



# STATE OF NEVADA

## A REPORT TO OUR CITIZENS

FOR FISCAL YEAR ENDED JUNE 30, 2013

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### THE NEVADA VISION

Nevada's leaders will work to protect the health and welfare of its communities by promoting a vibrant, innovative and sustainable economy and providing excellent schools.

### PLANS FOR THE FUTURE

#### Ensure a Healthy Economy

- Establish a stable revenue base
- Attract skilled and educated workers
- Maintain a business friendly environment

#### Provide First Rate Education for all Nevadans

- Invest in recruiting, training and developing top teachers for Nevada
- Fund "Jobs for America's Graduates" initiative
- Remove barriers to higher education

#### Continue to Diversify Nevada's Economy

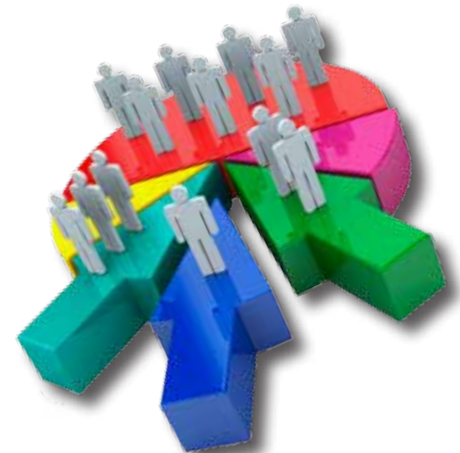
- Revitalize our Agriculture and Farming Industry
- Explore new areas for Mining
- Provide skilled workers for the Renewable Energy Industry



### DEMOGRAPHIC INFORMATION

	Calendar Year 2010	Calendar Year 2011	Calendar Year 2012
Population	2,704,283	2,723,322	2,758,931
Per Capita Income *	\$35,777	\$36,964	\$37,361
Visitor Volume *	50,116,893	51,500,481	52,299,113
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013
Public School Enrollment *	438,866	444,003	444,520
State Government Employees	25,814	25,372	25,184
Unemployment Rate *	13.5%	11.6%	9.6%
Debt per Capita	\$1,363	\$1,257	\$1,145

\*Figures have been updated to reflect revised estimates for calendar years 2010, 2011 and fiscal year 2012.



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

# NEVADA'S PROGRESS

## IN FISCAL YEAR 2013

### RENEWABLE ENERGY

The Renewable Portfolio Standard for 2012 required that at least 15% of retail energy sales be from renewable sources. Nevada exceeded that with 19.7% in Southern Nevada and 29.2% in Northern Nevada. The Solar Generations Program completed 147 solar projects in 2012, with a total capacity of 7.2 megawatts. This resulted in \$32 million in rebates to schools, public facilities and residential projects. The Solar Hot Water program alone completed 24 projects and paid over \$80,000 in rebates. The Wind Generations Program had its most productive year yet with 71 projects completed and generating 7.1 megawatts of electricity. Nevada's Clean Energy Sector accounted for over 22,000 jobs.

### MINING

During the fiscal year, the number of mining jobs grew by 1,100 to over 16,500. Employment in this sector is expected to increase by 6.4% annually. Mineral tax revenues decreased from \$253 million in fiscal year 2012 to \$236 million in fiscal year ended June 2013.

### AGRICULTURE

Quail Hollow Farm has begun construction of a new milk processing plant near Fallon, Nevada, which is expected to bring the biggest economic boost ever for farmers in Northern Nevada. The \$85 million facility is expected to handle 2 million pounds of milk a day. All the milk delivered to the plant will be powdered for export to China. The facility will receive \$6.2 million in tax incentives. The plant is expected to create 2,400 jobs across all related industries.



