



Office of the Governor

January 22, 2007

Members of the Nevada State Legislature
Seventy-Fourth Legislative Session
Legislative Building
401 South Carson Street
Carson City, NV 89701

Honorable Members of the Senate and Assembly:

Transmitted herewith is the 2007-2009 Executive Budget for the State of Nevada.

The budget I present to you today supports Nevada's continuing commitment to our employees, the education of our youth and reinforces our affirmation to combat methamphetamines.

Our state's revenue streams remain strong, but recent history has demonstrated the wisdom of planning for the future, both good and bad, while experiencing such a vibrant economy. Therefore, I have recommended increasing the rainy day fund to \$304 million to serve as a cushion to provide essential services for all Nevadans.

Currently, the State provides the funding necessary for retiree insurance subsidies on a pay-as-you-go basis, and only the current cash outlay for those subsidies is reported. The new Governmental Accounting Standards Board rules require the state to reflect this financial obligation of \$4 billion as a liability in its financial statements unless sufficient funding to finance the liability is set aside each year. Included in the Executive Budget is a recommendation to partially pre-fund the liability via a payroll assessment for each active employee. The additional \$50 million generated from the assessment will be placed in an irrevocable trust account for the future liability of the employees.

As a result of the dedication of our state employees, they deserve competitive salaries with their counterparts in other governmental agencies. As such, I have included a 2% and 4% annual raise respectively for the biennium.

Today, the institution of public education in Nevada needs bold and decisive leadership to better navigate the tremendous challenges that exist. Our current standings in education on a national scale are simply unacceptable and have grown so dire that we must immediately reinvent the system of public education itself. My budget reflects this need by continuing the \$51 million in funding for full day kindergarten in at-risk schools. In addition, my budget includes funding for new education programs including \$60 million toward an innovative yet proven education plan known as Empowerment. Empowerment will directly address the majority of the long-standing challenges in public education today: falling graduation rates, parental participation, teacher

Members of the Nevada State legislature
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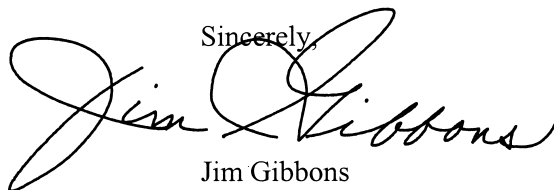
recruitment, funding inequities and lack of resources in the classroom. This decentralized empowerment approach reallocates existing resources and decision-making to our principals, teachers and parents in exchange for greater accountability for increased student achievement. Through this exciting program, we will empower our educators to be more responsive to their school's individual circumstances and the diversity of their student populations while ensuring that our teachers will be equitably paid for a job well done based on tangible measures and commensurately rewarded for exemplary results in student achievement.

Additionally, I have included \$10 million in the budget for the advancement of the Nevada Plan (formerly the Georgia Plan), which will provide for biotechnology and other high tech programs that will aid in the development of a bioscience framework and will include state government, the University System and the business community as a platform to ensure that Nevada becomes a driving force in biotechnology research across the nation. I have also included \$7 million for Community College workforce development/vocational training programs to enhance our workforce and foster the attraction of lucrative businesses and industries across the state.

Methamphetamine abuse has become the most threatening public health and safety challenge of this era. Nevada is number one in the nation when it comes to individuals who have used or currently use methamphetamines. It is time for Nevada to declare war on meth and that is why I have included \$17.4 million to aid in this fight. In order for a successful attack on meth, we must approach this issue on all fronts and provide resources to law enforcement, educators and recovery programs. Our combined resources of municipal, county and state law enforcement must have the resources to win and eliminate this plague on society. This is truly a nonpartisan issue and an issue upon which citizens are demanding action.

The 2007 Legislative Session is an opportunity for us to work cooperatively and I offer my Administration to that effort. My office, my Cabinet and I look forward to discussion, debate and resolution. We are prepared for your review of this Executive Budget and ready to assist you in any way necessary to ensure Nevada's future success.

Sincerely,

A handwritten signature in black ink, reading "Jim Gibbons". The signature is fluid and cursive, with the first name "Jim" being particularly large and stylized.

Jim Gibbons
Governor



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January 22, 2007

Dear Fellow Nevadans:

On behalf of Governor Jim Gibbons and the Budget and Planning Division, it is my pleasure to present this *Executive Budget in Brief* for the 2007-2009 biennium. We believe it offers users a quick and easy tool to understand the many challenges facing the state. More importantly, it highlights the steps proposed by Governor Gibbons to successfully meet these challenges.

