



STATE OF NEVADA A REPORT TO OUR CITIZENS

FOR FISCAL YEAR ENDED JUNE 30, 2014

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THE NEVADA VISION

Nevada's leaders will work to ensure that Nevadans achieve the level of success and prosperity they expect and deserve by continuing to diversify our economy and providing a quality education.

PLANS FOR THE FUTURE

Ensure a Healthy Economy

- Reform the State's tax structure
- Develop skilled workers
- Create quality, sustainable jobs

Provide Quality Education for all Nevadans

- Increase teacher salaries
- Increase per pupil expenditures
- Incentivize high school graduates to get additional education beyond high school

Continue to Diversify Nevada's Economy

- Increase partnering between businesses and our universities
- Explore new ideas for industries
- Attract and develop a trained workforce



Students of Lovelock Elementary School celebrating Nevada's Sesquicentennial.

DEMOGRAPHIC INFORMATION

	Calendar Year 2011	Calendar Year 2012	Calendar Year 2013
Population *	2,717,951	2,754,354	2,790,136
Per Capita Income *	\$37,445	\$39,229	\$39,235
Visitor Volume	51,500,481	52,299,113	52,098,287
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014
Public School Enrollment	444,003	444,520	459,152
State Government Employees	25,372	25,184	26,303
Unemployment Rate	11.6%	9.6%	7.7%
Debt per Capita	\$1,257	\$1,145	\$1,288



*Figures have been updated to reflect revised estimates for calendar years 2011, 2012.



For additional information, visit: controller.nv.gov

NEVADA'S PROGRESS

IN FISCAL YEAR 2014

BUSINESS GROWTH

The most notable economic development project this year is the Tesla Gigafactory. It is estimated that the battery manufacturing facility will create 6,500 direct factory and administrative jobs over the next four years. In addition, direct construction jobs are expected to reach 3,000 per year and additional indirect jobs of 1,500 annually over the 2015 to 2017 period; however, these construction jobs are not permanent.

In December 2013, the FAA designated Nevada as one of six test sites for the integration of commercial applications of Unmanned Aerial Systems (UAS) into the National Air Space. Latest estimates show there could be an estimated \$2.5 billion in economic impact by the middle of the next decade. Currently, no jobs have been created in this emerging industry in Nevada.

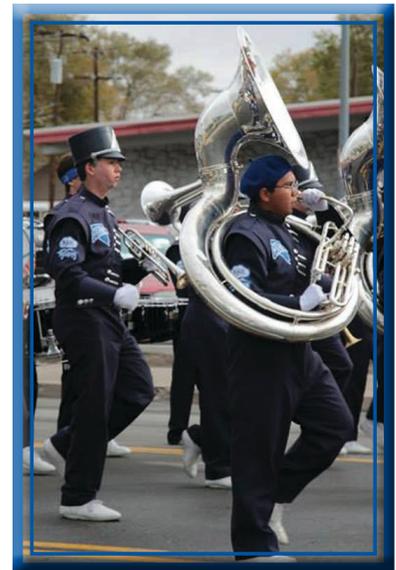
RENEWABLE ENERGY

Clean Energy investment in Nevada has accelerated rapidly in the past five years and is now well over a \$5 billion investment in Nevada. The Renewable Energy Tax Abatement program, which awards partial abatements for sales and use, and property taxes to eligible renewable energy producers, has been a crucial tool in attracting investment in Nevada. Nevada's investment of \$500 million in tax abatements has attracted cumulative capital investments for clean energy projects totaling \$5.5 billion since 2010. These clean energy projects produce 1,500 megawatts of clean energy and have employed nearly 3,000 construction workers throughout the State.

