

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 is recommending the following “new/enhanced” General Fund revenues for the 2011-13 biennium:

	FY 2012	FY 2013	Total 2011-13 Biennium
Continue Transfer of 3% Lodging Tax in Clark and Washoe Counties	\$ 107,715,000	\$ 113,794,000	\$ 221,509,000
Continue Advance Payment on the Net Proceeds of Minerals Tax	\$ 60,000,000	\$ -	\$ 60,000,000
Redirect 1% on Short-Term Vehicle Rentals from the Highway Fund to the General Fund	\$ 3,978,000	\$ 3,999,000	\$ 7,977,000
Deposit in the General Fund a Portion of the Court Assessments Collected Pursuant to NRS 176.059 (a.)	\$ 4,831,187	\$ 4,725,744	\$ 9,556,931
Continue Transfers from the Indigent Supplemental Account to the General Fund	\$ 19,617,508	\$ 19,779,105	\$ 39,396,613
Redirect 1/2 of Quarterly Slot Fees from the Problem Gambling Account to the State General Fund (b.)	\$ 766,297	\$ 776,651	\$ 1,542,948
Maintain the Lower Tier Modified Business Tax rate at 0.5%	\$ (8,300,000)	\$ (8,400,000)	\$ (16,700,000)
Securitize a portion of the Insurance Premium Tax	\$ 190,000,000	\$ -	\$ 190,000,000
Total New/Enhanced General Fund Revenues	\$ 378,607,992	\$ 134,674,500	\$ 513,282,492

(a.) Historically, these fees have been utilized to support certain budgets within the Courts (51%), Victims of Crime, Criminal History Repository, and Peace Officers Standards and Training.

(b.) Currently \$2 for each slot machine is deposited in the Revolving Account to Support Programs for the Prevention and Treatment of Problem Gambling.

The Governor is also recommending the redirection of approximately \$60.4 million in FY 2012 and \$60.8 million in FY 2013 in existing property tax revenues from Clark and Washoe Counties (4-cent operating rate and a 5-cent capital projects rate imposed in each county) to the University of Nevada, Las Vegas, and the University of Nevada, Reno, respectively, and using these revenues to reduce General Fund appropriations for the Nevada System of Higher Education in each of those years.

Once the official forecast of state revenues has been completed, an estimate of the unappropriated General Fund balance (surplus) can be made. The schedule on page 22 displays the General Fund balance as estimated by the Budget Division for Fiscal Years 2011 through 2013. This balance is estimated to be achieved based on

the General Fund revenue projections as provided by the Economic Forum on December 1, 2010 (decrease of \$98.1 million for FY 2011 from the May 1, 2009, projections, and the amount approved by the 2009 Legislature), and adjusted by actions taken during the 26th Special Session (2010). The Governor is also recommending reversions and fund transfers of \$175.8 million in Fiscal Year 2011 (refer to the following schedule for details).

The projected General Fund balance, before any legislative action, on June 30, 2011, is projected to be \$364.6 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 2011 requires a minimum reserve of \$158.6 million (5 percent); this results in \$206.1 million available for appropriation in FY 2011 by the 2011 Legislature. Under the proposed budget, the balance would decrease from \$313.5 million on June 30, 2010, to \$160.4 million on June 30, 2013 (minimum 5 percent reserve would be \$143.7 million).

STABILIZATION FUND (NRS 353.288)

In 1991, the Legislature created the Fund to Stabilize the Operation 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 defined in law (NRS 353.288) and provide that the Chief of the Budget Division of the Department of Administration may submit a request to the State Board of Examiners to transfer funds from the Rainy Day Fund to the State General Fund to offset a budget shortfall or fiscal emergency under certain circumstances. Any transfer from the Rainy Day Fund to the State General Fund must be approved by either the Legislature, if in session, or the Interim Finance Committee, if the Legislature is not in session. The Interim Finance Committee is not bound by the recommendations of the State Board of Examiners.

