

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 (NRS 353.226 - NRS 353-229). 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 not recommended any General Fund revenue enhancements for consideration by the 2007 Legislature. However, the Governor has recommended the following General Fund reductions and reallocations for consideration by the 2007 Legislature:

	FY 2008	FY 2009	Total 2007-09 Biennium
General Fund Revenue Reductions			
Continue Problem Gaming Program with Slot Tax Funds	\$ 1,665,975	\$ 1,665,975	\$ 3,331,950
Reduce Modified Business Tax - Non-Financial to 0.62%	\$ 13,539,462	\$ 14,622,600	\$ 28,162,062
Eliminate Bank Branch Excise Tax	\$ 2,940,000	\$ 2,975,000	\$ 5,915,000
Subtotal General Fund Revenue Reductions	\$ 18,145,437	\$ 19,263,575	\$ 37,409,012
General Fund Revenue Reallocations			
Transfer Unclaimed Property Revenue to Millennium Scholarship Program	\$ 2,800,000	\$ 2,800,000	\$ 5,600,000
Transfer Unclaimed Property Revenue for Economic Development	\$ 5,000,000	\$ 5,000,000	\$ 10,000,000
Subtotal General Fund Revenue Reallocations	\$ 7,800,000	\$ 7,800,000	\$ 15,600,000
Total General Fund Revenue Reductions/Reallocations	\$ 25,945,437	\$ 27,063,575	\$ 53,009,012

Once the official forecast of state revenues has been completed, an estimate of the unappropriated General Fund balance (surplus) can be made. The following schedule displays the General Fund balance as estimated by the Budget Division for fiscal years 2006-07 through 2008-09. This balance is estimated to be achieved based on the General Fund revenue projections as provided by the Economic Forum on November 30, 2006, (increase of \$139.2 million for FY 2006-07 from the May 1, 2005, projections and the amount approved by the 2005 Legislature and subsequent special sessions) and reversions in FY 2006-07 totaling \$233.5 million as follows:

- From ongoing appropriations - \$48.5 million;
- From the Distributive School Account - \$185.0 million;

Reversions for FY 2007-08 and FY 2008-09 are projected by the Budget Division to be \$60.0 million and \$95.0 million, respectively. This represents 1.8 percent of the ongoing appropriations for FY 2007-08 and 2.7 percent for FY 2008-09.

The projected General Fund balance, before any legislative action, on June 30, 2007, is projected to be \$653.4 million. Pursuant to NRS 353.213, the recommended budget must provide for a reserve of not less than 5 percent or more than 10 percent of the

total proposed ongoing appropriations from the state General Fund. Based on this statute, the ending fund balance for FY 2006-07 requires a minimum reserve of \$152.0 million (5 percent); this results in \$501.4 million available for appropriation in FY 2006-07 by the 2007 Legislature. Under the proposed budget, the balance would decrease from \$351.4 million on June 30, 2006, to \$181.9 million on June 30, 2009 (minimum 5 percent reserve would be \$177.4 million).

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. 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. The 2003 Legislature approved A.B. 259, which provided for the transfer of \$135 million from the Rainy Day Fund to the state General Fund. Following this transfer, approximately \$1.3 million remained in the rainy day fund.

The following summarizes the activities in the Fund to Stabilize the Operation of State Government subsequent to the 2003 Legislature:

Balance – Close of the 2003 Legislative Session	\$1,340,970
Transfer per NRS 353.288 Close of FY 2004	\$70,609,836
Contingent Appropriation – S.B. 1, 20 th Special Session	\$50,000,000
Transfer per NRS 353.288 Close of FY 2005	\$25,214,470
Appropriation Approved by 2005 Legislature – FY 2006	\$37,000,000
Transfer per NRS 353.288 Close of FY 2006	\$49,467,240
Appropriation Approved by 2005 Legislature – FY 2007	\$34,000,000
Estimated Balance – Close of FY 2007	\$267,632,516
Governor's Recommended Appropriation – FY 2009	\$36,000,000
Estimated Balance Close of FY 2009	\$303,632,516

The estimated balance in the Fund to Stabilize the Operation of State Government would be approximately 8.6 percent of ongoing appropriations as recommended by the Governor for fiscal year 2008-09. NRS 353.288 limits the balance in the Fund to Stabilize the Operation of State Government to 15 percent of ongoing appropriations.

