

SECTION I HISTORICAL PERSPECTIVE

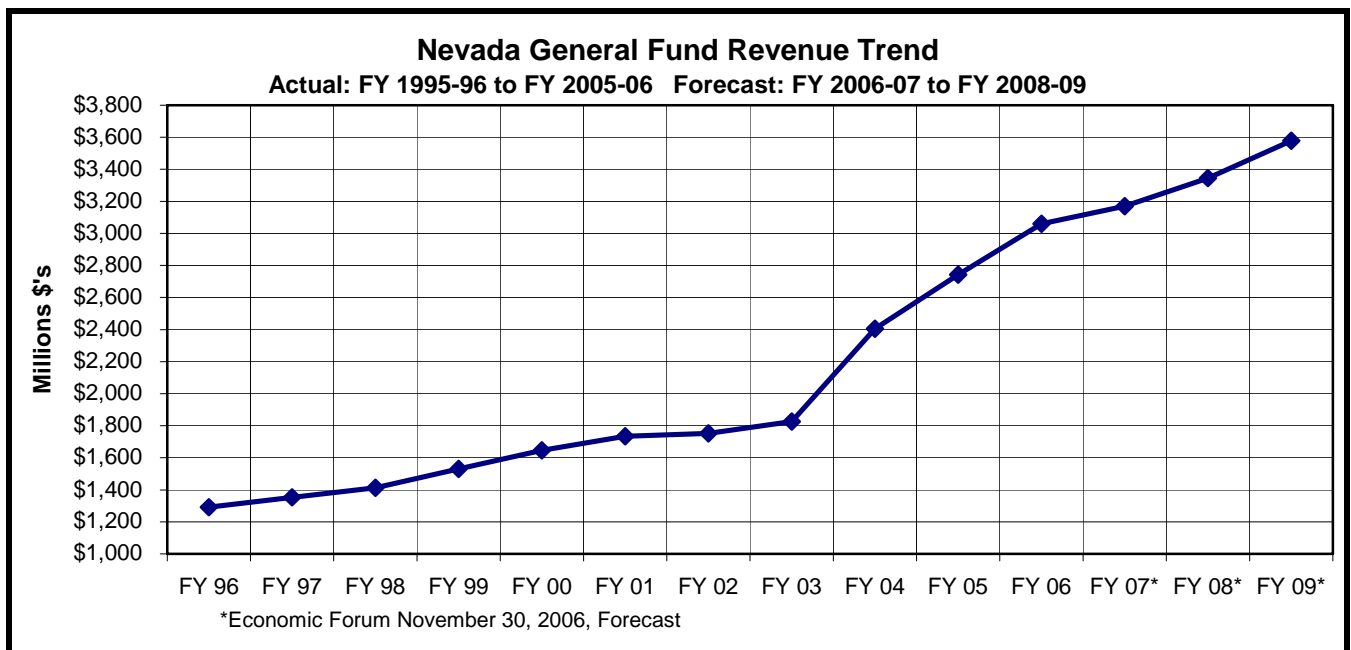
This section contains a historical review of actual state General Fund revenues and the Economic Forum’s November 30, 2006, forecasts for the 2007-09 biennium, as well as a historical presentation of General Fund operating appropriations combined with the Governor’s recommendations for the 2007-09 biennium. Graphs depicting the trends in General Fund revenues since FY 1995-96 are outlined below.

