

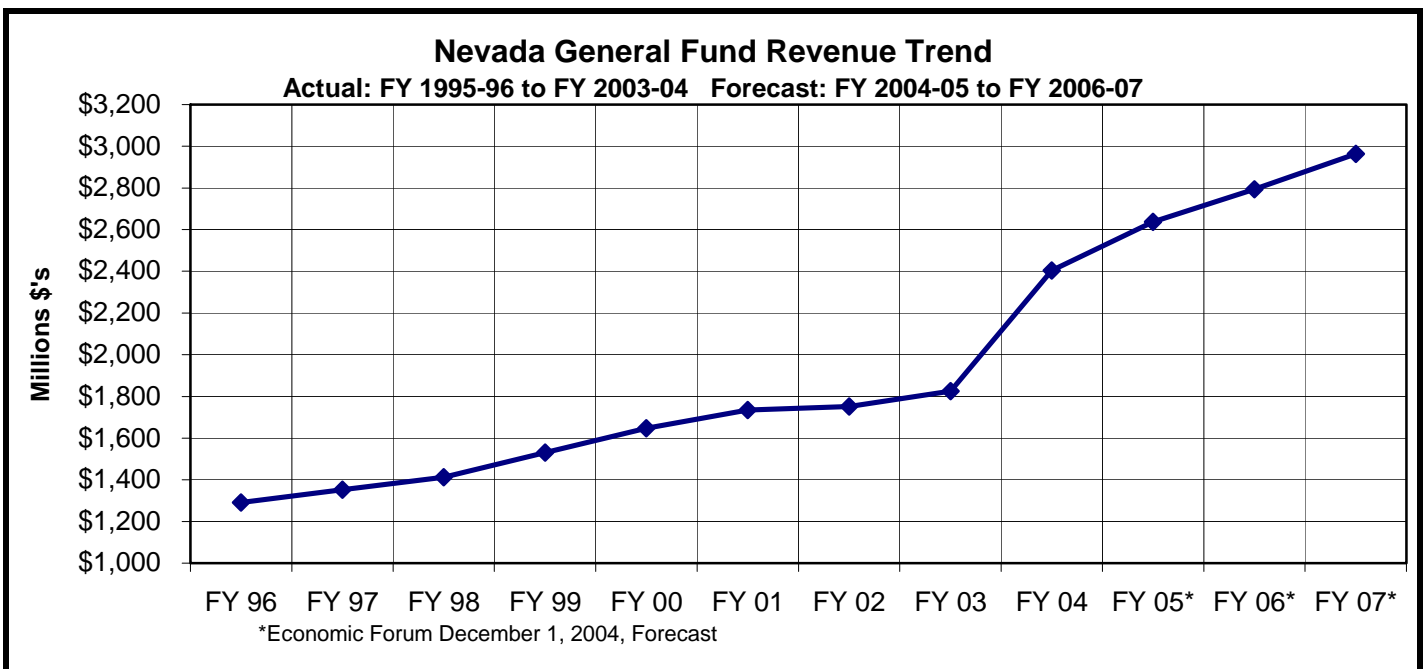
SECTION I HISTORICAL PERSPECTIVE

This section contains a historical review of actual state General Fund revenues and the Economic Forum's December 1, 2004, forecasts for the 2005-07 biennium as well as a historical presentation of General Fund operating appropriations combined with the Governor's recommendations for the 2005-07 biennium. Graphs depicting the trends in both General Fund revenues since FY 1995-96 are outlined below. The appropriations table on page 10 shows the total state budget level, which includes General Fund and all other available funding sources.

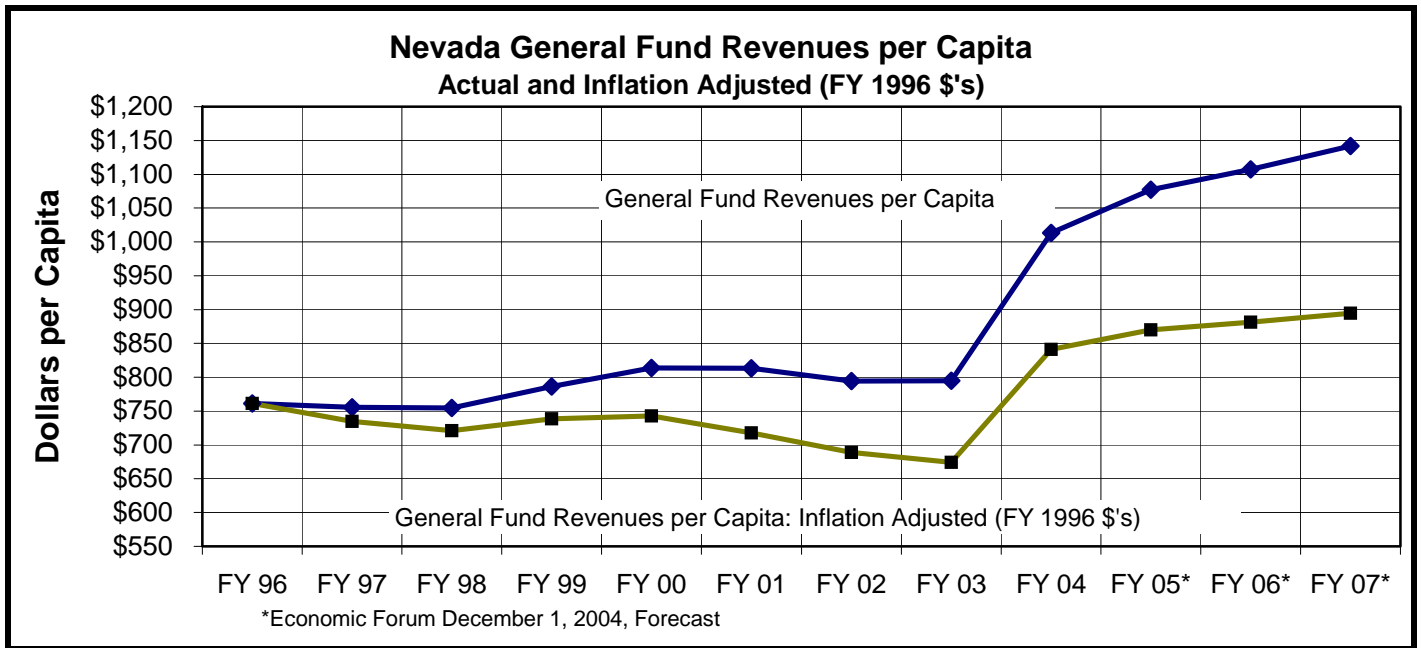
GENERAL FUND REVENUE TRENDS

FY 1995 to FY 2003

General Fund revenues were approximately \$1.83 billion in FY 2002-03, a 41.4 percent increase over FY 1995-96 revenues, yielding an average annual growth rate over the last eight years of 5.1 percent. Yearly growth rates, after adjusting for the effects of accounting changes, have ranged from a low of 1.0 percent in FY 2001-02 to a high of 10.7 percent in FY 1995-96. The 1.0 percent growth in FY 2001-02 is attributable to the national recession and the effects of the September 11, 2001 terrorist attacks. As the national and our state economy recovered from the negative impacts in FY 2001-02, General Fund revenues increased by 4.2 percent in FY 2002-03. Sluggish growth in FY 1997-98 reflected a slowdown in gaming and sales tax collections. In FY 1998-99 and FY 1999-2000, strong growth was observed in both of these revenue sources, especially gaming taxes, due to the well-received openings of several new mega-resort casinos during this period. Total General Fund revenues grew 8.4 percent in FY 1998-99, 7.6 percent in FY 1999-2000, and 5.3 percent in FY 2000-01.