Being one of the fastest growing states in the nation for decades has significant fiscal ramifications. The 1979 limit on state expenditures, the Methamphetamine epidemic, faster than expected growth in inmate populations, increasingly congested roads, the need for excellence in education, and the cost we will bear in the future for retired state employees' health insurance, have all shaped the *Executive Budget*.

The limit on total proposed expenditures provided by NRS 353.213 was added to the budgeting process in 1979. It is designed to limit the growth of spending from the General Fund to the growth in population and inflation. Construction expenditures are exempt from this limit, as are deposits to the Rainy Day Fund. The spending cap limited one-time appropriations recommended for fiscal year 2007 and impacted budget decisions for the 2007-09 biennium. The spending cap will continue to impact General Fund spending proposals in future biennia. This budget:

- ✓ Includes \$60 million for innovative programs in K-12 education designed to improve student achievement and success.
- ✓ Combats Methamphetamine with \$17.4 million from the General Fund to develop and coordinate statewide drug education, treatment, and enforcement programs.
- ✓ Contributes \$170 million from the General Fund to improve Nevada's highway system.
- ✓ Raises reimbursement rates for Medicaid providers with \$57.6 million, of which \$27.7 million is General Fund.
- ✓ Handles unprecedented growth in the number of inmates by adding 337 new positions and funding increased inmate-driven costs using \$40.6 million from the General Fund.
- ✓ Funds 2% and 4% cost of living adjustments for all state, school district, and higher education employees, as well as special adjustments for unclassified employees and hard to recruit positions, with over \$280 million in General Fund appropriations.
- ✓ Starts pre-funding Nevada's future liability for retired state employees' health insurance with \$50 million, with approximately \$30 million coming from the General Fund.
- ✓ Sends \$36 million to the Rainy Day Fund to guard against possible economic slowdowns in the future.
- ✓ Uses \$194 million to augment bond proceeds and other funds in financing a \$912 million Capital Improvement Program, which includes \$157 million for three health sciences buildings for the Nevada System of Higher Education.

This document, as well as a variety of other budget related information, is accessible on the Internet via our website. I hope that you find this to be a useful and valuable resource.

A handwritten signature in black ink, appearing to read "A. Clinger".

Andrew K. Clinger
Director, Department of Administration

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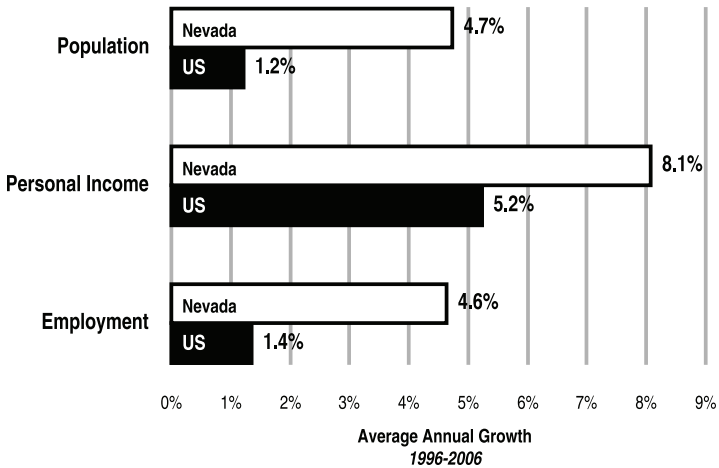
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ECONOMIC OVERVIEW

Over the past biennium, Nevada has once again exceeded the nation in economic growth. While the Census Bureau indicates that Arizona has now moved ahead of Nevada to have the fastest growing population in the country, Nevada has added over 100,000 residents a year since 2004. Both personal income and employment have continued to grow at rates far above the national average.