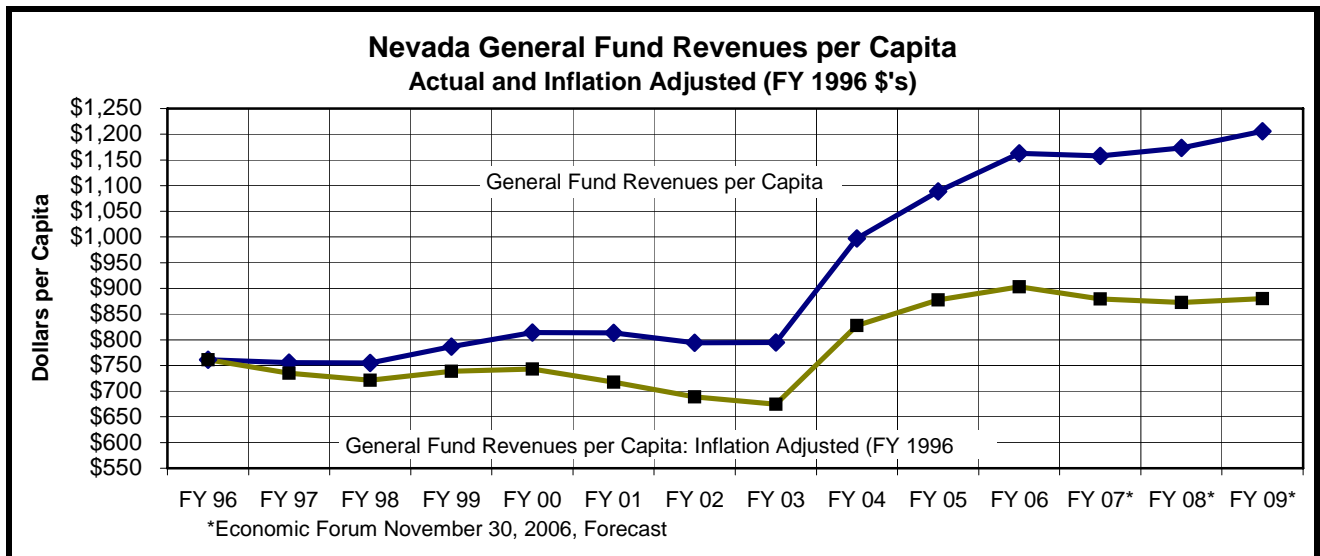
GENERAL FUND REVENUE TRENDS

FY 1995-96 to FY 2005-06

General Fund revenues were approximately \$1.83 billion in FY 2002-03, a 41.4 percent increase over FY 1995-96 revenues. The average annual growth rate over those eight years was 5.1 percent. However, given the state’s robust population growth, per capita revenues grew at only a 0.6 percent average annual rate for the period spanning FY 1995-96 to FY 2002-03. Furthermore, inflation-adjusted per capita revenues actually declined at an annual average rate of 1.6 percent per year for that period. In FY 2002-03 inflation-adjusted per capita revenues were approximately \$674, measured in FY 1995-96 dollars, compared to \$761 in FY 1995-96. Thus, while the state’s revenues were experiencing positive gains, those gains were not keeping pace with inflation and the state’s rapid population growth and the attendant increase in demand for government services.

In response to the downward trend in inflation-adjusted revenues per capita, the tax package approved during the 20th Special Session created new taxes in addition to increasing some of the existing levies. Information on the tax plan approved during the 20th Special Session is provided in Section III – Tax Overview of this report.





In FY 2003-04, the initial year of implementation of the 2003 tax plan, General Fund revenues increased 31.7 percent. The majority of this increase was attributable to the tax changes approved by the 2003 Legislature. However, due to stronger than anticipated economic activity, the actual growth was higher than the projections, which incorporated the estimated effects of the tax changes. General Fund revenues grew an additional 14.1 percent in FY 2004-05, the first year in which all the tax changes from 2003 were fully implemented. Again, the growth observed was attributable to the implementation of the tax measures, as well as strong and sustained economic activity. By FY 2005-06, the effects of the tax changes from 2003 were fully annualized; thus the 11.5 percent growth in General Fund revenues over the prior year was due primarily to economic growth.

Forecast: FY 2006-07 to FY 2008-09

Based on the Economic Forum's November 30, 2006, forecast, total General Fund revenues are projected to increase by 3.6 percent to \$3.169 billion in FY 2006-07, by 5.6 percent to \$3.345 billion in FY 2007-08, and by 7.0 percent to \$3.579 billion in FY 2008-09. Total projected General Fund revenues for the 2007-09 biennium of \$6.924 billion are forecast to be 11.2 percent above the projected revenues for the 2005-07 biennium of \$6.227 billion (figure includes FY 2005-06 actual collections and FY 2006-07 projected collections -November 2006 Economic Forum).

The November 30, 2006, Economic Forum forecast reflects assumptions of continued, if not more moderate, economic growth in the state over the next biennium, the effects of the national housing market correction notwithstanding. The forecast also considers the impact of the passage of Question 8 at the November 2006 General Election. Question 8 provided exemptions from state and local sales and use taxes for farm machinery and the trade-in value of used vehicles. The estimated impact of the exemptions is a \$44.7 million reduction in General Fund revenues over the 2007-09 biennium.