When state population growth and inflation are taken into consideration, real per capita state General Fund revenues were approximately 11 percent lower in FY 2002-03 compared to FY 1995-96. In fact, real per capita revenues declined an average of 1.7 percent over the eight year period from FY 1995-96 to FY 2002-03.



FY 2003-04

Primarily due to the tax increases and new taxes approved in S.B. 2, S.B. 8 and A.B. 4 during the 20th Special Session, total General Fund revenues increased by 31.7 percent in FY 2003-04. Information on the tax plan approved during the 20th Special Session is provided in Section III – Tax Overview of this report. Additional factors contributing to the growth in FY 2003-04 were significantly stronger than anticipated growth in sales tax and gaming percentage fee tax collections. Sales tax collections were expected to grow 5.0 percent, but actual growth was approximately 14.0 percent in FY 2003-04. Gaming percentage fee tax collections were projected to increase by 14.2 percent (including the 0.5 percent tax increase), but actual collections increased by 21.0 percent.

Adjusting for state population growth and inflation, real per capita state revenues in FY 2003-04 increased by approximately 25 percent compared to FY 2002-03. However, FY 2003-04 inflation-adjusted per capita General Fund revenues of \$841 per person are approximately 10 percent above the inflation-adjusted per capita revenues in FY 1995-96 of \$761 per person. The impact of the tax changes and strong economy resulted in FY 2003-04 inflation-adjusted per capita General Fund revenues of \$841 being approximately 3.4 percent higher than the actual (non-inflation adjusted) revenues per capita of \$814 observed in FY 1999-2000.

Forecast: FY 2004-05 to FY 2006-07

Based on the Economic Forum’s December 1, 2004, forecast, total General Fund revenues are projected to increase by 9.7 percent to \$2,637.2 million in FY 2004-05, by 5.9 percent to

\$2,793.4 million in FY 2005-06, and by 6.1 percent to \$2,963.4 million in FY 2006-07. Total projected General Fund revenues for the 2005-07 biennium of \$5,756.8 million are forecast to be 14.2 percent above the projected revenues for the 2003-05 biennium of \$5,041.3 million (figure includes FY 2003-04 actual collection and FY 2004-05 projected collections – December 2004 Economic Forum). The double-digit increase can be attributed to the continued positive outlook for Nevada's economy over the 2005-07 biennium and the fact that the tax changes approved during the 20th Special Session were not in effect for the full 2003-05 biennium. Tables displaying the Economic Forum's December 1, 2004, General Fund forecast are included in this report on page 6.

Adjusting for projected growth in state population and inflation, real per capita state General Fund revenues are estimated to increase by 3.4 percent in FY 2004-05. Over the 2005-07 biennium, inflation-adjusted per capita state General Fund revenues are projected to increase by 1.3 percent in FY 2005-06 to \$881 per person and increase by 1.5 percent in FY 2006-07 to \$894 per person.

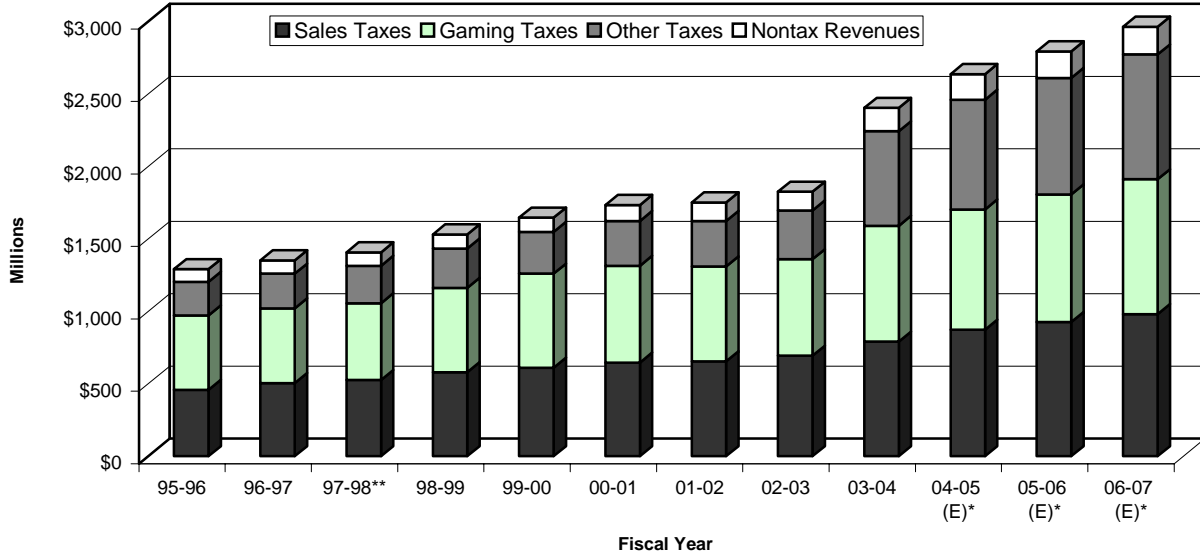
Composition of General Fund Revenues

From FY 1995-96 to FY 2002-03, taxes, on average, accounted for approximately 93.3 percent of total General Fund revenues. On average over this eight-year period, sales tax accounted for 37.2 percent and gaming taxes contributed 38.2 percent with other taxes accounting for an average of 17.9 percent of total General Fund revenues. Non-tax revenues generated approximately 6.6 percent of total General Fund revenues on average over the FY 1995-96 to FY 2002-03 historical period.

The tax changes approved during the 20th Special Session did not alter the share of revenue provided by tax versus non-tax sources. However, the distribution amongst the sources of revenue generated within the tax category was changed. In FY 2003-04, total taxes accounted for 93.3 percent of total General Fund revenues while non-tax revenue sources provided 6.7 percent, almost identical to the average shares observed prior to FY 2003-04. Sales tax accounted for 32.9 percent and gaming taxes (including the gaming portion of the live entertainment tax) generated 33.3 percent of total General Fund revenues in FY 2003-04, compared to the previous eight-year average of 37.2 percent and 38.2 percent, respectively. Revenues contributed from other taxes increased to 27.1 percent in FY 2003-04, primarily due to the implementation of the modified business tax and real property transfer tax, effective October 1, 2003.