### EDUCATION

The 2013 Legislative Session enacted various statutes affecting Pre-K through 12 education. Providing quality education for our children remains a priority for Nevada. The goal is that every child in Nevada be able to read by grade 3. Early childhood education is the key to graduation from high school and long-term success in life. In the 2013 Legislative Session, an additional \$30 million was allocated over the biennium to all-day kindergarten in the State's most at-risk schools. Funding levels have also been adjusted to reduce class sizes for grades 1 through 3. The first-ever statewide program to address the needs of English Language Learners in our State received \$50 million for the biennium as well. Special funds were also allocated to help at-risk 11th and 12th graders. The Jobs for America's Graduates program (JAG) is designed to reduce dropouts, increase graduation rates, help graduates access jobs and boost college enrollment. It will take some time to determine whether these newly enacted measures will be successful.

### PERFORMANCE MEASURE HIGHLIGHTS

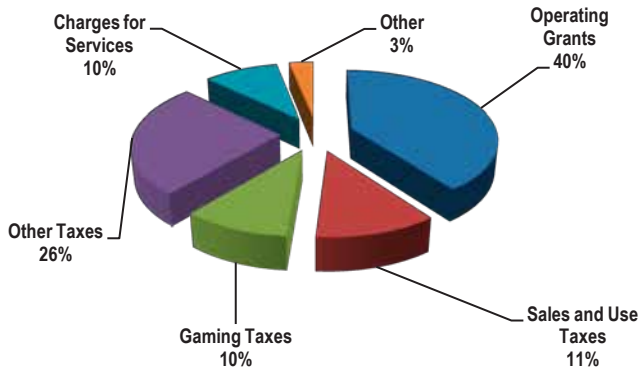
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Goal
Reduce highway fatalities	270	255	254	0
Percent of roads rehabilitated annually	4.5%	3.6%	0.7%	7.2%
Nevada's national ranking of freeway miles congested	40 <sup>th</sup>	40 <sup>th</sup>	41 <sup>st</sup>	25 <sup>th</sup>
Graduation rates (Nevada Report Card)	70.3%	61.9%	63.1%	74.4%
Expenditures per pupil (Nevada Report Card)	\$8,515	\$7,716	\$8,353	\$9,424



# NEVADA'S FINANCES

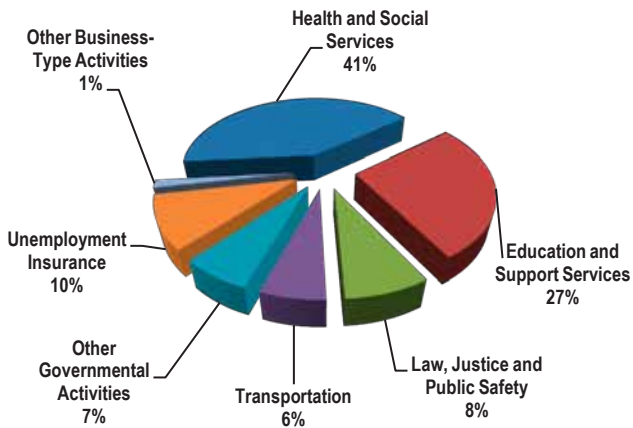
## REVENUES AND EXPENSES

### PRIMARY GOVERNMENT SOURCES OF REVENUE



Please see CAFR MD&A for detail of increases & decreases in revenues and expenses.

### PRIMARY GOVERNMENT FUNCTIONAL EXPENSES



### FY 2013 REVENUES BY SOURCE

Revenues by Source Expressed in Thousands	2012 Revenue	2013 Revenue	% Change
Operating Grants	\$ 3,954,104	\$ 3,640,272	-7.94%
Sales and Use Taxes	967,373	1,027,124	6.18%
Gaming Taxes	884,928	901,085	1.83%
Other Taxes	2,264,736	2,375,353	4.88%
Charges for Services	888,479	884,753	-0.42%
Other	403,803	288,628	-28.52%
<b>Total Revenues</b>	<b>\$ 9,363,423</b>	<b>\$ 9,117,215</b>	<b>-2.63%</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.