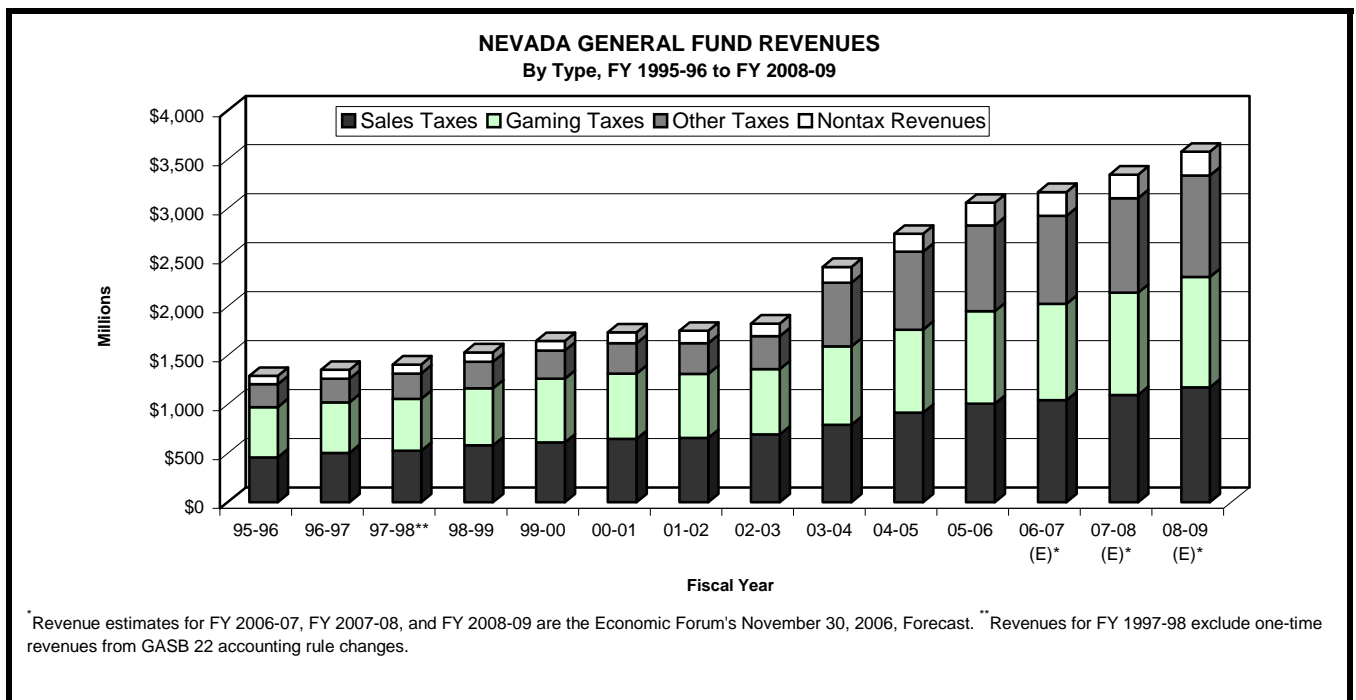
Composition of General Fund Revenues

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 taxes 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. The previous eight-year average shares for sales and gaming taxes had been 37.2 and 38.2 percent, respectively. The implementation of the modified business tax and real property transfer tax were primary causes of the dilution in the shares of the sales tax and the gaming tax contributions to the General Fund.

Based on the Economic Forum's November 30, 2006, forecast, total taxes over the 2007-09 biennium are projected to account for approximately 93.1 percent of total General Fund revenues. The 2007-09 biennium sales tax collections are estimated to generate 32.8 percent of total General Fund revenues. Gaming taxes are expected to contribute 31.4 percent; other taxes are projected to provide 28.9 percent; and non-tax revenue sources are forecast to account for 6.9 percent of total General Fund revenues.



GENERAL FUND REVENUES - ECONOMIC FORUM NOVEMBER 30, 2006 FORECAST
ACTUAL: FY 2003 THROUGH FY 2006 AND FORECAST: FY 2007 THROUGH FY 2009
ECONOMIC FORUM'S FORECAST FOR FY 2007, FY 2008, AND FY 2009 APPROVED AT THE NOVEMBER 30, 2006 MEETING

