



# STATE OF NEVADA

## A REPORT TO OUR CITIZENS

FOR FISCAL YEAR ENDING JUNE 30, 2010

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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
- Create jobs for unemployed Nevadans

#### Provide First Rate Education for All Nevadans

- Enable schools to determine the needs of their students
- Recruit and retain the highest quality teachers
- Improve high school graduation rates

#### Lead in Alternative Energy Development

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



### DEMOGRAPHIC INFORMATION

	Calendar Year 2008	Calendar Year 2009
Population	2,600,167	2,643,085
Per Capita Income	\$ 40,353	\$ 37,691
Visitor Volume	51,590,250	49,452,042
	Fiscal Year 2009	Fiscal Year 2010
Public School Enrollment	431,309	436,644
State Government Employees	26,452	26,442
Unemployment Rate	12.3%	14.3%



For additional information, visit: [controller.nv.gov](http://controller.nv.gov)

# NEVADA'S PROGRESS

## IN FISCAL YEAR 2010



### ECONOMY:

The Nevada mining industry for 2009 had a total value of mined commodities of \$5.8 billion. The mineral tax revenue from mining in FY 2010 increased by \$23.2 million to over \$166 million. While many industries lost jobs, the number of mining jobs grew to 11,609 with an average salary of over \$77,000. Nevada continues to be the top gold producing state. Our mines contributed 75% of the U.S gold production and 7% of total world production. Only China, South Africa, and Australia produced more gold than the state of Nevada.

### CONSERVATION:

#### Alternative Energy Development

Nevada's sustainable energy initiative gained momentum during 2010, and clean energy is now the fastest-growing industry in the State. Our renewable energy standard is one of the most aggressive in the nation; by the year 2025 at least 25% of energy sold to consumers must be from renewable sources with at least 6% from solar by 2016.

National, state, tribal, and local governments recently entered into an agreement to use 25 square miles of the former Nevada Nuclear Test Site for a Solar Demonstration Zone that will test innovative, utility-scale solar energy technologies and demonstrate their commercial viability. The site will allow companies to gain valuable field results in order to bring their projects quickly to market, while ensuring that Nevada is at the center of this promising industry.

Currently, the State's renewable energy base is 120 megawatts of solar, 375 of geothermal, 1 of wind, 7 of biomass and 1,100 of hydroelectric. Projects with permits in place will add another 776 megawatts of solar, 568 of geothermal and 350 of wind, and an additional 108 such projects are under development. Now that these resources are being developed in earnest, one challenge is getting the power produced to the electricity grid. Transmission from remote locations is an urgent issue, especially if Nevada is to become a net exporter of renewable energy. Solutions include the 235-mile "ON Line" that will deliver renewable energy to market, scheduled for completion by early 2013.

Nevada's favorable corporate tax structure and business-friendly policies complement our 270 days of sunshine, broad expanses of windy desert and unique potential for geothermal production, all of which reinforce the State's advantage in this emerging economy.

### PERFORMANCE MEASURE HIGHLIGHTS

	FY 09	FY 10	Goal
Reduce highway fatalities by 100 lives	278	234	226
Percent of roads overlaid or reconstructed per year	6.5%	4.5%	8.0%
Nevada's national ranking of freeway miles congested	40 <sup>th</sup>	40 <sup>th</sup>	25 <sup>th</sup>
Graduation rates	68.7%	71.4%	74.8%
Expenditures per pupil *	\$ 7,742	\$ 8,457	\$ 9,963

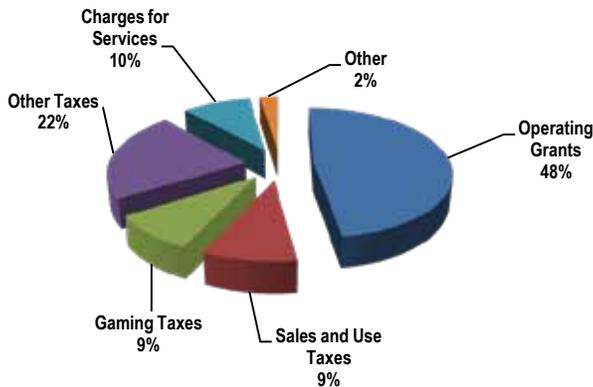
\*Formula was revised for FY 10; data not comparable



# NEVADA'S FINANCES

## REVENUES AND EXPENSES

### PRIMARY GOVERNMENT SOURCES OF REVENUE FY 2010 REVENUES BY SOURCE



Revenues by Source Expressed in Thousands	2009 Revenue	2010 Revenue	% Change
Operating Grants	\$ 3,069,582	\$ 4,477,164	45.86%
Sales and Use Taxes	943,787	870,474	-7.77%
Gaming Taxes	883,054	844,470	-4.37%
Other Taxes	1,791,644	2,085,503	16.40%
Charges for Services	900,137	884,384	-1.75%
Other	209,720	224,496	7.05%
<b>Total Revenues</b>	<b>\$ 7,797,924</b>	<b>\$ 9,386,491</b>	<b>20.37%</b>