### FY 2013 EXPENSES BY FUNCTION

Revenues by Function Expressed in Thousands	2012 Expenses	2013 Expenses	% Change
Health and Social Services	\$ 3,250,926	\$ 3,464,334	6.56%
Education and Support Services	2,280,899	2,290,844	0.44%
Law, Justice and Public Safety	646,701	657,728	1.71%
Transportation	801,797	505,354	-36.97%
Other Governmental Activities	604,538	557,551	-7.77%
Unemployment Insurance	1,286,839	867,600	-32.58%
Other Business-Type Activities	139,188	129,062	-7.28%
<b>Total Expenses</b>	<b>\$ 9,010,888</b>	<b>\$ 8,472,473</b>	<b>-5.98%</b>

#### Notes

**Other Governmental Activities** – Regulation of business, recreation and resource development, general government.  
**Other Business-Type Activities** – Housing, workers' compensation, higher education tuition.

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 (CAFR).



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 continues to experience a modest recovery after our worst recession. Our main sources of revenues, sales taxes and gaming taxes, still remain below pre-recession levels at 10.6% and 12.4% and are only growing modestly. Employment continues to remain below peak levels of 2007 and will likely remain so for several more years. Nevada's housing market has been showing signs of recovery but it still has one of the highest foreclosure rates in the nation.



Sales tax revenues for the fiscal year were over \$1 billion, an increase of 6.2% over 2012. Gaming tax revenues for the fiscal year were \$901 million, an increase of only 1.8% over last year. Visitor volume was up 0.22% compared to the same period in 2012 but still remains 4.48% below pre-recession levels. With our revenues still only growing at a modest rate, the State must create a broader tax base to reduce reliance on one industry for most of its revenue.

Nevada continues to have the highest unemployment rate in the nation. The unemployment rate was 9.6% in June 2013, compared to the national rate of 7.6%. During 2013, Nevada is expected to add 23,000 new jobs, compared to only 17,100 jobs added in 2012. The State's employment base is expected to grow by 26,000 jobs in 2014, and 30,000 in 2015. The State's largest industries, tourism, gaming and entertainment, have added nearly 45,000 jobs since reaching a recessionary low in November 2009.

Nevada spent \$1.7 billion on Medicaid in 2013, or 27% of all General Fund expenditures. Caseloads grew 3.9% to 303,526, or 11% of the State's population. Medicaid caseloads are expected to top 500,000 by 2015, which is 150,000 more than what was estimated last year. The enactment of the Affordable Care Act and Medicaid Expansion could cost an additional \$182 million during 2014, of which the State's share is estimated at \$21 million. Initial estimates anticipate the total spending to be \$2.4 billion on health care reform through 2019, of which the federal government will cover an estimated 75%. It is estimated that 603,000, or 22%, of Nevadans are uninsured compared to 15% nationwide.

### EDUCATION

Despite continued efforts for improvements in key areas, Nevada continues to have the lowest graduation rate in the nation. The Nevada Department of Education reports that only 63% of Nevada's high school students will graduate in four years. In Clark County, that rate was even lower at 62%. The Nevada School Performance Framework showed a decrease in the number of schools receiving a five-star performance rating; 82 schools received a five-star rating for the 2012-13 school year, down from 112 in the prior year. If Nevada is going to diversify its economy, it will need to have an educated work force.

### INTERGOVERNMENTAL FINANCIAL DEPENDENCY AND RELATED RISKS

Nevada's funding from federal sources remains uncertain because funding from the American Recovery and Reinvestment Act (ARRA) has ended and the effects of federal cuts from sequestration are still unknown. These numbers show Nevada's dependence on federal funds for fiscal year 2013:

- Federal grants to Nevada: \$4 billion or 44% of all revenues to the State
- Federal grants to Nevada for local governments \$700 million: 37% K-12 Education, 41% Public Welfare
- Major contributing federal departments: Labor 24%, Health and Human Services 37%, Agriculture 18%, Education 7%, Transportation 9%
- 2012 to 2013 decrease in Federal grants to Nevada: \$771 million
- Amount of investments in Federal securities: \$7,149,977,108



*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.*