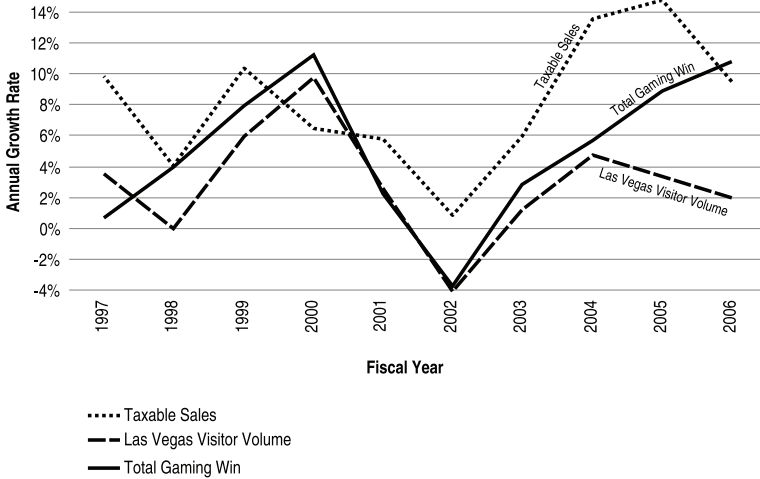
Economic Growth - Nevada and US Comparison



While our state economy has greatly diversified over the past decade, gaming remains a driving force behind our revenue base. Several new large gaming projects are underway in Clark County and promise to further strengthen Nevada's economic status.

Growth in tourism and taxable sales has fallen somewhat over the past year, yet both areas remain strong. Gaming win growth has steadily built up since a low earlier this decade and the trend is not expected to change.

Nevada Economic Indicators

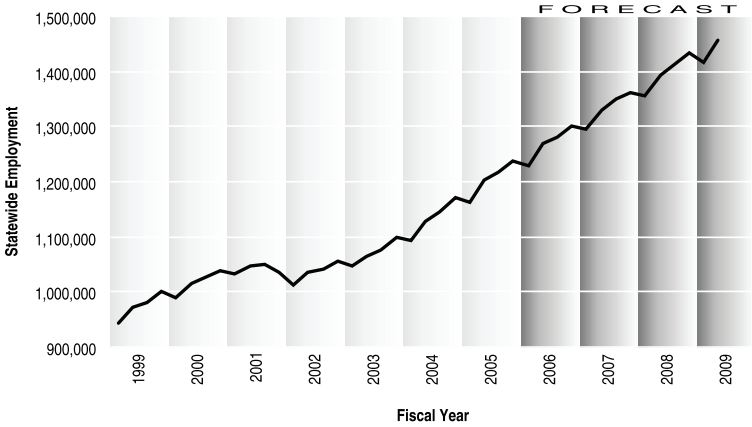


Since fiscal year 2000, Las Vegas visitors increased from a little over 35 million tourists to 38.7 million, which represents 9.9% growth. It is estimated that in fiscal year 2009, over 41 million people will visit Las Vegas. Visitor volume continues to grow, though that pace has slowed somewhat over the past few years. Despite a slower growth rate, optimism in the market remains high, with several major gaming projects underway in Las Vegas.

A decline in the housing market is expected to extend into 2007. While this decline will result in a corresponding decrease in residential construction, the large projects in the south will buoy non-residential construction, likely offsetting much of the loss in the housing market.

Although the nation's job growth is still below pre-recession levels, Nevada's Department of Employment, Training, and Rehabilitation is forecasting job growth in the state to continue its robust expansion, with quarter to quarter annual growth never falling below 4.5% and over 126,000 jobs added during the 2007-2009 biennium. Unemployment will likely remain in the 4 to 4.5% range, mirroring the national forecasts.

