

SECTION II

GENERAL FUND PROJECTED FUND BALANCE

Senate Bill 23 (1993) established an Economic Forum to forecast state General Fund revenues for use by all state agencies, the Governor and the Legislature. The Economic Forum must forecast revenues by December 1 of even-numbered years and revise the forecast by May 1 during the legislative session, if necessary. If either the Governor or the Legislature wants to appropriate more than what is available pursuant to the official forecast, a revenue enhancement proposal must be made. The Governor has recommended General Fund revenue enhancements of \$84.8 million in FY 2002-03, \$438.2 million in FY 2003-04, and \$560.1 million in FY 2004-05 generated from increases in current taxes and fees and proposed new taxes. Section III - Tax Overview (page 15) provides a description of the Governor's recommended tax changes for FY 2002-03 and the 2003-05 biennium.

Once the official forecast of state revenues has been completed, an estimate of the unappropriated General Fund balance (surplus) can be made. The following page displays the General Fund balance as estimated by the Budget Division. This balance is estimated to be achieved after the Governor directed the reversion of ongoing appropriations (\$39.4 million), proposed 3% budget reductions (\$33.2 million), and additional reversions of one-shot appropriations (\$28.1 million) in FY 2002-03. The projected General Fund balance, before any legislative action, on June 30, 2003 is \$263.8 million (balance includes transfer of \$100 million from the rainy day fund which requires legislative approval). Under the proposed budget, the balance would increase from \$90.4 million at June 30, 2002, to \$185.6 million on June 30, 2005.

STABILIZATION FUND (NRS 353.288)

In 1991, the Legislature created the Fund to Stabilize Operations of State Government (rainy day fund) to help stabilize the budget. The idea was to create a state trust fund which could be funded during good times and accessed in a fiscal emergency. The concept of the trust fund is relatively simple. When the state General Fund surplus reaches a certain threshold at the end of a fiscal year, a portion of the excess is to be held in trust to help the state through financial emergencies. The conditions under which monies held in trust can be expended are tightly defined in law (NRS 353.288) and require concurrence of both the Legislature and the Governor.

In FY 1993-94, surplus General Funds exceeded the threshold and, pursuant to the law, the Controller transferred two-fifths (40 percent) of the excess to the rainy day fund. The actual transfer for FY 1993-94 was \$18.0 million. The remaining three-fifths (60 percent) of the excess remained in the General Fund to meet supplemental and one-time appropriation needs as well as state capital improvement program requirements. At the 1995 Legislative Session, the Governor proposed, and the Legislature approved, an appropriation of \$81.9 million to bring the fund to \$100 million.

The 1995 Legislature indexed the maximum limit on the fund to 10 percent of annual General Fund appropriations. In FY 1995-96, \$23.4 million was triggered to the fund, and the Legislature approved an appropriation of \$5.5 million in FY 1996-97 to raise the fund to \$128.9 million. No additional funds were triggered to the fund at the end of FY 1997-98 or FY 1998-99 because state General Fund revenues were below projections and the threshold was not reached. In FY 1999-2000, surplus General Funds triggered a transfer to the rainy day fund of \$7.5 million, which increased the fund balance to \$136.3 million.

The Executive Budget recommends \$100 million be allocated from the rainy day fund to the state general fund to provide additional funding needed for FY 2002-03. The Governor recommends a one-shot appropriation of \$50 million at the end of FY 2002-03 to partially repay the rainy day fund. The Executive Budget recommends an additional one-shot appropriation of \$50 million in FY 2004-05 to replenish the rainy day fund to its current level of \$136.3 million.

**STATEMENT OF PROJECTED UNAPPROPRIATED
GENERAL FUND BALANCE - FISCAL YEARS 2003-2005**

	<u>Budget Division</u>	
Unappropriated Balance July 1, 2002 ^a	\$	90,412,495
Projected Revenues FY 2002-03 Per Economic Forum on December 2, 2002	\$	1,813,496,507
Projected NEW Revenues FY 2002-03 - Governor's Recommend	\$	84,799,761
Transfer from Fund to Stabilize the Operation of State Government	\$	100,000,000
Treasurer Refinancing Strategies	\$	2,240,000
Projected Reversions FY 2002-03	\$	39,370,000
Proposed 3% Budget Reductions	\$	33,150,440
Repayment of Outstanding General Fund Advances	\$	840,796
Additional Reversions - One Shots, etc.	\$	28,101,841
Total Funds Available	\$	2,192,411,840
Less Appropriations:		
FY 2002-03 Operating Appropriations	\$	(1,969,730,496)
Appropriations Transferred Between Fiscal Years	\$	43,310,128
Cost of 18th Special Session	\$	(160,000)
Total FY 2002-03 Appropriations Before 2003 Legislative Action	\$	(1,926,580,368)
Transfer to Disaster Relief Fund	\$	(2,000,000)
Total Estimated Unappropriated General Fund Balance July 1, 2003	\$	263,831,472
Estimated General Fund Balance Before Legislative Action		
Projected Revenues FY 2003-04 Per Economic Forum on December 2, 2002	\$	1,896,022,994
Projected NEW Revenues FY 2003-04 - Governor's Recommend	\$	425,693,166
Projected Reversions	\$	46,964,000
Transfer to Disaster Relief Fund	\$	(2,000,000)
Total Estimated Revenue & Reversions FY 2003-04	\$	2,366,680,160
Projected Revenues FY 2004-05 Per Economic Forum on December 2, 2002	\$	1,992,982,730
Projected NEW Revenues FY 2004-05 - Governor's Recommend	\$	540,091,192
Projected Reversions	\$	55,384,000
Transfer to Disaster Relief Fund	\$	(2,000,000)
Total Estimated Revenue & Reversions FY 2004-05	\$	2,586,457,922
Estimated Unappropriated Balance July 1, 2005 Before Legislative Action	\$	5,216,969,554

^a Subject to reconciliation with the Fiscal Division and the 2001-02 Controller's Annual Report; does not include \$136,340,970 in the Stabilization Fund (NRS 353.288).

Recommended General Fund Appropriations Before the 72nd Nevada Legislature

	<u>Budget Division</u>	
FY 2002-03 Restore Fund Balances	\$	(13,992,456)
FY 2002-03 Restore Fund to Stabilize Operation of State Government	\$	(50,000,000)
FY 2002-03 Supplemental Appropriations		
Distributive School Account	\$	(71,750,340)
Medicaid	\$	(7,313,621)
Other	\$	(4,605,460)
FY 2002-03 One-Shot Appropriations	\$	-
FY 2002-03 Recommended Park Improvement Program	\$	-
FY 2002-03 Recommended Capital Improvements	\$	-
Estimated Cost of the 2003 Legislative Session	\$	(11,000,000)
Total FY 2002-03 Recommended Appropriations	\$	(158,661,877)
Total FY 2003-04 Recommended Appropriations	\$	(2,348,194,839)
FY 2004-05 Ongoing Appropriations	\$	(2,461,514,031)
FY 2004-05 Restore Fund to Stabilize Operation of State Government	\$	(50,000,000)
Estimated Cost of the 2005 Legislative Session	\$	(13,000,000)
Total FY 2004-05 Recommended Appropriations	\$	(2,524,514,031)
Estimated Unappropriated Balance July 1, 2005	\$	185,598,807