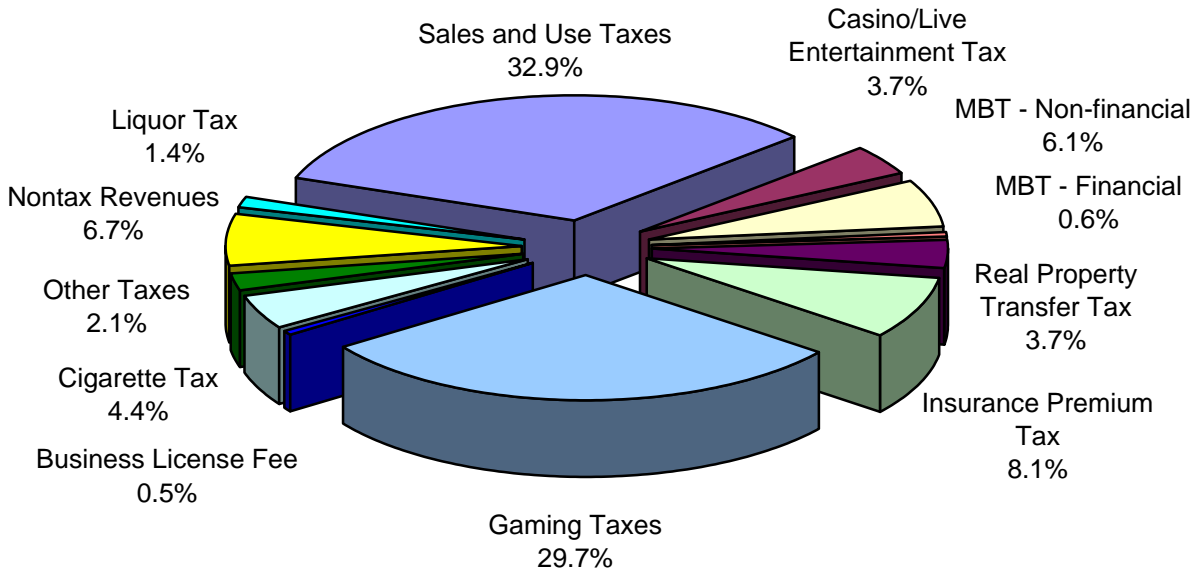
Based on the Economic Forum's December 1, 2004, forecast, total taxes over the 2005-07 biennium are projected to account for approximately 93.5 percent of total General Fund revenues. On average over the 2005-07 biennium, sales tax collections are estimated to generate 33.1 percent; gaming taxes would contribute 31.5 percent; other taxes are projected to provide 28.9 percent; and non-tax revenue sources are forecast to account for 6.5 percent of total General Fund revenues.

NEVADA GENERAL FUND REVENUES
By Type, FY 1995-96 to FY 2006-07



* Revenue estimates for FY 2004-05, FY 2005-06, and FY 2006-07 are the Economic Forum's December 1, 2004, Forecast and does not include the Governor's recommendation included in The Executive Budget to use approximately \$7.6 million of Unclaimed Property revenue per fiscal year to retire debt for the Millenium Scholarship program. ** Revenues for FY 1994-95 and FY 1997-98 exclude one-time revenues from GASB 22 accounting rule changes.

NEVADA GENERAL FUND REVENUE ACTUAL BY SOURCE, FY 2003-04



ACTUAL GENERAL FUND REVENUE - FY 2003-04

	Millions \$'s	% of Total		Millions \$'s	% of Total
Taxes:			Other Taxes:		
State Gaming Taxes	\$714.7	29.7%	Business License Tax (b)	\$22.2	0.9%
Sales and Use Taxes	\$790.6	32.9%	Mining Tax	\$16.8	0.6%
Insurance Premium Tax	\$194.5	8.1%	Annual Slot Tax Transfer	\$5.0	0.2%
Cigarette Tax	\$106.8	4.4%	Tobacco & Other Taxes	\$6.9	0.3%
Casino/Live Entertainment Tax (a) (b):			Branch Bank Excise Tax (a)	\$1.5	0.1%
Gaming Establishments	\$84.9	3.5%	Subtotal Other Taxes	\$52.5	2.1%
Non-Gaming Establishments	\$4.3	0.2%			
Modified Business Tax (MBT) (a):			Subtotal Taxes	\$2,242.7	93.3%
Non-Financial Institutions	\$146.2	6.1%			
Financial Institutions	\$15.5	0.6%	Nontax Revenues		
Real Property Transfer Tax (a)	\$88.0	3.7%	Licenses	\$91.7	3.8%
Business License Fee (a)	\$11.9	0.5%	Fees and Fines	\$32.0	1.3%
Liquor Tax	\$33.0	1.4%	Use of Money and Property	\$6.5	0.3%
			Miscellaneous Revenues	\$31.1	1.3%
			Subtotal Nontax Revenues	\$161.3	6.7%
			Total General Fund	\$2,404.0	100.0%

(a) New state taxes approved by the 2003 Legislature (A.B. 4 and S.B. 8 - 20th Special Session)

(b) Taxes repealed in FY 2003-04 by the 2003 Legislature (S.B. 8 - 20th Special Session)

GENERAL FUND REVENUES - ECONOMIC FORUM DECEMBER 1, 2004 FORECAST
ACTUAL: FY 2001 THROUGH FY 2004 AND FORECAST: FY 2005 THROUGH FY 2007