The 2003 Legislature approved Assembly Bill 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 24th Special Session (2008) approved Senate Bill 1, which provided for the transfer of \$267 million from the Rainy Day Fund to the State General Fund. The 26th Special Session (2010) of the Legislature approved Assembly Bill 3, which provided for the transfer of \$632,516 from the Rainy Day Fund to the State General Fund.

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

The Fund to Stabilize the Operation of State Government	
Balance – Close of the 2003 Legislative Session	\$1,340,970
Transfer per NRS 353.288 – Close of FY 2004	\$70,609,836
Contingent Appropriation – Senate Bill 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
Senate Bill 1, 24 th Special Session	-\$267,000,000
Balance Start of 2009 Legislative Session	\$632,516
Assembly Bill 3, 26 th Special Session	-\$632,516
Transfer per NRS 353.288 – Close of FY 2010	\$41,321,014
Balance Start of 2011 Legislative Session	\$41,321,014

**Statement of Projected Unappropriated
General Fund Balance – Fiscal Years 2011-13 – Governor Recommends**

Unappropriated Balance July 1, 2010 (a.)	\$ 313,493,678
Unrestricted General Fund Revenue	
Projected Revenues FY 2011 - Economic Forum December 1, 2010	\$ 3,087,840,714
Restricted General Fund Revenue	
Unclaimed Property - Millennium Scholarship	\$ -
Quarterly Slot Tax - Problem Gambling	\$ 1,520,985
General Fund Reversions / Fund Transfers	
Unrestricted General Fund Reversions	\$ 47,500,000
Retirement Benefits Investment Fund - 26 th Special Session	\$ 17,530,797
Other Budget Reserves	\$ 1,705,635
26 th Special Session Transfers	\$ 67,783,155
Transfer from the Fund to Stabilize the Operation of State Government	<u>\$ 41,321,014</u>
Total Funds Available	\$ 3,578,695,978
Less Appropriations	
FY 2011 Operating Appropriations	\$ (3,336,977,011)
Appropriations Transferred Between Fiscal Years	\$ 89,817,899
Operating Appropriations 26 th Special Session	\$ (2,856,007)
Reductions to Operating Appropriations - 26 th Special Session	<u>\$ 78,782,300</u>
Total FY 2011 Appropriations Before Legislative Action	\$ (3,171,232,819)
Restricted General Fund Transfers	
Problem Gambling	\$ (1,520,985)
Fund to Stabilize the Operation of State Government	\$ (41,321,014)
Total Estimated General Fund Balance July 1, 2011	\$ 364,621,160
5% Minimum Ending Fund Balance	\$ 158,561,641
Balance Over / (Under) 5% Minimum Ending Fund Balance	\$ 206,059,519
(a.) Subject to reconciliation with the Controller's Annual Report.	

<u>Estimated General Fund Balance Before Legislative Action</u>	
Unrestricted General Fund Revenue	
Projected Revenues FY 2012 - Economic Forum December 1, 2010	\$ 2,605,229,906
Transfer from the Fund to Stabilize the Operation of State Government	\$ 27,938,379
Restricted General Fund Revenue	
Unclaimed Property - Millennium Scholarship	\$ 7,600,000
Quarterly Slot Tax - Problem Gambling	\$ 766,297
General Fund Reversions	\$ 35,000,000
Restricted General Fund Transfers	
Unclaimed Property - Millennium Scholarship	\$ (7,600,000)
Quarterly Slot Tax - Problem Gambling	\$ (766,297)
Fund to Stabilize the Operation of State Government	<u>\$ (27,938,379)</u>
Total Estimated Revenues & Reversions FY 2012	\$ 2,640,229,906
Unrestricted General Fund Revenue	
Projected Revenues FY 2013 - Economic Forum December 1, 2010	\$ 2,732,977,018
Transfer from the Fund to Stabilize the Operation of State Government	\$ 28,676,515
Restricted General Fund Revenue	
Unclaimed Property - Millennium Scholarship	\$ 7,600,000
Quarterly Slot Tax - Problem Gambling	\$ 776,651
General Fund Reversions	\$ 35,000,000
Restricted General Fund Transfers	
Unclaimed Property - Millennium Scholarship	\$ (7,600,000)
Quarterly Slot Tax - Problem Gambling	\$ (776,651)
Fund to Stabilize the Operation of State Government	<u>\$ (28,676,515)</u>
Total Estimated Revenues & Reversions FY 2013	\$ 2,767,977,018
Estimated Unappropriated Balance July 1, 2013, Before Legislative Action	\$ 5,772,828,084

