on the California side that got them here," Mr. McMillin said.

The president of the [California Chamber of Commerce](#), Allan Zaremborg, shrugged off the speech, calling Mr. Hollingsworth's tinfoil hat a gimmick and insisting that his organization was fighting to avert higher business taxes specifically to avoid losing employers.

"I sense they're being so aggressive because their economy is struggling, too," Mr. Zaremborg said. "I would match our higher education system against their higher education system any day. Also, our quality of life."

Indeed, Nevada has had its share of economic and budgetary woes. The state has the nation's highest home foreclosure rate, and the Legislature this year approved nearly \$1 billion in new taxes and cut services to close a \$2.5 billion budget gap.

Still, the state and California have had a long history of tit-for-tat efforts to steal businesses from each other. Four years ago, after Gov. [Arnold Schwarzenegger](#) staged a press event on the Las Vegas Strip to urge Nevada companies to move west, the Nevada Development Authority bought a billboard at Hollywood and Vine in Los Angeles that warned companies their businesses would "be terminated" under the leadership of Mr. Schwarzenegger.

"What's happening, they're doing to themselves," Mr. Hollingsworth said in an interview after the speech. "The companies are going to leave, I want to make sure that I get my fair share."