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GL NO.	DESCRIPTION	DECEMBER 1, 2004 ECONOMIC FORUM FORECAST													
		FY 2001 ACTUAL	% Change	FY 2002 ACTUAL	% Change	FY 2003 ACTUAL	% Change	FY 2004 ACTUAL [a.]	% Change	FY 2005	% Change	FY 2006	% Change	FY 2007	% Change
TAXES															
	TOTAL MINING TAXES	\$14,672,692	9.1%	\$9,418,008	-35.8%	\$10,641,100	13.0%	\$16,817,927	58.0%	\$17,146,000	2.0%	\$17,086,000	-0.3%	\$17,284,000	1.2%
	TOTAL SALES AND USE TAX [1-FY04]	\$645,767,621	5.9%	\$655,068,480	1.4%	\$693,528,823	5.9%	\$790,602,667	14.0%	\$873,282,000	10.5%	\$925,680,000	6.0%	\$981,221,000	6.0%
	TOTAL GAMING TAXES [2-FY04][3-FY04]	\$604,464,065	2.0%	\$589,803,811	-2.4%	\$596,260,210	1.1%	\$714,653,673	19.9%	\$732,314,300	2.5%	\$758,657,800	3.6%	\$796,701,800	5.0%
	CASINO/LIVE ENTERTAINMENT TAX [4a-FY04][4b-FY04]	\$63,919,196	9.2%	\$64,817,715	1.4%	\$70,212,815	8.3%	\$89,201,827	27.0%	\$105,954,000	18.8%	\$131,108,000	23.7%	\$142,976,000	9.1%
	INSURANCE PREMIUM TAX	\$146,925,032	13.6%	\$156,550,893	6.6%	\$174,135,736	11.2%	\$194,457,058	11.7%	\$213,797,000	9.9%	\$234,980,000	9.9%	\$258,061,000	9.8%
	LIQUOR TAX [5-FY04]	\$15,745,514	0.5%	\$15,995,650	1.6%	\$16,531,358	3.3%	\$33,025,941	99.8%	\$35,865,000	8.6%	\$36,818,000	2.7%	\$37,771,000	2.6%
	CIGARETTE TAX [6-FY04]	\$43,691,552	3.5%	\$41,843,892	-4.2%	\$44,019,969	5.2%	\$106,770,729	142.6%	\$117,600,000	10.1%	\$117,600,000		\$117,600,000	
	OTHER TOBACCO TAX [7-FY04]	\$5,602,823	-6.0%	\$5,557,893	-0.8%	\$5,916,301	6.4%	\$6,927,276	17.1%	\$7,342,900	6.0%	\$7,746,800	5.5%	\$8,134,100	5.0%
	LAETRILE & GEROVITAL MFG.	\$2,692	-28.7%												
	HECC TRANSFER	\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000		\$5,000,000	
	BUSINESS LICENSE FEE [8-FY04]	\$523,072	1.8%	\$680,845	30.2%	\$739,561	8.6%	\$11,851,752		\$18,000,000	51.9%	\$22,000,000	22.2%	\$26,000,000	18.2%
	BUSINESS LICENSE TAX [9-FY04]	\$77,270,722	1.8%	\$78,394,651	1.5%	\$79,026,132	0.8%	\$22,216,500	-71.9%	\$250,000					
	MODIFIED BUSINESS TAX - NONFINANCIAL INSTITUTIONS [10-FY04]							\$146,161,812		\$194,404,000	33.0%	\$207,152,000	6.6%	\$220,297,000	6.3%
	MODIFIED BUSINESS TAX - FINANCIAL INSTITUTIONS [11-FY04]							\$15,487,677		\$20,000,000	29.1%	\$22,000,000	10.0%	\$25,000,000	13.6%
	BRANCH BANK EXCISE TAX [12-FY04]							\$1,508,192		\$3,024,000	100.5%	\$3,059,000	1.2%	\$3,094,000	1.1%
	REAL PROPERTY TRANSFER TAX [13-FY04]							\$88,024,738		\$116,734,000	32.6%	\$121,279,000	3.9%	\$133,407,000	10.0%
	TOTAL TAXES	\$1,623,584,982	4.8%	\$1,623,131,839	0.0%	\$1,696,012,005	4.5%	\$2,242,707,768	32.2%	\$2,460,713,200	9.7%	\$2,610,166,600	6.1%	\$2,772,546,900	6.2%
LICENSES															
	INSURANCE LICENSES	\$6,889,858	6.2%	\$7,806,594	13.3%	\$10,076,143	29.1%	\$10,578,744	5.0%	\$11,128,800	5.2%	\$12,241,700	10.0%	\$12,878,300	5.2%
	BANKING LICENSES [1-FY01][16-FY04]	\$23,785	35.7%	\$23,600	-0.8%	\$20,400	-13.6%								
	MARRIAGE LICENSES	\$638,691	3.5%	\$587,774	-8.0%	\$587,712	0.0%	\$594,588	1.2%	\$609,800	2.6%	\$629,700	3.3%	\$645,300	2.5%
	TOTAL SECRETARY OF STATE [1-FY02][14-FY04]	\$36,442,206	3.4%	\$50,064,820	37.4%	\$54,026,461	7.9%	\$75,312,846	39.4%	\$83,119,000	10.4%	\$89,216,000	7.3%	\$95,912,000	7.5%
	PRIVATE SCHOOL LICENSES	\$156,485	9.8%	\$181,009	15.7%	\$207,145	14.4%	\$251,705	21.5%	\$268,600	6.7%	\$288,900	7.6%	\$309,400	7.1%
	PRIVATE EMPLOYMENT AGENCY	\$29,800	-5.4%	\$29,100	-2.7%	\$29,100	0.3%	\$26,000	-10.7%	\$13,800	-46.9%	\$13,800		\$13,800	
	TOTAL REAL ESTATE [2-FY02][15-FY04][16-FY04]	\$1,451,867	-4.4%	\$1,690,734	16.5%	\$1,548,788	-8.4%	\$2,653,740	71.3%	\$2,429,000	-8.5%	\$2,804,000	15.4%	\$2,567,000	-8.5%
	TOTAL FINANCIAL INSTITUTIONS [1-FY01] [16-FY04]	\$1,626,149	7.5%	\$1,795,162	10.4%	\$1,926,415	7.3%								
	ATHLETIC COMMISSION FEES [5-FY02]	\$2,853,655	1.2%	\$1,706,730	-40.2%	\$1,901,357	11.4%	\$2,258,306	18.8%	\$1,700,000	-24.7%	\$1,700,000		\$1,700,000	
	TOTAL LICENSES	\$50,112,496	3.6%	\$63,885,422	27.5%	\$70,323,520	10.1%	\$91,675,929	30.4%	\$99,269,000	8.3%	\$106,894,100	7.7%	\$114,025,800	6.7%
FEES AND FINES															
	VITAL STATISTICS FEES [17-FY04]	\$534,243	2.1%	\$576,967	8.0%	\$647,213	12.2%	\$759,587	17.4%	\$784,700	3.3%	\$809,800	3.2%	\$834,100	3.0%
	DIVORCE FEES	\$203,454	1.4%	\$196,953	-3.2%	\$201,070	2.1%	\$205,535	2.2%	\$209,100	1.7%	\$215,000	2.8%	\$220,900	2.7%
	CIVIL ACTION FEES	\$1,215,362	2.0%	\$1,250,147	2.9%	\$1,322,518	5.8%	\$1,376,653	4.1%	\$1,423,000	3.4%	\$1,469,300	3.3%	\$1,515,700	3.2%
	INSURANCE FEES	\$537,507	-27.2%	\$719,183	33.8%	\$617,132	-14.2%	\$624,149	1.1%	\$624,100	0.0%	\$624,100		\$624,100	
	TOTAL REAL ESTATE FEES	\$388,128	-10.9%	\$397,274	2.4%	\$436,415	9.9%	\$1,097,847	151.6%	\$1,154,000	5.1%	\$1,245,300	7.9%	\$1,313,300	5.5%
	SHORT-TERM CAR LEASE [2-FY02]	\$8,288,217	0.2%	\$19,662,998	137.2%	\$22,208,165	12.9%	\$25,638,556	15.4%	\$27,177,000	6.0%	\$28,672,000	5.5%	\$30,105,000	5.0%
	ATHLETIC COMMISSION LICENSES/FINES [5-FY02]			\$122,908		\$210,920	71.6%	\$109,825	-47.9%	\$110,000	0.2%	\$110,000		\$110,000	
	WATER PLANNING FEES [4-FY02]	\$21,069	31.6%												
	STATE ENGINEER SALES	\$1,588,378	4.6%	\$1,572,066	-1.0%	\$1,590,428	1.2%	\$1,698,473	6.8%	\$1,532,000	-9.8%	\$1,532,000		\$1,532,000	
	SUPREME COURT FEES	\$204,075	-12.2%	\$207,830	1.8%	\$212,035	2.0%	\$219,042	3.3%	\$223,000	1.8%	\$227,000	1.8%	\$231,100	1.8%
	MISC. FINES/FORFEITURES	\$136,957	16.4%	\$172,541	26.0%	\$350,947	103.4%	\$261,421	-25.5%	\$250,200	-4.3%	\$261,200	4.4%	\$272,300	4.2%
	TOTAL FEES AND FINES	\$13,117,391	-1.0%	\$24,878,868	89.7%	\$27,796,842	11.7%	\$31,991,088	15.1%	\$33,487,100	4.7%	\$35,165,700	5.0%	\$36,758,500	4.5%
USE OF MONEY AND PROPERTY															
	LYON COUNTY REPAYMENTS	\$177,450													
	OTHER REPAYMENTS [7-FY02][8-FY02][18-FY04]	\$1,118,866	-2.4%	\$931,938	-16.7%	\$2,405,277	158.1%	\$2,008,738	-16.5%	\$2,009,503	0.0%	\$2,110,318	5.0%	\$2,161,185	2.4%
	MARLETTE REPAYMENT	\$10,483	65.4%	\$10,512	0.3%	\$10,512		\$10,512		\$10,512		\$10,512		\$10,512	
	INTEREST INCOME	\$26,333,458	34.0%	\$12,501,357	-52.5%	\$5,990,047	-52.1%	\$4,528,633	-24.4%	\$10,570,000	133.4%	\$11,339,000	7.3%	\$10,090,000	-11.0%
	TOTAL USE OF MONEY AND PROPERTY	\$27,640,257	32.9%	\$13,443,808	-51.4%	\$8,405,836	-37.5%	\$6,547,883	-22.1%	\$12,590,015	92.3%	\$13,459,830	6.9%	\$12,261,697	-8.9%
OTHER REVENUE															
	HOOVER DAM REVENUE	\$300,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000	
	MISC. SALES AND REFUNDS	\$4,515,462	84.6%	\$1,431,898	-68.3%	\$932,709	-34.9%	\$899,132	-3.6%	\$871,050	-3.1%	\$921,550	5.8%	\$881,650	-4.3%
	COST RECOVERY PLAN	\$4,251,236	-2.9%	\$5,006,463	17.8%	\$5,004,477	0.0%	\$9,714,586	94.1%	\$9,856,700	1.5%	\$9,856,700		\$9,856,700	
	PETROLEUM INSPECTION FEES	\$516,320	-3.5%	\$550,736	6.7%	\$563,727	2.4%	\$557,966	-1.0%	\$558,000	0.0%	\$558,000		\$558,000	
	UNCLAIMED PROPERTY [9-FY02]	\$10,078,369	30.4%	\$19,328,933	91.8%	\$16,014,824	-17.1%	\$19,611,605	22.5%	\$19,604,500	0.0%	\$16,076,900	-18.0%	\$16,236,500	1.0%
	TOTAL OTHER REVENUE	\$19,661,386	27.8%	\$26,618,030	35.4%	\$22,815,737	-14.3%	\$31,083,289	36.2%	\$31,190,250	0.3%	\$27,713,150	-11.1%	\$27,832,850	0.4%
	TOTAL GENERAL FUND REVENUE	\$1,734,116,512	5.3%	\$1,751,957,967	1.0%	\$1,825,353,940	4.2%	\$2,404,005,956	31.7%	\$2,637,249,565	9.7%	\$2,793,399,380	5.9%	\$2,963,425,747	6.1%