Nevada Statewide Employment Trends

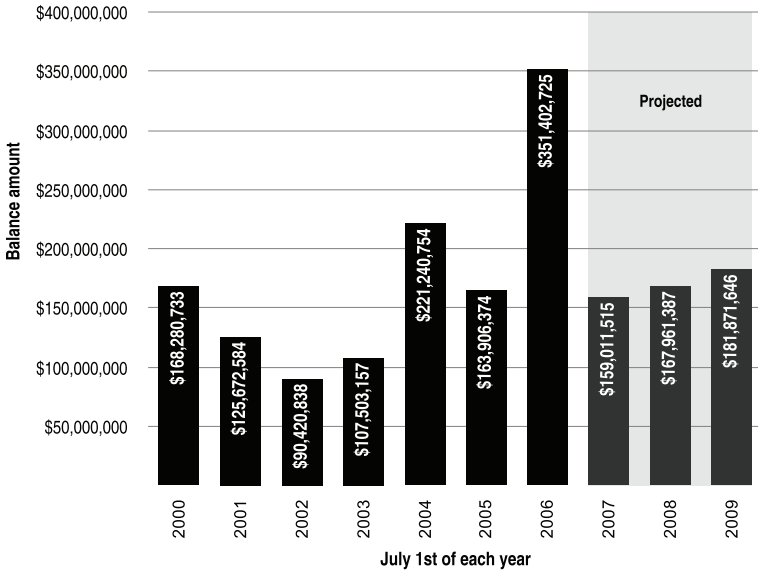


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FUND BALANCES

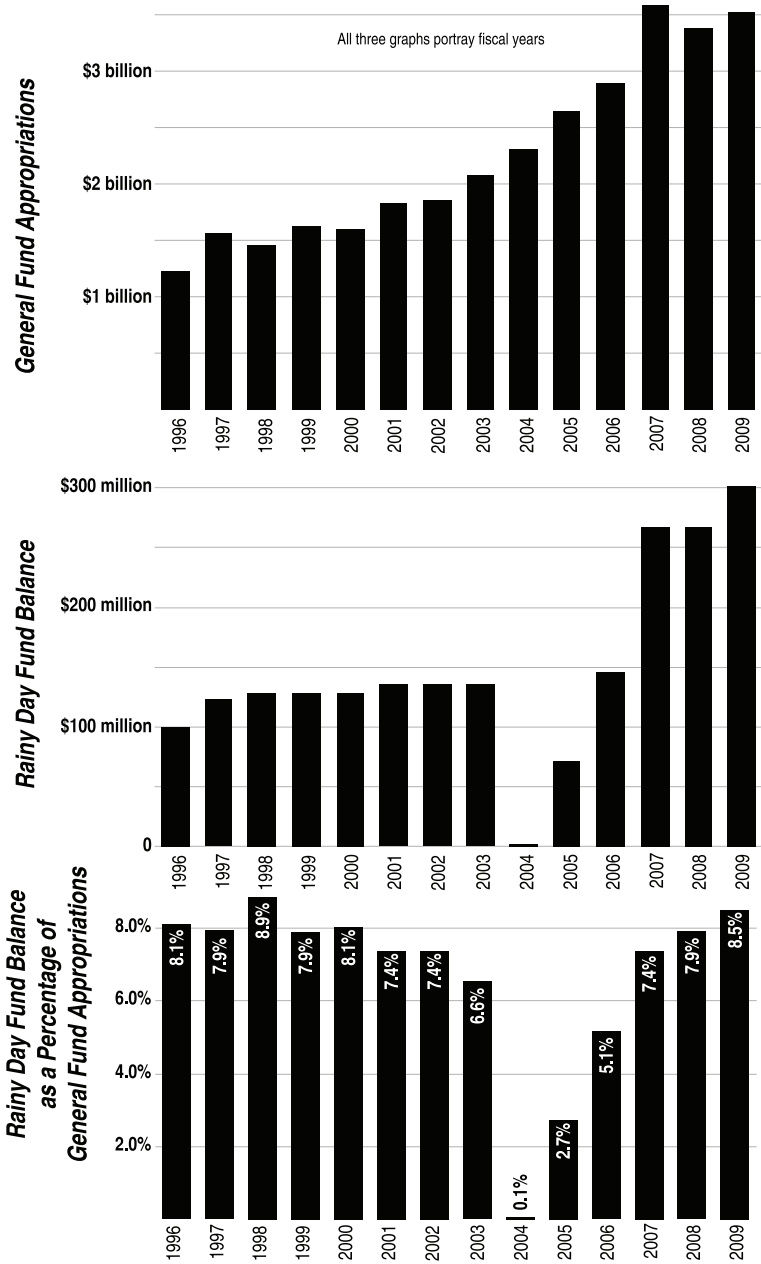
Nevada's General Fund is the major operating fund of the state. It receives all revenues and accounts for all expenditures not otherwise provided by law to be accounted for in any other fund. The bulk of the General Fund comes from sales tax (32%), gaming taxes (28%), the insurance premium tax (10%), and the modified business tax (9%).

General Fund Balances



The *Executive Budget* must recommend a General Fund reserve for each fiscal year of between 5% and 10% of proposed General Fund appropriations for the operation of state government. The forecast for the General Fund balance at the end of fiscal year 2007 is \$159.0 million. The ending balance for 2008 is projected to be \$168.0 million, and \$181.9 million for FY 2009.

Our state has not always had such prosperity. Economic downturns have struck both the state and its individual counties in recent years and undoubtedly will happen again.



The Rainy Day Fund is just that - a financial reserve for hard times. Created by the 1991 Legislature and formally known as the Fund to Stabilize the Operation of State Government, it exists to cover revenue shortfalls or provide a reserve in the event of a fiscal emergency, and is governed by NRS 353.288.

