For Fiscal Year Ending June 30, 2008

State of Nevada
A Report to Our Citizens

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The Nevada Vision

Nevada's leaders will work to protect the health and welfare of its communities by promoting a healthy economy, a business friendly environment and excellent schools.

Plans for the Future

Ensure a Healthy Economy

- Maintain a business friendly environment
- Diversify Nevada's economy
- Establish a stable revenue base

Provide First Rate Education for All Nevadans

- Enable schools to determine the needs of their students
- Recruit and retain the highest quality teachers

Lead in Alternative Energy Development

- Wind Power Generation
- Solar Power Generation
- Geothermal Power Generation

Demographic Information

	Calendar Year 2006	Calendar Year 2007
Population	2,495,529	2,565,382
Per Capita Income	37,089	40,480
Visitor Volume	54,235,618	54,337,181
	Fiscal Year 2007	**Fiscal Year 2008**
Public School Enrollment	433,240	436,778
State Government Employees	26,554	26,873
Unemployment Rate	4.9%	6.6%

To see additional information, visit: controller.nv.gov

Nevada's Progress

In Fiscal Year 2008

Conservation:

Alternative Energy Development -
In 2006 there was no significant solar power generation by utilities in Nevada. By the end of 2007, a 64 megawatt project at Boulder City and a 14 megawatt solar array at Nellis Air Force Base were completed, ranking Nevada first in solar power generation per capita and second in solar power development. With aggressive development of the State's vast solar resources, Nevada has great potential to become an exporter of solar energy.

Economy:

The Nevada mining industry set an all-time record in 2007 for total value of mined commodities at $5.4 billion. That is an increase of $0.5 billion over 2006. The mineral tax revenue from mining in FY 2008 increased 19% from FY 2007 to over $74 million. While many industries lost jobs, the number of mining jobs held steady at 9,500. Nevada continues to be the top gold producing state. Our mines contributed 78% of the U.S gold production and 8% of total world production. Only China, South Africa, and Australia produced more gold than the State of Nevada.

Education:

In 2008 twelve Nevada high schools ranked in the top 5% out of 27,000 public high schools nationwide. In addition, eight schools in Clark County School District took honors in the Magnet Schools of America Merit Award. Only 119 schools nationwide received these awards given for high academic standards and curriculum innovation.

Performance Measure Highlights

	FY 07	FY 08	Goal
Reduce highway fatalities by 100 lives	427	326	327
100% of State roads-fair or better condition	81.0%	76.0%	100.0%
Nevada's national ranking of freeway miles congested	27th	37th	25th
Graduation rates (07 and 08 report cards)	67.5%	67.4%	74.4%
Expenditures per pupil (07 and 08 report cards)	$ 6,665	$ 7,135	$ 9,424

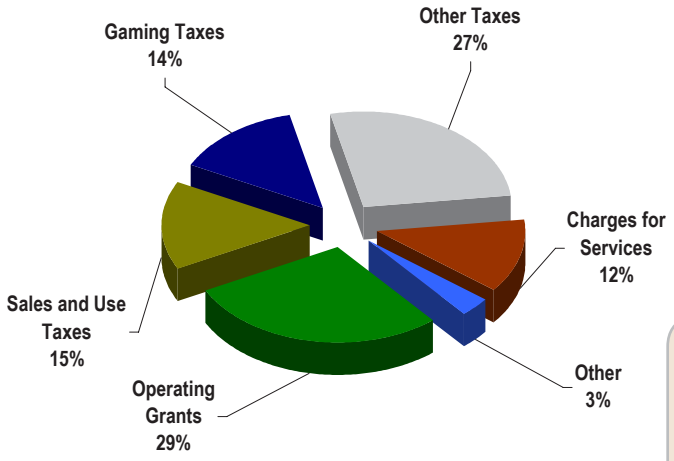
To see additional information, visit: controller.nv.gov

Nevada's Finances

Revenues and Expenses

Primary Government Sources of Revenue

FY 2008 Revenues by Source



Revenues By Source (Expressed in Thousands)	2007 Revenue	2008 Revenue	% Change
Operating Grants	$ 2,124,907	$ 2,070,650	-2.55%
Sales and Use Taxes	1,149,456	1,101,741	-4.15%
Gaming Taxes	1,029,044	1,011,506	-1.70%
Other Taxes	1,940,639	1,931,806	-0.46%
Charges for Services	888,880	901,599	1.43%
Other	258,498	243,028	-5.98%
Total Revenues	**$ 7,391,424**	**$ 7,260,330**	**-1.77%**

Notes

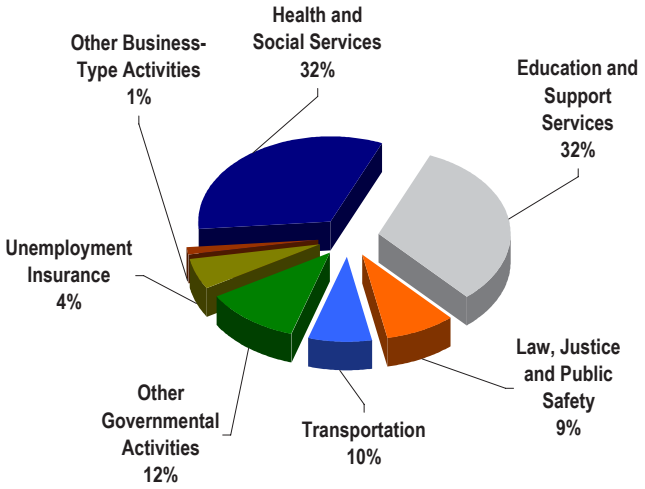
Operating Grants – Primarily federal grants for various state programs.