DESCRIPTION	FY 2003		FY 2004		FY 2005		FY 2006		NOVEMBER 30, 2006 ECONOMIC FORUM FORECAST					
	ACTUAL	% Change	ACTUAL	% Change	ACTUAL	% Change	ACTUAL [a.]	% Change	FY 2007	% Change	FY 2008	% Change	FY 2009	% Change
TAXES														
TOTAL MINING TAXES	\$10,641,100	13.0%	\$16,817,927	58.0%	\$16,449,304	-2.2%	\$19,661,886	19.5%	\$23,619,000	20.1%	\$24,132,000	2.2%	\$24,648,000	2.1%
TOTAL SALES AND USE TAX [1-FY04][1-FY07]	\$693,528,823	5.9%	\$790,602,667	14.0%	\$913,895,384	15.6%	\$1,005,054,248	10.0%	\$1,042,630,000	3.7%	\$1,096,026,000	5.1%	\$1,172,748,000	7.0%
TOTAL GAMING TAXES [2-FY04][3-FY04][1-FY06][1-FY08]	\$596,260,210	1.1%	\$714,653,673	19.9%	\$749,655,622	4.9%	\$838,094,296	11.8%	\$866,378,900	3.4%	\$919,452,700	6.1%	\$992,125,200	7.9%
CASINO/LIVE ENTERTAINMENT TAX [4a&4b-FY04][2-FY06][2-FY08]	\$70,212,815	8.3%	\$89,201,827	27.0%	\$107,884,337	20.9%	\$117,109,288	8.6%	\$125,329,000	7.0%	\$133,281,000	6.3%	\$144,718,000	8.6%
INSURANCE PREMIUM TAX	\$174,133,841	11.2%	\$194,457,058	11.7%	\$215,948,970	11.1%	\$238,627,989	10.5%	\$262,538,600	10.0%	\$290,827,000	10.8%	\$320,346,100	10.2%
LIQUOR TAX [5-FY04]	\$16,531,358	3.3%	\$33,025,941	99.8%	\$35,490,874	7.5%	\$37,347,240	5.2%	\$39,215,000	5.0%	\$40,979,000	4.5%	\$42,209,000	3.0%
CIGARETTE TAX [6-FY04]	\$44,019,969	5.2%	\$106,770,729	142.6%	\$113,282,664	6.1%	\$114,693,245	1.2%	\$115,200,000	0.4%	\$115,700,000	0.4%	\$116,200,000	0.4%
OTHER TOBACCO TAX [7-FY04]	\$5,916,301	6.4%	\$6,927,276	17.1%	\$7,557,607	9.1%	\$8,178,593	8.2%	\$8,792,000	7.5%	\$9,407,000	7.0%	\$10,066,000	7.0%
LAETRILE & GEROVITAL MFG.														
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][3-FY06][4-FY06]	\$739,561	8.6%	\$11,851,752	1503%	\$14,486,315	22.2%	\$21,897,095	51.2%	\$23,000,000	5.0%	\$24,500,000	6.5%	\$26,000,000	6.1%
BUSINESS LICENSE TAX [9-FY04]	\$79,026,132	0.8%	\$22,216,500	-71.9%	\$1,297,383	-94.2%	\$431,986	-66.7%	\$250,000		\$100,000			
MODIFIED BUSINESS TAX														
MBT-NONFINANCIAL [10-FY04][5-FY06][6-FY06][3-FY08]			\$146,161,812		\$205,348,170	40.5%	\$232,760,812	13.3%	\$262,158,000	12.6%	\$293,355,000	11.9%	\$316,823,000	8.0%
MBT-FINANCIAL [11-FY04][5-FY06]			\$15,487,677		\$21,575,335	39.3%	\$22,491,110	4.2%	\$24,712,000	9.9%	\$27,075,000	9.6%	\$29,642,000	9.5%
BRANCH BANK EXCISE TAX [12-FY04][7-FY06]			\$1,508,192		\$3,084,456	104.5%	\$2,819,210	-8.6%	\$2,905,000	3.0%	\$2,940,000	1.2%	\$2,975,000	1.2%
REAL PROPERTY TRANSFER TAX [13-FY04][8-FY06]			\$88,024,738		\$148,730,974	69.0%	\$164,841,506	10.8%	\$123,735,000	-24.9%	\$124,166,000	0.3%	\$134,880,000	8.6%
TOTAL TAXES	\$1,696,010,111	4.5%	\$2,242,707,768	32.2%	\$2,559,687,394	14.1%	\$2,829,008,504	10.5%	\$2,925,462,500	3.4%	\$3,106,940,700	6.2%	\$3,338,380,300	7.4%
LICENSES														
INSURANCE LICENSES	\$10,076,143	29.1%	\$10,578,744	5.0%	\$11,358,651	7.4%	\$12,536,529	10.4%	\$13,163,000	5.0%	\$13,822,000	5.0%	\$14,513,000	5.0%
BANKING LICENSES [16-FY04]	\$20,400	-13.6%												
MARRIAGE LICENSES	\$587,712	0.0%	\$594,588	1.2%	\$599,890	0.9%	\$559,974	-6.7%	\$567,300	1.3%	\$571,200	0.7%	\$574,200	0.5%
TOTAL SECRETARY OF STATE [14-FY04]	\$54,026,461	7.9%	\$75,312,846	39.4%	\$84,122,084	11.7%	\$101,139,626	20.2%	\$105,400,700	4.2%	\$113,277,200	7.5%	\$121,761,100	7.5%
PRIVATE SCHOOL LICENSES	\$207,145	14.4%	\$251,705	21.5%	\$274,132	8.9%	\$246,102	-10.2%	\$255,000	3.6%	\$259,000	1.6%	\$264,000	1.9%
PRIVATE EMPLOYMENT AGENCY	\$29,100	0.3%	\$26,000	-10.7%	\$18,700	-28.1%	\$18,000	-3.7%	\$17,500	-2.8%	\$17,500		\$17,500	
TOTAL REAL ESTATE [15-FY04][16-FY04]	\$1,548,788	-8.4%	\$2,653,740	71.3%	\$2,628,035	-1.0%	\$3,167,643	20.5%	\$3,259,500	2.9%	\$3,356,500	3.0%	\$3,457,500	3.0%