During fiscal year 2003, \$135 million was withdrawn from the fund when revenues fell far short of expectations in the wake of the September 2001 terrorist attacks. Since 2003, the Rainy Day Fund has been rebuilt and now stands at \$267 million. In fiscal year 2007 alone, over \$121 million was added to the fund. This budget will add \$36 million more to the Rainy Day fund to improve the cushion against an economic downturn.

\$23.7 million in General Fund appropriations and \$700,000 of Highway Fund appropriations recommended in fiscal year 2007 will restore the balances in the Interim Finance Contingency Fund, the Board of Examiners Emergency Fund, the Stale Claims Account, the Statutory Contingency Account, and other financial reserves.

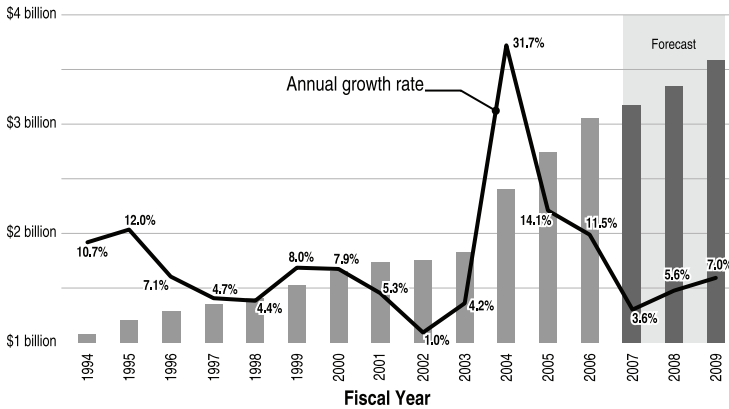
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SOURCES OF FUNDING

The Economic Forum, a group of private economic and financial experts appointed by the Legislature and the Governor, sets the General Fund revenue forecasts that are binding on the Governor's *Executive Budget* and on the Legislatively approved budget. General Fund revenue collections for fiscal year 2006 were \$3.06 billion, surpassing the Economic Forum's previous forecast in May 2005 by \$187.6 million. The Forum's November 2006 forecast for fiscal year 2007 revenue collections is \$3.17 billion, \$139 million more than its last forecast.

Economic Forum General Fund Revenue Forecast

In millions of dollars	2005 - 2007 Biennium		2007 - 2009 Biennium	
	FY 2006		FY 2008	FY 2009
	ACTUAL	FY 2007		
Mining Taxes	\$19.7	\$23.6	\$24.1	\$24.6
Sales and Use Taxes	\$1,005.1	\$1,042.6	\$1,096.0	\$1,172.7
Gaming Taxes	\$838.1	\$866.4	\$919.5	\$992.1
Casino / Live Entertainment Tax	\$117.1	\$125.3	\$133.3	\$144.7
Insurance Premium Tax	\$238.6	\$262.5	\$290.8	\$320.3
Liquor Tax	\$37.3	\$39.2	\$41.0	\$42.2
Cigarette Tax	\$114.7	\$115.2	\$115.7	\$116.2
Business License Tax	\$22.3	\$23.3	\$24.6	\$26.0
Modified Business Tax	\$255.3	\$286.9	\$320.4	\$346.5
Real Property Transfer Tax	\$164.8	\$123.7	\$124.2	\$134.9
Other	\$245.8	\$259.9	\$255.8	\$258.5
Total Revenue	\$3,058.8	\$3,168.6	\$3,345.4	\$3,578.8
Dollar change	\$316.1	\$109.8	\$176.7	\$233.5
Percent change	11.5%	3.6%	5.6%	7.0%
<i>Reduce Modified Business Tax</i>			(\$13.5)	(\$14.6)
<i>Eliminate Branch Bank Excise Tax</i>			(\$2.9)	(\$3.0)
<i>Transfer Unclaimed Property Revenue</i>			(\$7.8)	(\$7.8)
Total Revenue After Proposed Tax Changes			\$3,321.2	\$3,553.4
Biennium Total		\$6,227.4		\$6,874.6
Dollar change		\$1,080.8		\$647.2
Percent change		21.0%		10.4%