EDUCATION

The 2013 Legislative Session enacted various statutes affecting Pre-K through 12th grade education. Focusing on quality education for our children remains a vital priority for Nevada. Necessary steps are being taken to ensure that every child in Nevada is able to read by third grade. Early childhood education is the key to our students graduating from high school and achieving long-term success. In the 2013 Legislative Session, an additional \$30 million was allocated over the biennium toward all-day kindergarten for the State's most at-risk schools. In addition, funding levels have been adjusted to reduce class sizes for first through third grades. The first ever statewide program to address the needs of English Language Learners in our State provides \$50 million in funding over the biennium as well. Nevada was recently awarded a \$6.4 million preschool development grant from the U.S. Departments of Education and Health and Human Services Preschool Development Grants program. There is the potential for this grant allotment to exceed \$43 million over the next four years.

The Nevada System of Higher Education was awarded \$500,000 through the Nevada NASA Space Grant Consortium to create a new program that will change the way students learn, and to plant the seed for the education system to help staff space and science related industries in Nevada.



Carson High School Band at the Nevada Day Parade

PERFORMANCE MEASURE HIGHLIGHTS

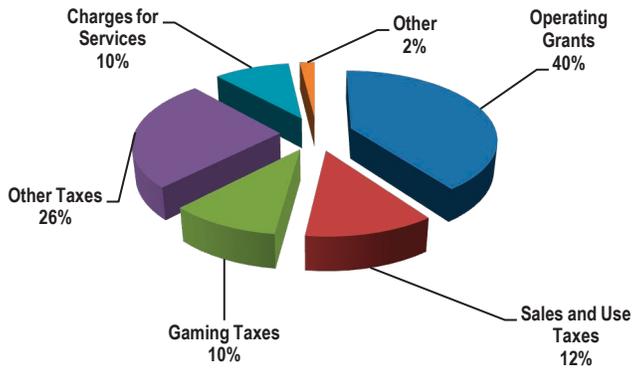
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Goal
Highway fatalities	255	254	260	0
Percent of roads rehabilitated annually	3.6%	0.7%	1.0%	7.2%
Nevada's national ranking of freeway miles congested	40 th	41 st	45 th	25 th
Graduation rates (Nevada Report Card)	61.9%	63.1%	70.7%	80.8%
Expenditures per pupil (Nevada Report Card)	\$7,716	\$8,353	\$8,274	\$9,424



NEVADA'S FINANCES

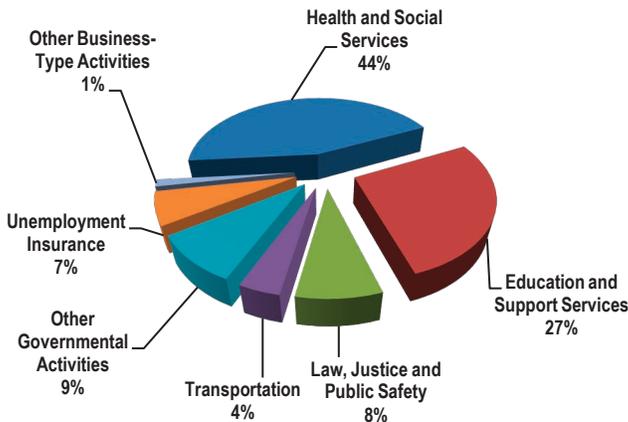
REVENUES AND EXPENSES

PRIMARY GOVERNMENT SOURCES OF REVENUE



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

PRIMARY GOVERNMENT FUNCTIONAL EXPENSES



FY 2014 REVENUES BY SOURCE

Revenues by Source Expressed in Thousands	2013 Revenue	2014 Revenue	% Change
Operating Grants	\$ 3,640,272	\$ 3,613,035	-0.75%
Sales and Use Taxes	1,027,124	1,085,656	5.70%
Gaming Taxes	901,085	922,999	2.43%
Other Taxes	2,375,353	2,344,662	-1.29%
Charges for Services	884,753	888,450	0.42%
Other	288,628	175,109	-39.33%
Total Revenues	\$ 9,117,215	\$ 9,029,911	-0.96%