TOTAL FINANCIAL INSTITUTIONS [16-FY04]	\$1,926,415	7.3%												
ATHLETIC COMMISSION FEES	\$1,901,357	11.4%	\$2,258,306	18.8%	\$2,462,447	9.0%	\$3,042,779	23.6%	\$2,500,000	-17.8%	\$2,500,000		\$2,500,000	
TOTAL LICENSES	\$70,323,520	10.1%	\$91,675,929	30.4%	\$101,463,939	10.7%	\$120,710,653	19.0%	\$125,163,000	3.7%	\$133,803,400	6.9%	\$143,087,300	6.9%
FEES AND FINES														
VITAL STATISTICS FEES [17-FY04]	\$647,213	12.2%	\$759,587	17.4%	\$845,362	11.3%	\$901,094	6.6%	\$923,600	2.5%	\$946,700	2.5%	\$970,400	2.5%
DIVORCE FEES	\$201,070	2.1%	\$205,535	2.2%	\$208,010	1.2%	\$211,146	1.5%	\$205,000	-2.9%	\$210,000	2.4%	\$215,000	2.4%
CIVIL ACTION FEES	\$1,322,518	5.8%	\$1,376,653	4.1%	\$1,412,898	2.6%	\$1,396,729	-1.1%	\$1,400,000	0.2%	\$1,410,000	0.7%	\$1,420,000	0.7%
INSURANCE FEES	\$617,132	-14.2%	\$624,149	1.1%	\$576,035	-7.7%	\$1,370,097	137.8%	\$656,900	-52.1%	\$656,900		\$656,900	
TOTAL REAL ESTATE FEES	\$436,415	9.9%	\$1,097,847	151.6%	\$1,243,176	13.2%	\$1,452,974	16.9%	\$1,366,700	-5.9%	\$1,309,700	-4.2%	\$1,307,800	-0.1%
SHORT-TERM CAR LEASE	\$22,208,165	12.9%	\$25,638,556	15.4%	\$26,793,014	4.5%	\$26,659,712	-0.5%	\$29,820,000	11.9%	\$29,517,000	-1.0%	\$30,403,000	3.0%
ATHLETIC COMMISSION LICENSES/FINES	\$210,920	71.6%	\$109,825	-47.9%	\$122,515	11.6%	\$690,076	463.3%	\$300,000	-56.5%	\$300,000		\$300,000	
WATER PLANNING FEES														
STATE ENGINEER SALES	\$1,590,428	1.2%	\$1,698,473	6.8%	\$2,077,432	22.3%	\$2,249,185	8.3%	\$2,000,000	-11.1%	\$2,000,000		\$2,000,000	
SUPREME COURT FEES	\$212,035	2.0%	\$219,042	3.3%	\$208,203	-4.9%	\$195,680	-6.0%	\$201,500	3.0%	\$207,700	3.1%	\$214,000	3.0%
MISC. FINES/FORFEITURES	\$350,947	103.4%	\$261,421	-25.5%	\$484,199	85.2%	\$1,269,520	162.2%	\$864,100	-31.9%	\$836,600	-3.2%	\$841,600	0.6%
TOTAL FEES AND FINES	\$27,796,842	11.7%	\$31,991,088	15.1%	\$33,970,845	6.2%	\$36,396,214	7.1%	\$37,737,800	3.7%	\$37,394,600	-0.9%	\$38,328,700	2.5%
USE OF MONEY AND PROPERTY														
LYON COUNTY REPAYMENTS														
OTHER REPAYMENTS [18-FY04]	\$2,405,277	158.1%	\$2,008,738	-16.5%	\$2,100,078	4.5%	\$2,200,892	4.8%	\$2,932,015	33.2%	\$2,834,604	-3.3%	\$2,859,275	0.9%
MARLETTE REPAYMENT	\$10,512		\$10,512		\$10,512		\$10,664	1.4%	\$10,664		\$10,664		\$10,664	
INTEREST INCOME	\$5,990,047	-52.1%	\$4,528,633	-24.4%	\$13,685,869	202.2%	\$32,933,368	140.6%	\$48,529,800	47.4%	\$35,709,900	-26.4%	\$29,054,900	-18.6%
TOTAL USE OF MONEY AND PROPERTY	\$8,405,836	-37.5%	\$6,547,883	-22.1%	\$15,796,458	141.2%	\$35,144,924	122.5%	\$51,472,479	46.5%	\$38,555,168	-25.1%	\$31,924,839	-17.2%
OTHER REVENUE														
HOOVER DAM REVENUE	\$300,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000		\$300,000	
MISC. SALES AND REFUNDS	\$932,709	-34.9%	\$899,132	-3.6%	\$1,428,335	58.9%	\$3,934,335	175.4%	\$908,100	-76.9%	\$922,200	1.6%	\$930,800	0.9%
COST RECOVERY PLAN	\$5,004,477	0.0%	\$9,714,586	94.1%	\$9,624,189	-0.9%	\$10,458,762	8.7%	\$10,515,500	0.5%	\$10,515,500		\$10,515,500	
PETROLEUM INSPECTION FEES[4-FY08]	\$563,727	2.4%	\$557,966	-1.0%	\$582,201	4.3%	\$580,469	-0.3%	\$586,400	1.0%				
UNCLAIMED PROPERTY [9-FY06]	\$16,014,824	-17.1%	\$19,611,605	22.5%	\$19,811,660	1.0%	\$22,269,598	12.4%	\$16,499,000	-25.9%	\$16,938,000	2.7%	\$15,378,000	-9.2%
TOTAL OTHER REVENUE	\$22,815,737	-14.3%	\$31,083,289	36.2%	\$31,746,384	2.1%	\$37,543,164	18.3%	\$28,809,000	-23.3%	\$28,675,700	-0.5%	\$27,124,300	-5.4%
TOTAL GENERAL FUND REVENUE	\$1,825,352,046	4.2%	\$2,404,005,956	31.7%	\$2,742,665,021	14.1%	\$3,058,803,459	11.5%	\$3,168,644,779	3.6%	\$3,345,369,568	5.6%	\$3,578,845,439	7.0%