**STATEMENT OF PROJECTED UNAPPROPRIATED
GENERAL FUND BALANCE - FISCAL YEARS 2007-09 - GOVERNOR RECOMMENDS**

Unappropriated Balance July 1, 2006 (a.)	\$ 351,402,725
Projected Revenues FY 2006-07 - Economic Forum November 30, 2006	\$ 3,176,244,779
Transfer to Millennium Scholarship Trust Fund	\$ (7,600,000)
Projected General Fund Reversions	<u>\$ 233,540,000</u>
Total Funds Available	\$ 3,753,587,504
Less Appropriations:	
FY 2006-07 Operating Appropriations	\$ (3,024,395,084)
Appropriations Transferred Between Fiscal Years	\$ (15,972,068)
One-Time Appropriations - 2005 Legislature	\$ (23,807,077)
Fund to Stabilize Operation of State Government	<u>\$ (34,000,000)</u>
Total FY 2006-07 Appropriations Before Legislative Action	\$ (3,098,174,229)
Transfer to Disaster Relief Account	<u>\$ (2,000,000)</u>
Total Estimated General Fund Balance July 1, 2007 (a.)	\$ 653,413,275
5% Minimum Ending Fund Balance	\$ 152,018,358
Balance Over / (Under) 5% Minimum Ending Fund Balance	\$ 501,394,917
(a.) Subject to reconciliation with the Controller's Annual Report. Does not include \$267,632,516 in the Stabilization Fund (Rainy Day Fund).	
Estimated General Fund Balance Before Legislative Action	
Projected Revenues FY 2007-08 - Economic Forum November 30, 2006	\$ 3,352,969,568
Projected Reversions FY 2007-08	\$ 60,000,000
Increase Cost Recovery Plan Revenue	\$ 515,765
Transfer to Millennium Scholarship Trust Fund	\$ (7,600,000)
Transfer to Disaster Relief Account	<u>\$ (2,000,000)</u>
Total Estimated Revenues & Reversions FY 2007-08	\$ 3,403,885,333
Projected Revenues FY 2008-09 - Economic Forum November 30, 2006	\$ 3,586,445,439
Projected Reversions FY 2008-09	\$ 95,000,000
Increase Cost Recovery Plan Revenue	\$ 536,820
Transfer to Millennium Scholarship Trust Fund	\$ (7,600,000)
Transfer to Disaster Relief Account	<u>\$ (2,000,000)</u>
Total Estimated Revenues & Reversions FY 2008-09	\$ 3,672,382,259
Estimated Unappropriated Balance July 1, 2007 Before Legislative Action^(b.)	\$ 7,729,680,867
(b.) Does not include \$267,632,516 in the Stabilization Fund (Rainy Day Fund).	
Recommended General Fund Appropriations Before the 74th Nevada Legislature	
FY 2006-07 Restore Fund Balances	\$ (23,654,973)
FY 2006-07 Supplemental Appropriations	\$ (27,096,698)
FY 2006-07 One-Time Appropriations	\$ (111,150,089)
Estimated Cost of the 74th Legislative Session	\$ (18,500,000)
FY 2006-07 Capital Improvement Program	\$ (144,000,000)
Highway Fund Projects	<u>\$ (170,000,000)</u>
FY 2006-07 Recommended Appropriations/Transfers	\$ (494,401,760)
FY 2007-08 Operating Appropriations	\$ (3,292,268,993)
FY 2007-08 One-Time Appropriations	\$ (48,721,031)
FY 2007-08 Capital Improvement Program	\$ (28,000,000)
Continue Problem Gaming Program with Slot Tax Funds (\$2 per Qtr)	\$ (1,665,975)
Reduce Modified Business Tax - Non-Financial to 0.62	\$ (13,539,462)
Eliminate Branch Bank Excise Tax	\$ (2,940,000)
Transfer Unclaimed Property Revenue for Economic Development	\$ (5,000,000)
Transfer to the Millennium Scholarship Fund	<u>\$ (2,800,000)</u>
FY 2007-08 Recommended Appropriations/Transfers	\$ (3,394,935,461)
FY 2008-09 Operating Appropriations	\$ (3,547,908,425)
FY 2008-09 Capital Improvement Program	\$ (22,000,000)
FY 2008-09 One-Time Appropriation	\$ (5,000,000)
Fund to Stabilize Operation of State Government	\$ (36,000,000)
Continue Problem Gaming Program with Slot Tax Funds (\$2 per Qtr)	\$ (1,665,975)
Eliminate Branch Bank Excise Tax	\$ (2,975,000)
Reduce Modified Business Tax - Non-Financial to 0.62	\$ (14,622,600)
Transfer to the Millennium Scholarship Fund	\$ (2,800,000)
Transfer Unclaimed Property Revenue for Economic Development	\$ (5,000,000)
Estimated Cost of the 75th Legislature	<u>\$ (20,500,000)</u>
FY 2008-09 Recommended Appropriations/Transfers	\$ (3,658,472,000)
Estimated Unappropriated Balance June 30, 2009 (c.)	\$ 181,871,646
5% Minimum Ending Fund Balance	\$ 177,395,421
Balance Over / (Under) 5% Minimum Ending Fund Balance	\$ 4,476,225
(c.) Does not include \$303,632,516 in the Fund to Stabilize the Operation of State Government; includes the \$36 million as recommended by the Governor for transfer in FY 2008-09.	