**Statement of Projected Unappropriated
General Fund Balance – Fiscal Years 2011-13 – Governor Recommends**

Recommended General Fund Revenues / Appropriations Before the 76th Nevada Legislature		
New / Redirected General Fund Revenues - FY 2012		
Continue Transfer of 3% Lodging Tax - Clark and Washoe Counties	\$	107,715,000
Continue Advance Payment on the Net Proceeds of Minerals Tax	\$	60,000,000
Redirect 1% on Short-Term Vehicle Rentals from the Highway Fund to the General Fund	\$	3,978,000
Deposit in General Fund the Uncommitted Balance of Court Administrative Assessments	\$	4,831,187
Continue Transfers from the Indigent Supplemental Account to the General Fund	\$	19,617,508
Redirect 1/2 of Quarterly Slot Fees from the Problem Gambling Account	\$	766,297
Maintain the Lower Tier Modified Business Tax Rate at 0.5%	\$	(8,300,000)
Securitize a Portion of the Insurance Premium Tax	\$	190,000,000
Total New / Redirected General Fund Revenues - FY 2012	\$	378,607,992
New / Redirected General Fund Revenues - FY 2013		
Continue Transfer of 3% Lodging Tax - Clark and Washoe Counties	\$	113,794,000
Redirect 1% on Short-Term Vehicle Rentals from the Highway Fund to the General Fund	\$	3,999,000
Deposit in General Fund the Uncommitted Balance of Court Administrative Assessments	\$	4,725,744
Continue Transfers from the Indigent Supplemental Account to the General Fund	\$	19,779,105
Redirect 1/2 of Quarterly Slot Fees from the Problem Gambling Account	\$	776,651
Maintain the Lower Tier Modified Business Tax Rate at 0.5%	\$	(8,400,000)
Total New / Redirected General Fund Revenues - FY 2013	\$	134,674,500
Total New / Redirected General Fund Revenues Before 76th Nevada Legislature	\$	513,282,492
FY 2011 Supplemental Appropriations	\$	(146,551,144)
FY 2011 Restoration of Fund Balances	\$	(13,650,000)
FY 2011 One-Time Appropriations	\$	(20,707,921)
Estimated Cost of the 76 th Nevada Legislature	\$	(15,000,000)
FY 2011 Recommended Appropriations	\$	(195,909,065)
FY 2012 Operating Appropriations	\$	(2,966,129,797)
FY 2012 One-Time Appropriations	\$	(69,710,083)
FY 2012 Recommended Appropriations	\$	(3,035,839,880)
FY 2013 Operating Appropriations	\$	(2,873,572,048)
FY 2013 One-Time Appropriations	\$	(355,983)
Estimated Cost of the 77 th Nevada Legislature	\$	(20,000,000)
FY 2013 Recommended Appropriations	\$	(2,893,928,031)
2011-13 Recommended Appropriations	\$	(6,125,676,976)
Estimated Unappropriated Balance July 1, 2011, Before Legislative Action	\$	5,772,828,084
Total New / Redirected General Fund Revenues Before 76th Nevada Legislature	\$	513,282,492
Recommended Appropriations Before the 76th Nevada Legislature	\$	(6,125,676,976)
Estimated Unappropriated General Fund Balance June 30, 2013	\$	160,433,600
Minimum 5% Ending Fund Balance	\$	143,678,602
Amount Over / (Under) Minimum 5% Ending Fund Balance	\$	16,754,998