**GENERAL FUND REVENUES - ECONOMIC FORUM NOVEMBER 30, 2006 FORECAST
ACTUAL: FY 2003 THROUGH FY 2006 AND FORECAST: FY 2007 THROUGH FY 2009
ECONOMIC FORUM'S FORECAST FOR FY 2007, FY 2008, AND FY 2009 APPROVED AT THE NOVEMBER 30, 2006 MEETING**

NOTES:

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

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.

FY 2006

- [1-FY06] S.B. 357 (2005 Session) allocates \$1 per slot machine per quarter in FY 2006 and \$2 per slot machine per quarter in FY 2007 from the quarterly license fee imposed on restricted and nonrestricted slot machines and sunsets effective June 30, 2007. A total of \$822,000 in FY 2006 and \$1,678,000 is projected to be deposited in the Account to Support Programs for the Prevention and Treatment of Problem Gambling. (FY 2006: \$84,666 - restricted; \$737,334 - Nonrestricted and FY 2007: \$172,834 - Restricted; \$1,505,166 - A.B. 554 (2005 Session) lowers the occupancy threshold from 300 to 200, effective July 1, 2005. Estimated to generate \$3,600,000 in FY 2006 and FY 2007.
- [2-FY06] S.B. 3 (22nd S.S.) provides an exemption for entities that have four or fewer rental dwelling units. Estimated to reduce collections by \$2,975,000 in FY 2006 and \$3,060,000 in FY 2007.
- [3-FY06] S.B. 3 (22nd S.S.) allows an entity operating a facility where craft shows, exhibitions, trade shows, conventions, or sporting events to pay the BLF for entities not having a business license as an annual flat fee of \$5,000 or on a \$1.25 times the number entities without a business license times the number days of the show basis. Estimated to generate \$134,420 in FY 2006 and \$158,884 in FY 2007.
- [4-FY06] S.B. 391 (2005 Session) replaces the NAICS-based approach for defining a financial institution with a structure based on a state or federal licensing or regulatory requirement for conducting financial activities. Collection agencies and pawn shops are not included as financial institutions, but as nonfinancial businesses. The changes are estimated to reduce MBT-Financial collections by \$1,801,800 in FY 2006 and \$2,047,500 in FY 2007 and increase MBT-Nonfinancial collections by \$584,168 in FY 2006 and \$621,237 in FY 2007. Net effect is a reduction in total MBT collections of \$1,217,632 in FY 2006 and \$1,426,263 in FY 2007.
- [5-FY06] S.B. 523 (2005 Session) reduces the MBT-nonfinancial institutions tax rate from 0.65% to 0.63% from July 1, 2005 to June 30, 2007. Estimated to reduce collections by \$6,978,000 in FY 2006 and \$7,450,000 in FY 2007.
- [6-FY06] S.B. 3 (22nd S.S.) provides an exemption for the first branch bank operated by a bank in each county, replacing the previous exemption for one branch bank only. Estimated to reduce collections by \$441,000 in FY 2006 and FY 2007.
- [7-FY06] S.B. 390 (2005 Session) increases the collection allowance provided to Clark County and Washoe County from 0.2% to 1.0%, effective July 1, 2005, which makes the collection allowance 1.0% in all 17 counties. Estimated to reduce collections by \$1,056,292 in FY 2006 and \$1,022,504 in FY 2007.
- [8-FY06] S.B. 390 (2005 Session) increases the collection allowance provided to Clark County and Washoe County from 0.2% to 1.0%, effective July 1, 2005, which makes the collection allowance 1.0% in all 17 counties. Estimated to reduce collections by \$1,056,292 in FY 2006 and \$1,022,504 in FY 2007.
- [9-FY06] S.B. 4 (22nd S.S.) allocates \$7,600,000 of the Unclaimed Property revenues collected by the State Treasurer to the Millennium Scholarship Trust Fund in FY 2006 and FY 2007.