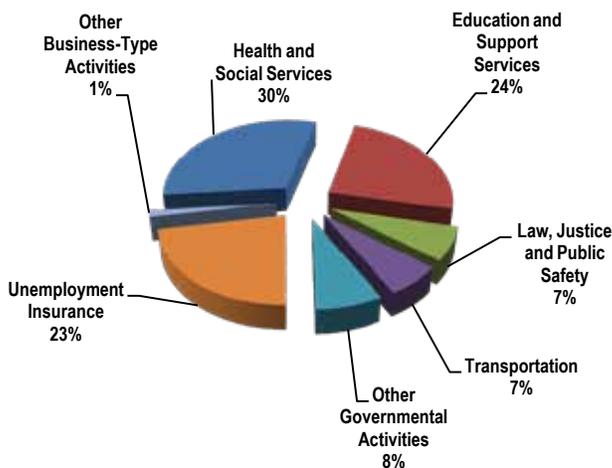
#### Notes

**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 2010 EXPENSES BY FUNCTION



Expenses by Function Expressed in Thousands	2009 Expenses	2010 Expenses	% Change
Health and Social Services	\$ 2,667,419	\$ 3,017,013	13.11%
Education and Support Services	2,475,416	2,430,923	-1.80%
Law, Justice and Public Safety	687,410	690,104	0.39%
Transportation	762,610	644,976	-15.43%
Other Governmental Activities	813,050	770,333	-5.25%
Unemployment Insurance	1,336,043	2,233,382	67.16%
Other Business-Type Activities	107,471	135,349	25.94%
<b>Total Expenses</b>	<b>\$ 8,849,419</b>	<b>\$ 9,922,080</b>	<b>12.12%</b>

#### 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 an unqualified audit opinion. Financial information in this report is derived from Generally Accepted Accounting Principles (GAAP) data in the State's Comprehensive Annual Financial Report.



To see the Comprehensive Annual Financial Report, visit: [controller.nv.gov](http://controller.nv.gov)

# WHAT'S NEXT?

## FUTURE CHALLENGES AND ECONOMIC OUTLOOK

### ECONOMIC CHALLENGES:

Nevada will continue to struggle through a slow recovery before reaching economic stability, but the heavy cuts to the 2010 budget and a more realistic perspective have begun to bring spending in line with revenues. 2010 General Fund revenue increased over last year by \$700 million, with \$198 million resulting from increased taxes and \$487 million from intergovernmental federal funding. In addition, 2011 monthly tax and fee collections to date are 7.8% more than budgeted. The American Recovery and Reinvestment Act (ARRA) funds have provided relief during the current budget cycle; however, they will be fully expended in the short term and are not expected to be extended. Short-term tax increases will expire as well.

The Economic Forum's revenue forecast of \$5.3 billion for the 2012-2013 biennium is 17% (\$1.1 billion) less than existing spending levels and \$3 billion less than the budget requests from State agencies. The greatest impact on the upcoming budget will be the loss of \$592 million in ARRA funds and another \$552 million of expired local taxes that had supported schools. The State will also have the added cost of \$240 million in Medicare caseload and rate increases, \$105.7 million in interest due on Unemployment Trust funds borrowed from the federal government to pay unemployment claims, and a \$78 million increase in school health benefit costs. Because of these losses of revenue and added expenses, the 2012-2013 biennial budget will result in reduced services in all areas of government.

Gaming revenues reached a six-year low in 2010, but there are signs of recovery. The first quarter of 2011 had a healthy 2.3% increase over the previous quarter. Revenues were still down year over year, but nowhere near the 14% decline seen during 2009. Visitor volume from January to June in Las Vegas was up 4.3% compared to last year. The weak national economy, higher unemployment rates, higher foreclosure rates and increased competition for gaming customers are all seen as contributing to falling revenues for the gaming industry.

Unemployment in Nevada was 14.3% in June, but dropped to 13.7% in October. While the private sector continues to add jobs, the construction industry continues to lose jobs as projects reach completion and no new projects are being planned. Employment projections for the State indicate moderate growth through 2013. Nevada continues to have the highest foreclosure rate in the country for the 43rd straight month. As the national recovery begins to take hold and stimulate a rebound for Nevada, the State is focused on important opportunities to diversify its economy, but to do that Nevada will need a more educated workforce.

### EDUCATION:

An educated workforce is essential to Nevada and the lack of a well educated population will have long term effects on all segments of our society and economy. A critical lack of funding is straining the education system. Administrators, teachers and parents will have to use existing resources or creatively find funding sources to prepare the rising generation of Nevadans. Each year students must meet the target set by the federal government for Adequate Yearly Progress (AYP). Due to budget cuts only 45% of elementary schools, 37% of middle schools and 72% of high schools met the requirements. This was a slight decline over last year. Nevada continues to have one of the lowest high school graduation rates in the country with just 71.4% graduating in 2009. This was a 2.7% improvement over 2008.

The Nevada System of Higher Education (NSHE) currently serves over 114,000 students and enrollment has increased again for the 11th year in a row. Our colleges and universities are a vital economic resource, the source of an educated population capable of supporting stable industries in a stronger economy. Their goal is to recruit, retain and graduate 1,064 more students each year through 2020 by renewing their commitment to excellence and efficiency.

### 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: \$5.4 billion or 57% of all revenues to the State.
- Federal grants from the State of Nevada to local governments and nonprofit organizations: \$916 million – 46% K-12 education, 16% public welfare, 6% transportation projects.
- Major contributing federal departments: Labor – 44%, Health and Human Services – 25%, Agriculture – 10%, Education – 10%, and Transportation – 7%.
- 2009 to 2010 increased Federal revenue: \$1.56 billion total, including \$966 million increase in unemployment programs, \$159 million increase in nutrition programs, \$151 million increase in education programs, \$127 million increase in Medicaid assistance, \$48 million in transportation programs, \$22 million in energy programs, \$20 million in environmental programs, \$11 million in public assistance programs and \$56 million in increases to various other programs.
- Amount of federal debt held by primary government: \$2.472 billion.

*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*