**GENERAL FUND REVENUES - ECONOMIC FORUM DECEMBER 1, 2004 FORECAST
ACTUAL: FY 2001 THROUGH FY 2004 AND FORECAST: FY 2005 THROUGH FY 2007**

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GL NO.	DESCRIPTION	DECEMBER 1, 2004 ECONOMIC FORUM FORECAST											
		FY 2001 ACTUAL	% Change	FY 2002 ACTUAL	% Change	FY 2003 ACTUAL	% Change	FY 2004 ACTUAL [a.]	% Change	FY 2005 Change	% Change	FY 2006 Change	% Change

NOTES:

[a.] Subject to adjustment based on reconciliation with the Controller's Office and Budget Division

FY 2001

[1-FY01] Amount for FY 2001-01 (5-Oct-01) for GL 3179 reflects adjustments of \$198,388.19, \$534,222.45, and \$153,128.65 that should have been deposited to GL 3179 - Financial Institution Fees, but were recorded in the Controller's system by the Financial Institutions Division under GL 3100 Credit Union Fees, GL 3110 - Banking Fees, and GL 3177 - Thrift Institution Fees, respectively. Adjustment made to maintain historical pattern of collections for comparison.

FY 2002

- [1-FY02] FY 2002 and FY 2003 collections reflect the 50% increase in most Secretary of State fees (approved by the 2001 Legislature in S.B. 577).
- [2-FY02] FY 2002 and FY 2003 collections reflect the revenue enhancement approved by the 2001 Legislature in S.B. 307.
- [3-FY02] Collections FY 2002 and FY 2003 reflect additional revenues from the increase in short-term car rental rate resulting from approval of A.B. 460 (2001 Legislature).
- [4-FY02] Beginning in FY 2002, GL 3180 - Water Planning Fees were deposited in GL 3205 - State Engineer Sales due to elimination of the account by the agency.
- [5-FY02] Beginning in FY 2002, Licenses/Fines (GL 3103) revenues collected by the Athletic Commission are reported separately. Previously, these revenues were recorded in GL 3102 along with the fees assessed on the gross receipts from admission fees to unarmed combat events.
- [6-FY02] In FY 2001-02, the Treasurer deposited \$20,000,000 in GL 3291 due to the "2002 Forward Delivery Agreement" for prepayment of interest from the Bond Interest Redemption Fund. The amount is not shown in the General Fund Revenue Tables, but is accounted for on the General Fund Ending Fund Balance Statement as a one-time revenue adjustment.
- [7-FY02] The Department of Information of Technology (DOIT) did not make the scheduled repayment for the noted projects totaling \$114,749 in FY 2002. These payments for FY 2002 will be made in FY 2003 in addition to their normal scheduled repayments for FY 2003.
- [8-FY02] The Printing Division did not make the scheduled repayment of \$70,669 in FY 2002 and is currently not budgeting to make payments in FY 2003, FY 2004, and FY 2005.
- [9-FY02] Collections for FY 2002 includes amount generated from "one-time" acceleration of holding period for determining property to be unclaimed approved by the 2001 Legislature in A.B. 77.