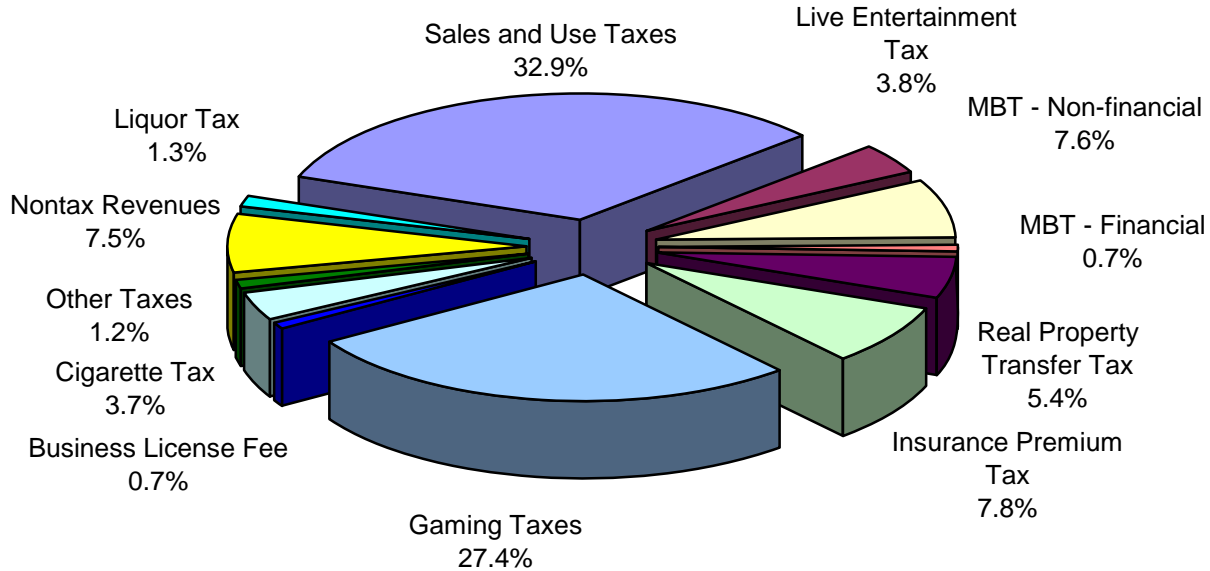
FY 2007

- [1-FY07] The state 2% sales tax collections forecasts for FY 2007, FY 2008, and FY 2009 are adjusted to reflect the impact of the approval of Question 8 at the November 7, 2006, General Election. Question 8 provides an exemption for the value of a used vehicle taken in trade on the purchase of another vehicle and the value of farm machinery and equipment, effective January 1, 2007. Based on the January 1, 2007 effective date, the FY 2007 forecast was adjusted down by .985%. The forecasts for FY 2008 and FY 2009 were adjusted down by 1.97%.

FY 2008

- [1-FY08] Per the June 30, 2007, sunset provision of S.B. 357 (2005 Session), the \$2 per slot machine per quarter allocated from the quarterly license fee imposed on restricted and nonrestricted slot machines to the Account to Support Programs for the Prevention and Treatment of Problem Gambling ceases and the full amount collected from the quarterly slot fees remains in the General Fund.
- [2-FY08] Per the A.B. 554 (2005 Session), race events that are part of the National Association of Stock Car Auto Racing (NASCAR) Nextel Cup series and all races associated with such an event are exempt from the LET, effective July 1, 2007.
- [3-FY08] Per the sunset provision of S.B. 523 (2005 Session), the MBT-nonfinancial institutions tax rate increases to 0.65% from 0.63%, effective July 1, 2007.
- [4-FY08] S.B. 165 (2005 Session) requires the state General Fund portion of the petroleum inspection fees imposed pursuant to NRS 590.120 to be deposited into a separate account for use by the Department of Agriculture, effective July 1, 2007.

NEVADA GENERAL FUND REVENUE ACTUAL BY SOURCE, FY 2005-06



ACTUAL GENERAL FUND REVENUE - FY 2005-06

	<u>Millions \$'s</u>	<u>% of Total</u>		<u>Millions \$'s</u>	<u>% of Total</u>
Taxes:			Other Taxes:		
State Gaming Taxes	\$838.1	27.4%	Business License Tax ^A	\$0.4	0.0%
Sales and Use Taxes	\$1,005.1	32.9%	Mining Tax	\$19.7	0.6%
Insurance Premium Tax	\$238.6	7.8%	Annual Slot Tax Transfer	\$5.0	0.2%
Cigarette Tax	\$114.7	3.7%	Other Tobacco Tax	\$8.2	0.3%
Live Entertainment Tax:			Branch Bank Excise Tax	\$2.8	0.1%
Gaming Establishments	\$108.4	3.5%	Subtotal Other Taxes	\$36.1	1.2%
Non-Gaming Establishments	\$8.7	0.3%	Subtotal Taxes	\$2,829.0	92.5%
Modified Business Tax (MBT):			Nontax Revenues		
Non-Financial Institutions	\$232.8	7.6%	Licenses	\$120.7	3.9%
Financial Institutions	\$22.5	0.7%	Fees and Fines	\$36.4	1.2%
Real Property Transfer Tax	\$164.8	5.4%	Use of Money and Property	\$35.1	1.1%
Business License Fee	\$21.9	0.7%	Miscellaneous Revenues	\$37.5	1.2%
Liquor Tax	\$37.3	1.3%	Subtotal Nontax Revenues	\$229.8	7.5%
			Total General Fund	\$3,058.8	100.0%

^A Business License Tax was repealed by S.B. 8 (20th S.S.), but residual amounts are still collected from audits.