General Fund Revenue - History and Economic Forum Forecast

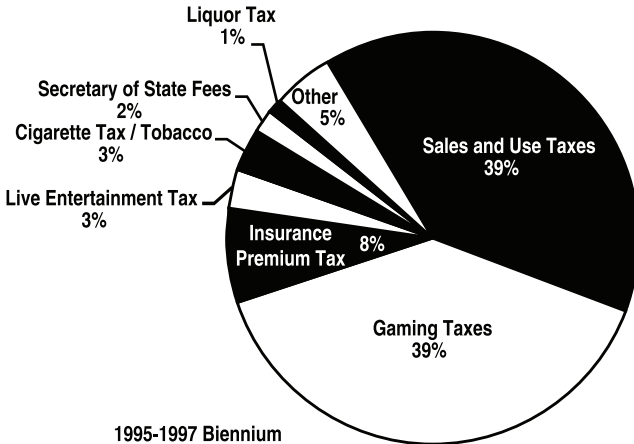
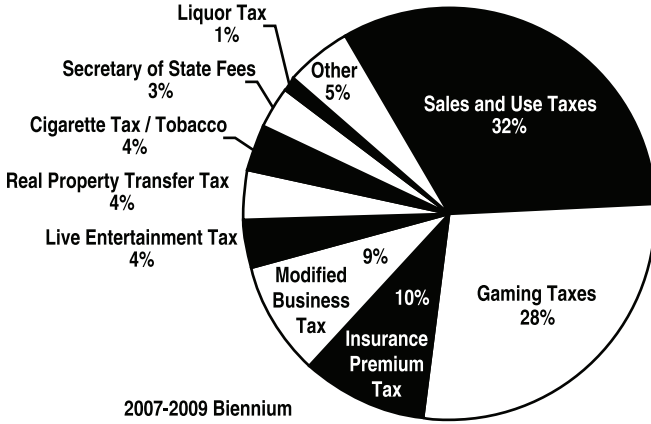
For fiscal year 2008, the Forum projects General Fund revenues to approach \$3.3 billion, 5.6% more than fiscal year 2007. In the second year of the coming biennium, the Forum projects General Fund revenues to climb to \$3.5 billion, a 7% increase over 2008. This growth marks a significantly slower pace than the 11% increase in fiscal year 2006, and the 14% in 2005. Fiscal year 2004 growth was particularly robust because it captured the first full year of new tax increases.

Total Sources of Funding by Fiscal Year: History and Forecast

Source	FY 2006	Forecast		
		FY 2007	FY 2008	FY 2009
General Fund	\$2,779.9	\$3,100.9	\$3,292.3	\$3,547.9
Balance Forward	(\$175.3)	\$571.8	\$420.5	\$439.9
Federal Fund	\$1,789.2	\$2,073.8	\$1,918.8	\$1,976.2
Highway Fund	\$532.6	\$488.9	\$465.4	\$629.8
Inter-Agency Transfer	\$369.2	\$636.6	\$665.2	\$789.1
Interim Finance	\$14.3	\$2.2	\$0.0	\$0.0
Other Funds	\$1,792.0	\$1,941.2	\$2,034.3	\$2,045.9
Reversions	(\$68.2)	\$0.0	\$0.0	\$0.0
Total for All Sources	\$7,033.9	\$8,815.3	\$8,796.4	\$9,428.8
Dollar Change		\$1,781.4	(\$18.9)	\$632.4
Percentage Change		25.3%	-0.2%	7.2%
Biennium Total		\$15,849.2		\$18,225.2
Dollar Change				\$2,376
Percentage Change				15.0%

The passage of Question 8 in the November 7, 2006 general election, removing all sales tax from the trade-in value of a vehicle, is expected to reduce General Fund revenues by \$44.7 million during the coming biennium.

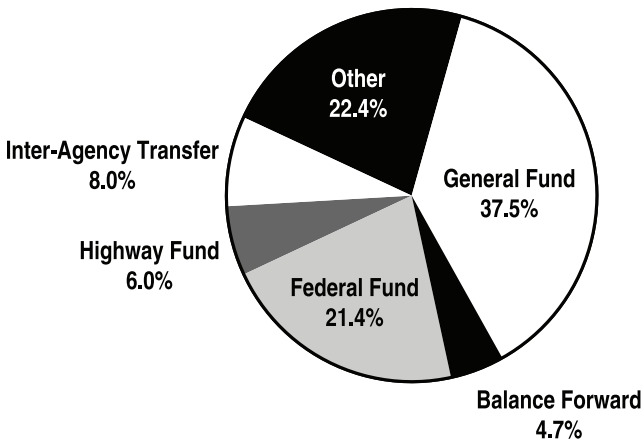
General Fund Revenue By Source - Comparison of 2007-2009 Biennium to the 1995-1997 Biennium



Revenues from Nevada's four largest taxes are projected to grow between 5% and 11% each year of the next biennium. Sales tax collections are forecast to grow 5.1% and 7% the first and second year of the coming biennium, with gaming growth at 6.1% and 7.9%. The insurance premium tax revenue is forecast to grow over 10% a year, with modified business tax revenues experiencing an 8% gain in fiscal year 2009, after 11% in 2008.