FY 2004

- [1-FY04] A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the sales tax to the state from 1.25% to 0.5%, effective July 1, 2003.
- [2-FY04] S.B. 8 (20th S.S.) increased gross gaming tax rates by 0.5%: 3.0% to 3.5% on monthly revenue up to \$50,000; 4.0% to 4.5% on revenue over \$50,000 and up to \$134,000; 6.25% to 6.75% on revenue exceeding \$134,000, effective August 1, 2003.
- [3-FY04] S.B. 8 (20th S.S.) increased quarterly restricted slot fees by 33%: from \$61 to \$81 per machine, up to 5 machines; from \$106 to \$141 for each machine over 5, up to 15 machines, effective July 22, 2003.
- [4a-FY04] S.B. 8 (20th S.S.) modified types of establishments and entertainment subject to the current 10% Casino Entertainment Tax (CET), effective September 1 to December 31, 2003 [Estimated to generate \$4,982,000 additional collections during 4-month period].
- [4b-FY04] S.B. 8 (20th S.S.) repealed CET and replaced by Live Entertainment Tax (LET): 5% of admissions price, if entertainment is in facility with 7,500 or more seats; 10% of admissions price & food, beverage, and merchandise purchased, if facility has more than 300 and up to 7,500 seats; exempt from the tax if facility is a non-gaming establishment with less than 300 seats or is gaming establishment with less than 300 seats and less than 51 slot machines, 6 games, or any combination thereof, effective January 1, 2004.
- [5-FY04] S.B. 8 (20th S.S.) increased liquor taxes by 75%: beer from 9 cents to 16 cents per gallon; liquor up to 14% alcohol from 40 cents to 70 cents per gallon; liquor over 14% and up to 22% alcohol from 75 cents to \$1.30 per gallon; liquor over 22% alcohol from \$2.05 (15 cents for alcohol abuse program, 50 cents to local government, and \$1.40 to state general fund) to \$3.60 per gallon (15 cents for alcohol abuse program, 50 cents to local government, and \$2.95 to state general fund), effective August 1, 2003. [Estimated to generate \$13,873,000 in FY 2004 and \$15,536,000 in FY 2005]. A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the liquor tax to the state from 3% to 0.5%, effective August 1, 2003. [Estimated to generate \$734,000 in FY 2004 and \$822,000 in FY 2005]
- [6-FY04] S.B. 8 (20th S.S.) increased cigarette tax per pack of 20 by 45 cents: from 35 cents per pack (10 cents to Local Government Distribution Fund, 25 cents to state general fund) to 80 cents per pack (10 cents to Local Government Distribution Fund, 70 cents to state general fund), effective July 22, 2003. [Estimated to generate \$63,268,000 in FY 2004 and \$70,047,000 in FY 2005] A.B. 4 (20th S.S.) reduced the collection allowance provided to the taxpayer for collecting and remitting the cigarette tax to the state from 3% to 0.5%, effective August 1, 2003. [Estimated to generate \$2,538,000 in FY 2004 and \$2,884,000 in FY 2005]
- [7-FY04] A.B. 4 (20th S.S.) reduced collection allowance provided to taxpayer for collecting and remitting tax on other tobacco items from 2.0% to 0.5%, effective August 1, 2003.
- [8-FY04] S.B. 8 (20th S.S.) changed the \$25 one-time annual business license fee to an annual fee of \$100, effective July 22, 2003.
- [9-FY04] S.B. 8 (20th S.S.) repealed the current quarterly \$25 per employee tax when the Modified Business Tax comes online, effective October 1, 2003. [See Notes 10 and 11]
- [10-FY04] S.B. 8 (20th S.S.) imposes tax on gross payroll of a business less a deduction for health care provided to employees, effective October 1, 2003. Tax rate is 0.70% in FY 2004 and 0.65% in FY 2005.
- [11-FY04] S.B. 8 (20th S.S.) imposes tax of 2.0% on gross payroll of a financial institution less a deduction for health care provided to employees, effective October 1, 2003.
- [12-FY04] S.B. 8 (20th S.S.) imposes excise tax on each bank of \$7,000 per year (\$1,750 per quarter) on each branch office, effective January 1, 2004.
- [13-FY04] S.B. 8 (20th S.S.) imposes tax of \$1.30 per \$500 of value on the transfers of real property, effective October 1, 2003.
- [14-FY04] S.B.2 and A.B. 4 (20th S.S.) makes changes to the rates and structure of the fees collected from entities filing with the Secretary of State's office, effective September 1, 2003 for Securities and UCC fee increases and November 1, 2003 for changes to commercial recording fees.
- [15-FY04] S.B. 428 (2003 Session) increases real estate salesman, broker-salesman, and brokers licensing fees by \$20 for an original license and \$10 for renewal of license (original and renewal license fee varies depending on type of license), effective July 1, 2003.
- [16-FY04] A.B. 493 (2003 Session) established that revenues from fees collected by the Division of Financial Institutions of the Department of Business & Industry will be deposited in a separate fund to pay the expenses related to the operations of the Commissioner of Financial Institutions and the Division of Financial Institutions, effective January 1, 2004. Previously, the revenues from the fees were deposited in the state general fund.
- [17-FY04] A.B. 550 (2003 Session) increased state's portion of the fee for issuing copy of a birth certificate by \$2 and fee for issuing copy of death certificate by \$1, effective October 1, 2003
- [18-FY04] S.B. 504 (2003 Session) transferred the State Printing Division of the Department of Administration to the Legislative Counsel Bureau and all debt to the state general fund was forgiven, effective July 1, 2003.
- [19-FY04] Beginning in FY 2004, the portion of the fees collected by the Real Estate Division for Real Estate Testing Fees that belong to the general fund are transferred from Category 28 in BA 3823 to GL 4741 in the General Fund. Previously, the revenue from these fees were reverted to the general fund at the end of the fiscal year.

GENERAL FUND APPROPRIATION TRENDS

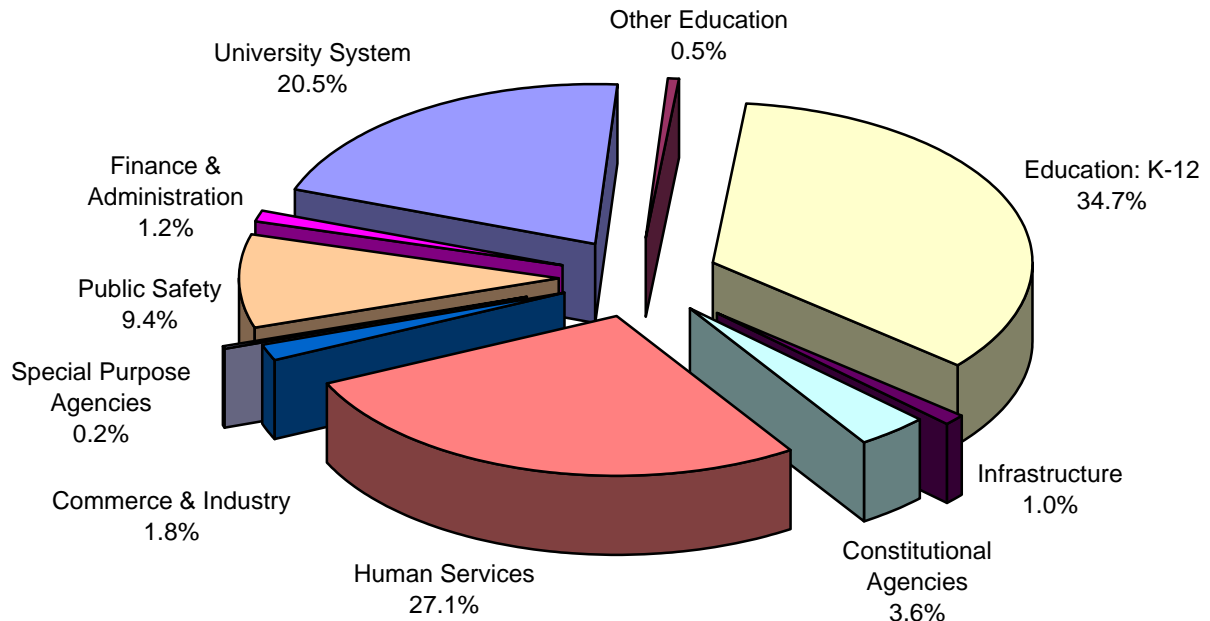
General Fund appropriations over the last eight years have grown from \$1.438 billion in FY 1997-98 to \$2.536 billion in FY 2004-05, a 76.4 percent increase. The average annual growth in General Fund appropriations over this period has been 8.5 percent. The schedule on the following page depicts those appropriations as approved by the Legislature for the 2003-05 biennium.

