



# STATE OF NEVADA A REPORT TO OUR CITIZENS

FOR FISCAL YEAR ENDING JUNE 30, 2011

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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
- Attract skilled and educated workers

#### 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

#### Develop New Industries

- Medical Tourism
- Geothermal Power Generation
- Solar Power Generation



Photo By: Roger Bowen Weld  
 Numaga Pow-wow

## DEMOGRAPHIC INFORMATION

	Calendar Year 2009	Calendar Year 2010
Population	2,643,085	2,700,551
Per Capita Income	37,691	36,997
Visitor Volume	49,452,042	50,101,227
	Fiscal Year 2010	Fiscal Year 2011
Public School Enrollment	436,644	438,866
State Government Employees	26,442	25,814
Unemployment Rate	14.3%	13.5%



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

# NEVADA'S PROGRESS

## IN FISCAL YEAR 2011

**Mining:** The number of mining jobs grew to 12,211 in calendar year 2010, and salaries averaged \$80,000. The value of Nevada's mined commodities increased to \$7.5 billion. Mineral tax revenues continued to be strong during 2011 at \$243 million, an increase of \$75 million over FY 2010 revenues of \$168 million. However, beginning in 2012, \$18 million will be returned to the mining companies under Senate Bill 493 of the 74th Legislative Session. Nevada is the top producer of gold in the U.S. and accounts for 7% of production worldwide.

**Medical Tourism:** Las Vegas has a world-class reputation for tourism, and is working to become a destination for medical tourism as well. In the summer of 2010, Nevada's Health Care Sector Council (NHCSC) began to identify job training and education programs to best meet regional economic development goals. One goal is to expand Nevada's primary care Full Time Equivalent (FTE) health care workforce between 10 and 25 percent over the next 10 years. Increasing the number of health care professionals will facilitate the State's ability to develop a significant medical tourism industry.

**Conservation:** Nevada is 8th among the 50 states in renewable energy production, providing 47,288 billion BTUs annually, or 0.63% of total U.S. renewable energy production. The number of renewable energy projects in the State continues to grow. Nevada leads the nation in geothermal power plants, planned or under construction. In the Silver State, 65 geothermal projects, or roughly half of the nation's 123 geothermal plants, are under development. The projects will more than double the State's existing geothermal output. Nevada presently contributes 14% of the nation's geothermal power.

Truckee Meadows Community College is opening the world's first school for geothermal plant operators in Reno early next year. The school will train 4,936 workers to staff the 65 geothermal plants under development in Nevada. Geothermal projects in the rest of the country will need another 7,000 trained workers, and the school is generating interest on a global level.

**Education:** For the second year in a row, Washoe County School District (WCSD) has an increased high school graduation rate. The percentage of graduates in 2011 reached 70%, a great improvement over the 56% rate logged in 2009. Parent involvement, flexible learning schedules and close tracking of each student's credit attainments from the first day of school contributed to the increase in graduates.



Photo By: Roger Bowen Weld

### PERFORMANCE MEASURE HIGHLIGHTS

	FY 10	FY 11	Goal
Reduce highway fatalities	235	270	0
Percent of roads rehabilitated annually	4.2%	4.5%	7.8%
Nevada's national ranking of freeway miles congested	40 <sup>th</sup>	40 <sup>th</sup>	25 <sup>th</sup>
Graduation rates (10 and 11 report cards)	71.4%	70.3%	74.4%
Expenditures per pupil (10 and 11 report cards)	\$ 8,457	\$ 8,515	\$ 9,424



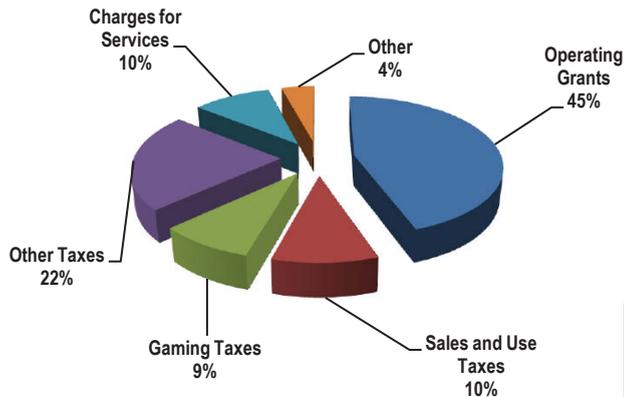
To see additional information, visit: [controller.nv.gov](http://controller.nv.gov)

# NEVADA'S FINANCES

## REVENUES AND EXPENSES

### PRIMARY GOVERNMENT SOURCES OF REVENUE

#### FY 2011 REVENUES BY SOURCE



Revenues by Source Expressed in Thousands	2010 Revenue	2011 Revenue	% Change
Operating Grants	\$ 4,477,163	\$ 4,302,041	-3.91%
Sales and Use Taxes	870,474	931,911	7.06%
Gaming Taxes	844,470	850,021	0.66%
Other Taxes	2,085,503	2,177,341	4.40%
Charges for Services	884,384	967,637	9.41%
Other	224,497	401,438	78.82%
<b>Total Revenues</b>	<b>\$ 9,386,491</b>	<b>\$ 9,630,389</b>	<b>2.60%</b>

#### Notes

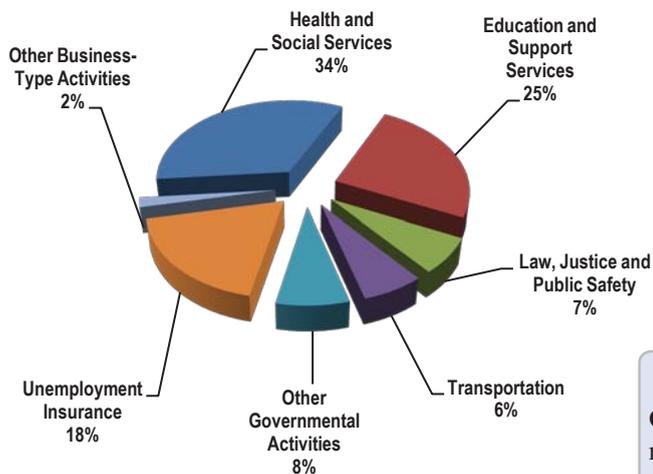
**Operating Grants** – Primarily federal grants for various state programs.