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 2014 EXPENSES BY FUNCTION

Expenses by Function Expressed in Thousands	2013 Expenses	2014 Expenses	% Change
Health and Social Services	\$ 3,464,334	\$ 3,784,055	9.23%
Education and Support Services	2,290,844	2,326,498	1.56%
Law, Justice and Public Safety	657,728	662,330	0.70%
Transportation	505,354	327,519	-35.19%
Other Governmental Activities	557,551	768,202	37.78%
Unemployment Insurance	867,600	552,246	-36.35%
Other Business-Type Activities	129,062	120,775	-6.42%
Total Expenses	\$ 8,472,473	\$ 8,541,625	0.82%

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 unmodified 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

WHAT'S NEXT?

FUTURE CHALLENGES AND ECONOMIC OUTLOOK

ECONOMIC CHALLENGES

Since the end of the Great Recession, Nevada has continued to lag behind the majority of the country in achieving full economic recovery. Our gaming taxes and sales taxes remain below pre-recession levels by 10.3% and 5.6% respectively and are only growing modestly. Nevada's housing market has been showing signs of recovery but it still has a high foreclosure rate.

For this fiscal year, gaming taxes reported by the primary government were \$923 million, which was a 2.4% increase over 2013, and sales taxes were \$1.1 billion, which was a 5.7% increase. Statewide visitor volume is up 1.5% over last year but remains 3.1% below pre-recession levels. However, in Las Vegas, visitor volume for 2013 was above pre-recession levels by 1.2%. In the south, there was an increase of 1.4% in hotel occupancy, and average daily room rates increased 4.3% compared to fiscal year 2013.

Nevada is continuing to experience modest, steady job growth. The unemployment rate in Nevada was 7.7% in June 2014, compared to the national rate of 6.1%. This is down from last year's rate of 9.6%. Nevada continues, however, to have one of the highest unemployment rates in the nation. During 2015, Nevada is expected to add 32,000 new jobs, compared to only 29,000 jobs added in 2014. The State's largest industry, hospitality and food service, is estimated to add 6,000 additional jobs in 2014 and 2015. Employment growth in the mining industry is estimated to remain relatively flat for the next two years. Although job gains have accelerated across the State, employment is still 10% below peak levels in 2007 and is expected to remain below 2007 levels for several more years.

Nevada spent over \$2 billion on Medicaid in 2014, or 29% of all General Fund expenditures. Caseloads grew by 25.2% to 380,051. This represents about 13.8% of the State's population, and that figure is expected to top 555,000 by 2015. With the rollout of the Affordable Care Act, Nevada has significantly reduced the number of uninsured in the State. The current estimate of uninsured Nevadans is about 11% of the population. This is down from the 2013 estimate of 21%. The estimated percentage of uninsured children under 18 decreased from 15% in 2013 to 2% currently.

EDUCATION

Despite continued efforts for improvements in key areas, Nevada's schools continue to rank among the lowest performing in the nation. However, there have been some improvements over the last year. The Nevada Department of Education reported that 71% of Nevada's high school students graduated in four years in the 2013 class. In Clark County, that rate was slightly higher at 72%. Nevada struggles to find adequate funding for schools. An additional \$71 million is needed for the current school year for increased enrollment. If Nevada is going to diversify its economy, it will need to have an educated work force.

INTERGOVERNMENTAL FINANCIAL DEPENDENCY AND RELATED RISKS

These numbers show Nevada's dependence on federal funds for fiscal year 2014:

- **Federal grants to Nevada:** \$4 billion or 44% of all revenues to the State
- **Federal grants to Nevada for local governments:** \$742 million of which 39% went for Pre-K-12 Education and 43% for Public Welfare
- **Major contributing Federal agencies:** Health and Human Services 45%, Agriculture 19%, Labor 16%, Transportation 9% and Education 8%
- **2013 to 2014 decrease in Federal grants to Nevada:** \$12 million
- **Amount of investments in Federal securities:** \$8,997,434,374



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