The General Fund budget for the current biennium, displayed here graphically, depicts how the budget was allocated on a functional basis during the 2003-05 biennium. Education, which received 55.7 percent of state appropriations, has historically represented the largest responsibility of state government.

TOTAL STATE BUDGET TRENDS

The total legislatively approved state budget, which includes the General Fund, the Highway Fund, federal funds and other funds available to state agencies, has grown over the last eight years from \$3.7 billion in FY 1997-98 to \$6.2 billion in FY 2004-05, a 67.2 percent increase. The average annual increase for this time period has been 7.7 percent after adjusting FY 1997-98 through FY 2000-01 for funding provided to the State Industrial Insurance System (SIIS) and FY 1999-2000 and FY 2000-01 for the privatization of EICON (Employer's Insurance Company of Nevada) and excluding funding provided for the state's boards and commissions for FY 1997-98 through FY 2000-01 for comparison purposes.

NEVADA GENERAL FUND APPROPRIATIONS LEGISLATURE APPROVES, 2003-05 BIENNIUM



	<u>2003-05 BIENNIUM</u>	<u>% of TOTAL</u>
CONSTITUTIONAL AGENCIES^{A,E}	\$ 176,148,795	3.6%
FINANCE & ADMINISTRATION^B	\$ 55,683,454	1.2%
EDUCATION:		
UNIVERSITY SYSTEM^C	\$ 989,401,895	20.5%
KINDERGARTEN TO 12TH GRADE	\$ 1,676,582,947	34.7%
OTHER EDUCATION^D	\$ 25,654,322	0.5%
SUBTOTAL EDUCATION	\$ 2,691,639,164	55.7%
HUMAN SERVICES	\$ 1,311,746,350	27.1%
COMMERCE & INDUSTRY	\$ 85,325,833	1.8%
PUBLIC SAFETY	\$ 452,677,934	9.4%
INFRASTRUCTURE	\$ 49,680,105	1.0%
SPECIAL PURPOSE AGENCIES^E	\$ 11,965,813	0.2%
TOTAL	\$ 4,834,867,448	100.0%

^A Includes \$12.5 million in FY 2004 and \$15.0 million in FY 2005 for allocation by IFC for collection of new and enhanced General Fund revenues as approved by the Legislature and approximately \$800,000 per year for allocation by IFC for Retired Employee Group Insurance.

^B Includes \$5.7 million for salary increases for State employees.

^C Includes \$45.8 million in FY 2004 and \$43.4 million in FY 2005 in appropriation of Estate Tax receipts deposited to the General Fund. FY 2005 includes \$8 million for salary increases for employees of the UCCSN and approximately \$800,000 per fiscal year for Retired Employees Group Insurance.

^D Other Education includes Commission on Postsecondary Education, WICHE, and Department of Cultural Affairs.

^E Reflects transfer of \$229,819 from Special Purpose Agencies to Constitutional Agencies for Homeland Security funding.

**COMPARISON OF GENERAL FUND OPERATING APPROPRIATIONS
1997-99 Biennium Through 2005-07 Biennium**

Function	1997-98 Legislatively Approved ^a	1998-99 Legislatively Approved ^a	1999-00 Legislatively Approved ^b	2000-01 Legislatively Approved ^b	2001-02 Legislatively Approved ^c	2002-03 Legislatively Approved ^c	2003-04 Legislatively Approved ^d	2004-05 Legislatively Approved ^d	2005-06 Governor Recommends ^e	2006-07 Governor Recommends ^e
Constitutional Agencies	\$ 46,606,029	\$ 48,501,302	\$ 55,014,710	\$ 55,888,757	\$ 59,973,939	\$ 63,193,358	\$ 87,472,806	\$ 88,675,989	\$ 83,512,171	\$ 83,241,003
% of Total	3.2%	3.1%	3.5%	3.4%	3.2%	3.1%	3.8%	3.5%	3.0%	2.8%
Finance & Administration	\$ 28,134,114	\$ 39,814,176	\$ 19,853,441	\$ 29,405,686	\$ 41,939,420	\$ 54,558,706	\$ 24,505,634	\$ 31,177,820	\$ 88,240,596	\$ 72,170,694
% of Total	2.0%	2.6%	1.3%	1.8%	2.2%	2.7%	1.1%	1.2%	3.2%	2.5%
Education	\$ 775,775,725	\$ 844,066,777	\$ 867,550,965	\$ 897,485,467	\$ 1,000,549,556	\$ 1,065,398,628	\$ 1,264,657,265	\$ 1,426,981,899	\$ 1,481,089,462	\$ 1,561,335,905
% of Total	54.0%	54.3%	55.4%	54.6%	53.5%	52.8%	55.0%	56.3%	53.5%	53.0%
Human Services	\$ 368,712,420	\$ 398,740,450	\$ 379,066,773	\$ 405,828,871	\$ 498,159,712	\$ 559,695,995	\$ 627,028,394	\$ 684,717,956	\$ 777,380,220	\$ 868,732,006
% of Total	25.6%	25.6%	24.2%	24.7%	26.6%	27.7%	27.3%	27.0%	28.1%	29.5%
Public Safety	\$ 159,561,614	\$ 165,636,358	\$ 180,031,613	\$ 190,883,315	\$ 201,589,367	\$ 207,387,787	\$ 221,047,364	\$ 231,630,570	\$ 252,245,398	\$ 273,666,523
% of Total	11.1%	10.6%	11.5%	11.6%	10.8%	10.3%	9.6%	9.1%	9.1%	9.3%
Commerce & Industry	\$ 34,814,991	\$ 35,481,043	\$ 38,520,338	\$ 38,875,828	\$ 39,889,056	\$ 40,183,137	\$ 42,734,818	\$ 42,591,015	\$ 50,965,148	\$ 50,435,084
% of Total	2.4%	2.3%	2.5%	2.4%	2.1%	2.0%	1.9%	1.7%	1.8%	1.7%
Infrastructure	\$ 21,652,182	\$ 20,833,565	\$ 22,356,758	\$ 20,894,719	\$ 21,532,651	\$ 21,615,919	\$ 25,160,142	\$ 24,519,963	\$ 28,552,098	\$ 27,647,444
% of Total	1.5%	1.3%	1.4%	1.3%	1.2%	1.1%	1.1%	1.0%	1.0%	0.9%
Special Purpose Agencies	\$ 2,292,888	\$ 2,284,659	\$ 3,126,075	\$ 5,264,452	\$ 6,971,421	\$ 6,589,862	\$ 6,006,478	\$ 5,959,335	\$ 6,269,016	\$ 6,534,756
% of Total	0.2%	0.1%	0.2%	0.3%	0.4%	0.3%	0.3%	0.2%	0.0	0.0
Total General Fund	\$ 1,437,549,963	\$ 1,555,358,330	\$ 1,565,520,673	\$ 1,644,527,095	\$ 1,870,605,122	\$ 2,018,623,392	\$ 2,298,612,901	\$ 2,536,254,547	\$ 2,768,254,109	\$ 2,943,763,415
% of Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
% Increase	8.6%	8.2%	0.7%	5.0%	13.7%	7.9%	13.9%	10.3%	9.1%	6.3%
% of Total State Budget	38.6%	40.4%	39.0%	39.6%	38.6%	39.0%	39.0%	40.7%	41.1%	41.7%
Total State Budget (All Funds)	\$ 3,728,300,909	\$ 3,851,032,255	\$ 4,014,770,358	\$ 4,150,608,591	\$ 4,849,386,818	\$ 5,180,690,334	\$ 5,895,609,624	\$ 6,232,856,981	\$6,742,601,604	\$7,064,029,115