**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 2011 EXPENSES BY FUNCTION



Expenses by Function Expressed in Thousands	2010 Expenses	2011 Expenses	% Change
Health and Social Services	\$ 3,017,013	\$ 3,209,237	6.37%
Education and Support Services	2,430,923	2,393,536	-1.54%
Law, Justice and Public Safety	690,104	667,598	-3.26%
Transportation	644,976	630,657	-2.22%
Other Governmental Activities	770,333	740,707	-3.85%
Unemployment Insurance	2,233,382	1,767,632	-20.85%
Other Business-Type Activities	135,349	177,449	31.10%
<b>Total Expenses</b>	<b>\$ 9,922,080</b>	<b>\$ 9,586,816</b>	<b>-3.38%</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

Difficult decisions made during the budgeting process have brought spending into line with available revenues in this budget cycle. General Fund revenue in 2011 increased \$170 million over last year. The largest increases over 2010 revenues were \$57 million in licenses, fees and permits and \$55 million in sales taxes. The largest decrease in revenue sources for 2011 was \$20 million in Intergovernmental revenues from the Federal government.

Federal money to the State is decreasing with the expiration of the American Recovery and Reinvestment Act (ARRA). In fiscal 2011, ARRA expenditures decreased to \$1.2 billion, down from \$1.6 billion in FY 2010. Only \$260 million remains for fiscal years 2012 through 2014. The absence of these funds will tax the ability of Nevada to maintain program levels and infrastructure services.

The outlook for the future of Nevada's economy is cautiously optimistic as Nevada struggles to recover from its deep recession. At the recent non-binding meeting of Nevada's Economic Forum in December, actual tax revenues for 2012 at mid-year exceeded forecasts by \$21 million, with sales tax collections ahead by almost \$10 million and governmental services tax ahead by almost \$9 million. Though revenues are forecast to be higher in 2012, 2011 revenues from these sources were still below pre-recession levels. In Las Vegas, there were slight increases in hotel occupancy (up 6.4% in 2011 over 2010), and visitor volume (up 7% in June 2011, over June 2010). Recovering economies in surrounding states should bring more tourism for Nevada.

Unemployment in Nevada improved from 14.3% in June 2010, to 13.5% in June 2011. The national rate was 9.3%. By October, Nevada's unemployment rate had decreased to 12.7%. Nevada continues to have the highest foreclosure rate in the country for the 55th consecutive month. Foreclosures in Nevada are more than 3 times the national average. No immediate recovery for the housing market is foreseen.

As the national recovery begins to take hold and to stimulate a rebound for Nevada, the State is focused on important opportunities to diversify its economy. Unprecedented global and U.S. competition for gaming dollars forces Nevada to look to other sources of income. Nevada is seeking new opportunities to expand and diversify its economy in several areas: tourism, gaming and entertainment; health and medical services; business IT ecosystems; clean energy; mining, materials and manufacturing; logistics and operations; and aerospace and defense.

### EDUCATION

Nevada needs to focus on providing adequate resources in order to improve our education system. In order to attract new industries and build a strong economy, we need to have a quality education system.

The Brookings Institute reports that Nevada's "K-12 educational system is underperforming." As part of the "No Child Left Behind" Act of 2001, students are required to meet increasingly difficult standards in order to achieve Adequate Yearly Progress (AYP). Nationally, 52% of all schools met AYP standards. In Nevada, 45% of all schools met AYP standards. Only 33% of our elementary schools and 49% of our middle schools met the standards, and at 53%, Nevada's high schools are on a par with other states. Nevada's graduation rate continues to be one of the lowest in the country. In 2011 the graduation rate declined by 1.1% to 70.3%

After 11 years of enrollment growth, Nevada System of Higher Education 2011 enrollment figures show a reduction of 4,000 students, or 6%. This decline in enrollment is a result of student fee increases and programs being cut because of budget cuts. Our colleges and universities play a vital role in bringing new businesses to Nevada. In order to diversify our economy we must have an educated and skilled workforce or we will harm Nevada's ability to attract new business.

### INTERGOVERNMENTAL FINANCIAL DEPENDENCY AND RELATED RISKS

The Federal fiscal constraints are expected to have a negative impact on Nevada's future funding levels. The following statistics reflect some of Nevada's current dependence on Federal funding:

- Federal grants to Nevada: \$4.9 billion, or 51% of all revenues to the State
- Federal grants from the State of Nevada to local governments and nonprofit organizations: \$838 million (32% K-12 education and 36% public welfare)
- Major contributing Federal departments: Labor, 38%; Health and Human Services, 29%; Agriculture, 13%; Transportation, 8%; and Education, 7%
- 2010 to 2011 decreased Federal revenue: \$486 million
- Amount of Federal debt held: \$5,431,939,442



*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.*