GENERAL FUND APPROPRIATION TRENDS

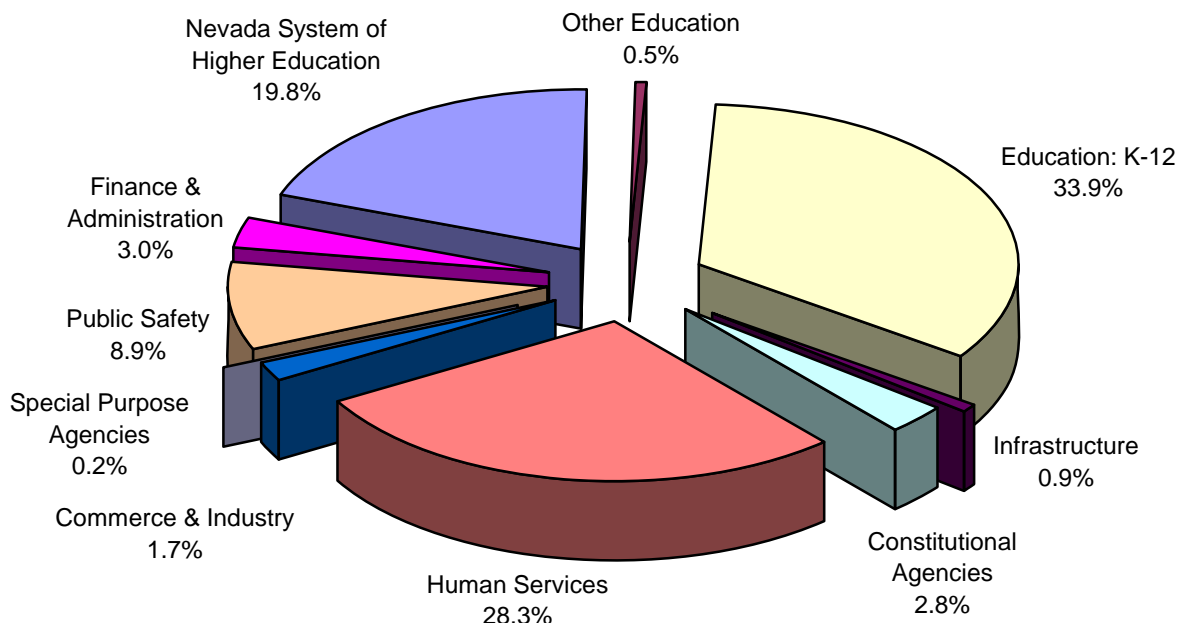
General Fund operating appropriations over the last eight years have grown from \$1,567.4 billion in FY 1999-2000 to \$3,067.5 billion in FY 2006-07 (includes appropriation transfers and recommended supplemental appropriations), a 94.7 percent increase. The average annual growth in General Fund appropriations over this period has been 10.1 percent. The schedule on the following page depicts those appropriations as approved by the Legislature for the 2005-07 biennium.

The General Fund budget for the current biennium, displayed here graphically, depicts how the budget was allocated on a functional basis during the 2005-07 biennium. Education, which received 54.2 percent of state appropriations, has historically represented the largest responsibility of state government.

TOTAL STATE BUDGET TRENDS

The legislatively-approved state budget for all funding sources, which include the General Fund, the Highway Fund, federal funds and other funds available to state agencies, has grown over the last eight years from \$4.039 billion in 1999-2000 to \$7.181 billion in FY 2006-07, a 77.8 percent increase. The average annual increase for this period has been 8.6 percent after adjusting and excluding funding.

NEVADA GENERAL FUND APPROPRIATIONS LEGISLATURE APPROVES, 2005-07 BIENNIUM



LEGISLATURE APPROVES - 2005-07 BIENNIUM

	<u>2005-07</u> <u>BIENNIUM^A</u>	<u>% of</u> <u>TOTAL</u>
CONSTITUTIONAL AGENCIES	\$ 163,587,688	2.8%
FINANCE & ADMINISTRATION^B	\$ 172,733,250	3.0%
EDUCATION:		
NEVADA SYSTEM OF HIGHER EDUCATION^C	\$ 1,149,187,732	19.8%
EDUCATION: K-12^{D,E}	\$ 1,962,844,526	33.9%
OTHER EDUCATION^F	\$ 27,881,169	0.5%
SUBTOTAL EDUCATION	\$ 3,139,913,427	54.2%
HUMAN SERVICES	\$ 1,639,969,006	28.3%
COMMERCE & INDUSTRY	\$ 99,769,477	1.7%
PUBLIC SAFETY	\$ 516,271,263	8.9%
INFRASTRUCTURE	\$ 54,485,810	0.9%
SPECIAL PURPOSE AGENCIES	\$ 11,184,523	0.2%
TOTAL	\$ 5,797,914,444	100.0%

^A Does not include Supplemental Appropriations of \$27,096,698 as recommended by the Governor for FY 2006-07 in The Executive Budget or funds allocated by the Interim Finance Committee for various operating shortfalls incurred during FY 2005-06 and FY 2006-07 year-to-date. Includes \$4,000,000 allocated by the Interim Finance Committee for inflationary increases for health insurance for school district employees.

^B Includes \$73.8 million to fund salary increases for State employees. Also includes \$16.2 million for "Information Technology Projects".

^C Includes \$34.1 million to fund salary increases for employees of the Nevada System of Higher Education.

^D Includes \$171.2 million to fund salary increases for employees of school districts.

^E Education: K-12 includes the Department of Education and Distributive School Account (DSA).

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