NOTES:

- The amount for Finance and Administration in the 1997-99 biennium included \$11.4 million in FY 1997-98 and \$21 million in FY 1998-99 in Salary Adjustment Funds.
- The amount for Finance and Administration in the 1999-01 biennium included \$78,979 in FY 1999-00 and \$8.4 million in FY 2000-01 in Salary Adjustment Funds.
- The amount for Finance and Administration in the 2001-03 biennium included \$23.6 million in FY 2001-02 and \$34.2 in FY 2002-03 in Salary Adjustment Funds.
- The Total State Budget is Net of Inter-Agency Transfers.
- The Total State Budget includes the following adjustments for comparison with recommendations in The Executive Budget for the 2005-07 biennium.:
 - Excludes funding provided for the State Industrial Insurance System (SIIS) for fiscal years 1995-96 through 2000-01 to reflect the privatization of the Employer's Insurance Company of Nevada (EICON).
 - Excludes funding provided for the state's boards and commissions for fiscal years 1995-96 through 2000-01.

**Comparison of General Fund Operating Appropriations
1997-99 Biennium Through 2005-07 Biennium
Notes to Preceding Table**

a. Source: Legislative Appropriations Report; Sixty-Ninth Legislature. Includes the following adjustments:

Constitutional Agencies	\$19,663	Supplementals; 1999 Legislature
Finance & Administration	\$165,000	Supplementals; 1999 Legislature
Education	\$12,298,402	DSA Transfer from FY 1999 to FY 1998
Education	\$38,459,502	Supplementals; 1999 Legislature
Human Services	(\$564,371)	DCFS Transfer from FY 1998 to FY 1999
Public Safety	\$387,307	Supplementals; 1999 Legislature
Commerce and Industry	\$203,403	Supplementals; 1999 Legislature
Infrastructure	\$13,918	Supplementals; 1999 Legislature

b. Source: Legislative Appropriations Report; Seventieth Legislature. Includes the following adjustments:

Constitutional Agencies	\$16,987	Attorney General Special Fund Transfer from FY 2001 to FY 2000
Constitutional Agencies	\$81,793	District Court/Spouse Pension Transfer from FY 2001 To FY 2000
Constitutional Agencies	\$330,704	Supplementals; 2001 Legislature
Finance & Administration	\$525,000	Senior Citizens Property Tax Assistance Transfer from FY 2001 to FY 2000
Education	(\$715,665)	Proficiency Testing Transfer from FY 2000 to FY 2001
Education	\$80,681	Supplementals; 2001 Legislature
Human Services	(\$10,000)	Community Juvenile Justice Transfer from FY 2000 to FY 2001
Human Services	(\$1,796,931)	UNITY/SACWIS Transfer from FY 2000 to FY 2001
Human Services	(\$296,135)	Youth Alternative Services Transfer from FY 2000 to FY 2001
Human Services	\$595,194	Youth Community Services Transfer from FY 2001 to FY 2000
Human Services	\$3,179,817	Supplementals; 2001 Legislature
Public Safety	\$8,993	Supplementals; 2001 Legislature
Commerce and Industry	\$21,963	Supplementals; 2001 Legislature
Infrastructure	\$40,181	Supplementals; 2001 Legislature
Special Purpose Agencies	(\$250,098)	Veteran's Home Account Transfer from FY 2000 to FY 2001

c. Source: Legislative Appropriations Report; Seventy-First Legislature. Includes the following adjustments:

Constitutional Agencies	\$610,000	Supplementals; 2003 Legislature
Finance & Administration	(\$237,492)	Budget & Planning Transfer from FY 2002 to FY 2003
Education	\$43,852,000	DSA Transfer from FY 2003 to FY 2002
Education	\$74,950,271	Supplementals; 2003 Legislature
Human Services	(\$721,079)	Child Welfare Integration Transfer from FY 2002 to FY 2003
Human Services	\$65,544	Nevada Check-Up Program Transfer from FY 2003 to FY 2002
Human Services	\$209,112	Youth Community Services Transfer from FY 2003 to FY 2002
Human Services	\$142,043	Assistance to Aged & Blind Transfer from FY 2003 to FY 2002
Human Services	\$16,455,401	Supplementals; 2003 Legislature
Commerce & Industry	\$50,352	Supplementals; 2003 Legislature
Public Safety	\$491,050	Outstanding General Fund Advance; Close of FY 2002
Infrastructure	\$250,000	Outstanding General Fund Advance; Close of FY 2002
Special Purpose Agencies	\$137,000	Supplementals; 2003 Legislature

d. Source: Legislative Appropriations Report; Seventy-Second Legislature. Amounts shown do not include Supplemental Appropriations recommended by the Governor in The Executive Budget for FY 2004-05, but the following adjustments are included:

Constitutional Agencies	(\$314,561)	Appropriation moved from FY 2004 to FY 2005: Secretary of State-HAVA (\$299,820) and Ethics Commission (\$14,741)
Constitutional Agencies	\$229,819	Amounts for Homeland Security shown in Special Purpose Agencies at the close of 2003 session are included in Constitutional Agencies (Governor's Office): \$118,750 in FY 2004 and \$111,069 in FY 2005
Finance & Administration	(\$790,257)	Transfer of Department of Administration-Information Technology Projects from FY 2004 to FY 2005
Education	(\$1,161,993)	Transfer Other State Education Programs (\$899,374) and Proficiency Testing (\$262,619) from FY 2004 to FY 2005
Human Services	(\$2,196,192)	Transfer Child Welfare Integration from FY 2004 to FY 2005
Special Purpose Agencies	(\$229,819)	Amounts for Homeland Security shown in Special Purpose Agencies at the close of 2003 session are included in Constitutional Agencies (Governor's Office): \$118,750 in FY 2004 and \$111,069 in FY 2005

e. For display purposes, reflects the Governor's Recommended Organizational Changes in The Executive Budget for the 2005-07 Biennium:

Constitutional Agencies/ Public Safety	Reflects the transfer of the Homeland Security funding from the Office of the Governor to the Department of Public Safety within the Public Safety Functional area
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