Other Taxes – Includes modified business tax, insurance premium tax, motor and special fuel tax, property and transfer tax.

Charges for Services – Includes inspections, licensing, permits, and fees.

Primary Government Functional Expenses

FY 2008 Expenses by Function



Governmental Activity (Expressed in Thousands)	2007 Expenses	2008 Expenses	% Change
Health and Social Services	$ 2,340,884	$ 2,454,843	4.87%
Education and Support Services	2,254,626	2,381,731	5.64%
Law, Justice and Public Safety	624,149	650,657	4.25%
Transportation	680,281	576,815	-15.21%
Other Governmental Activities	849,919	869,399	2.29%
Unemployment Insurance	296,784	439,632	48.13%
Other Business-Type Activities	106,347	105,652	-0.65%
Total Expenses	**$ 7,152,990**	**$ 7,478,729**	**4.55%**

Notes

Other Governmental Activities – Regulation of business, recreation and resource development, general government.

Other Business-Type Activities – Housing, workers' compensation, higher education.

An independent audit of the State's financial statements resulted in a unqualified audit opinion. Financial information is prepared according to Generally Accepted Accounting Principles (GAAP).

To see the Comprehensive Annual Financial Report, visit: controller.nv.gov

What's Next?

Future Challenges and Economic Outlook

Economic Challenges:

Nevada state government has experienced a $1.5 billion projected revenue shortfall due to the economic down turn in the 2008-2009 budget years. Additional revenue shortfalls of 34% are expected in budget years 2010-2011. These shortfalls will translate into dramatic reductions in government services and programs throughout the state, both in the short and long terms. In addition, more than $30 billion is required for infrastructure improvements. Most of these are needed just to adequately serve the existing population without any continued population growth. Unfortunately, major capital projects tend to be the first items cut when government faces a budget shortfall.

The gaming industry is in the midst of what is possibly the most severe downturn ever. The gaming win is down by almost 2% from the previous year. Visitor volume is flat and the amount spent per visitor is decreasing. Hotel occupancy is down about 2% from 2007. The high price of fuel, higher unemployment rates and the foreclosure crisis are all seen as contributing to falling revenues for the gaming industry. In addition, several major resort projects have been put on hold and this will impact future budget revenues.

Unemployment in Nevada as of July 2008 is 6.6 %, well above the national average of 5.7%. The sharp increase is seen as a result of the downturn in the construction industry and the slow-down in the service and hospitality industries. The short term impact will be an increase in state services already straining under reduced budgets. A more diverse economy and an educated workforce are needed in Nevada to minimize the unemployment that typically occurs during bad economic times in the areas of tourism, gaming and construction.

Education:

Nevada has one of the lowest high school graduation rates in the country. Clark County School District graduated just 63.0% of seniors in 2007. The Nevada System of Higher Education projects yearly decreases in the percentage of Nevadans who will enroll in higher education, from 6.4% to 6.1% over the next six years. This decrease means it will be difficult for Nevada to diversify its business base and attract businesses that require employees with higher education. The State budget shortfall will make it difficult for all schools to receive any additional funding to address these problems. Schools will have to use only existing resources or creatively find funding sources to help solve the societal problem of a less educated population. This problem will have long term effects on the Nevada economy.

Intergovernmental Financial Dependency and Related Risks:

With the looming Federal fiscal crisis, Nevada is at risk as well. The following reflects some of Nevada's dependence on federal funds:

- Federal revenues to Nevada: $2.4 billion or 33% of all revenues to the State.
- Federal grants from the State to Nevada local governments: $475 million – 44% public welfare, 43% – K-12 education.
- Major contributing Federal departments: Health and Human Services – 42%, Labor – 20%, Agriculture – 12.5%, Transportation – 10%, Education – 10%.
- 2007 to 2008 increase in Federal revenue: $100 million total, including $41 million increase in nutrition programs, $150 million increase in unemployment insurance, ($78 million) decrease in transportation planning, ($11 million) decrease in justice and homeland security, ($6 million) decrease in wildlife, $4 million net increase in various other programs.
- Amount of Federal debt held by the State of Nevada and its counties and cities in investments: $6.9 billion of the $10.8 trillion total Federal debt.

We want to hear from you! Do you believe this report should include any other information?
Please contact: Kim Wallin, State Controller at (775) 684-5632