The Governor's budget reduces the tax burden on businesses by decreasing the non-financial Modified Business Tax rate from 0.65% to 0.62% - keeping over \$28 million in businesses coffers during the biennium. Eliminating the branch bank excise tax will keep nearly \$6 million more in the private sector. Both will reduce General Fund revenues by the amount of the tax cuts.

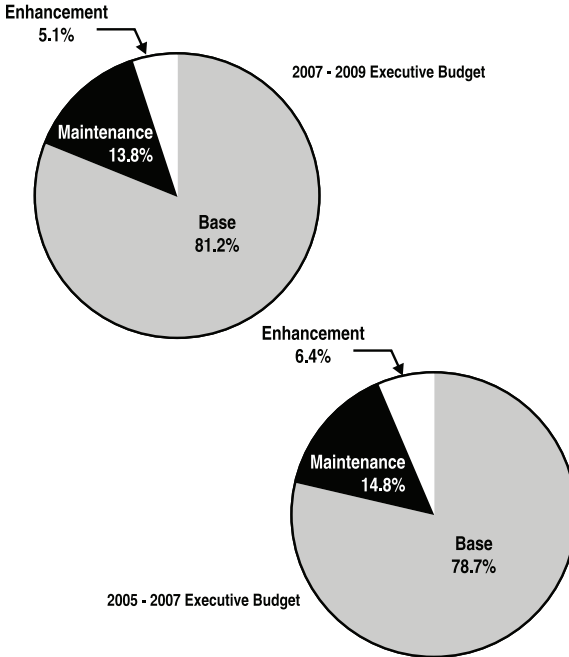
2007-2009 Executive Budget Total Sources of Funding



SPENDING SUMMARY

In comparison to the previous biennium, the *Executive Budget* for the 2007 - 2009 Biennium has a larger proportion of base expenditures and a smaller proportion of enhancements. The major forces driving this change are the spending cap on proposed expenditure and caseload growth.

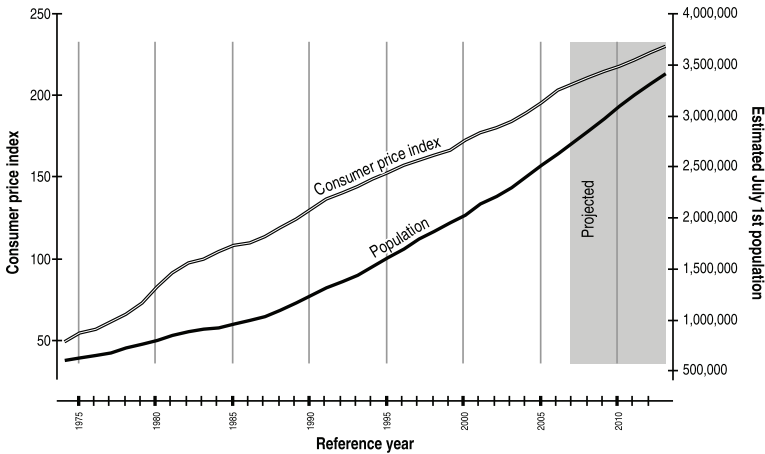
Executive Budget – General Fund Appropriations by Decision Unit Comparison of the 2007-2009 and 2005-2007 Biennia



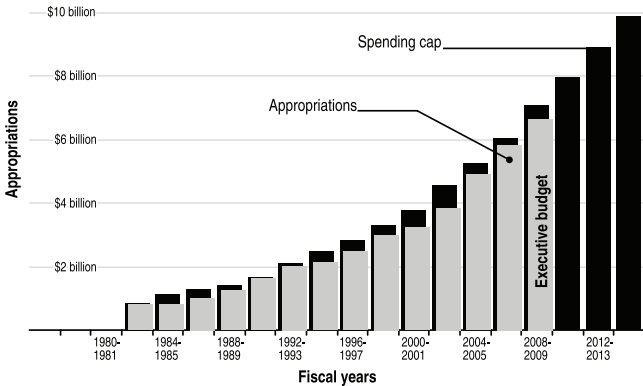
The limit on total proposed expenditures provided by NRS 353.213 was added to the budgeting process in 1979. It is designed to limit the growth of spending from the General Fund to the growth in population and inflation. The budget submitted by the Governor cannot exceed the amount appropriated for the 1975-77 biennial budget multiplied by the percent change in population from July 1974 and the percent change in the Consumer Price Index (CPI) from the same month. Construction expenditures are exempt from this limit, as are deposits to the Rainy Day Fund. This *Executive Budget* does not hit the spending cap, but the cap did help shape budget decisions.

Since 1974, the state's population has grown nearly 341% and the CPI, 312%. Starting with a base fiscal year 1976-77 budget of slightly less than \$390 million, calculating the increase for population and CPI places the spending cap for the 2007-2009 biennium at \$7.065 billion. The following tables show only appropriations that are subject to the cap.

Population and Prices - History and Projections



Legislatively Approved Appropriations Compared to the Spending Cap



2005-2007 Expenditure Limitation Provisions

FY 1976 - FY 1977 Base Expenditures	\$388,993,276
-------------------------------------	---------------

2004 Population Adjustment:

July 1974 population	596,747
July 2004 population	2,410,768
Percent Change	303.985%
Base Expenditures Adjusted for Population	\$ 1,571,474,486

2004 Inflation Adjustment:

July 1974 Consumer Price Index	49.4
July 2004 Consumer Price Index	189.4
Percent Change	283.401%

Allowable Expenditures Adjusted for Population and Inflation	\$ 6,025,048,894
2005-2007 Legislatively Approved Budget Appropriations	\$ 5,842,978,772
2007-2009 Executive Budget One-Shot Appropriations	\$ 180,401,760
Balance Below Spending Cap	\$ 1,668,362

2007-2009 Expenditure Limitation Provisions

FY 1976 - FY 1977 Base Expenditures	\$388,993,276
-------------------------------------	---------------

2006 Population Adjustment:

July 1974 population	596,747
July 2006 population projection	2,631,057
Percent Change	340.900%
Base Expenditures Adjusted for Population	\$ 1,715,071,354

2006 Inflation Adjustment:

July 1974 Consumer Price Index	49.4
July 2006 Consumer Price Index	203.5
Percent Change	311.943%

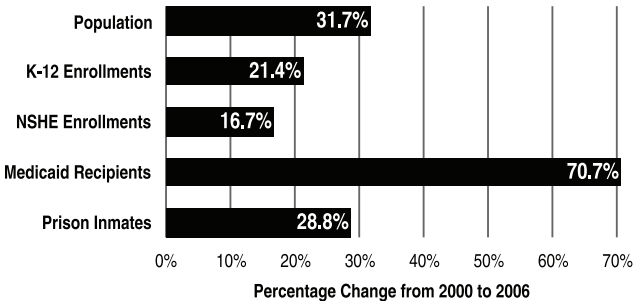
Allowable Expenditures Adjusted for Population and Inflation	\$ 7,065,116,387
2007-2009 Executive Budget Appropriations	\$ 6,907,081,462
Balance Below Spending Cap	\$ 158,034,925

Although this cap does not apply to the final budget approved by the Legislature, any amounts approved for operations that exceed the cap may be subject to cuts in the following biennium, as the new *Executive Budget* is prepared.

Total Operating Expenditures	\$6,840,177,418
Adjustments	
Cost of Session	\$20,500,000
One-Shots	\$53,721,031
Exempt from Limitation on Expenditures	(\$7,316,987)
Total Adjustments	\$66,904,044
Operating Total plus Adjustments	\$6,907,081,462
Statutory Limitation on Expenditures	\$7,065,116,387
Amount (over) / under Statutory Limitation	\$158,034,925
2007 Capital Improvement Program	\$50,000,000
Fund to Stabilize the Operation of State Government	\$36,000,000
Exempt from Limitation on Expenditures (add back in)	\$7,316,987
Grand Total including Capital Improvement Program	\$7,000,398,449

Although there will be nearly a billion dollars more in revenues available for this biennium than for 2005-2007, it will cost nearly \$500 million just to maintain current programs once caseload, inflation, and other growth-related costs are taken into account.

Nevada Population and Major Caseload Growth

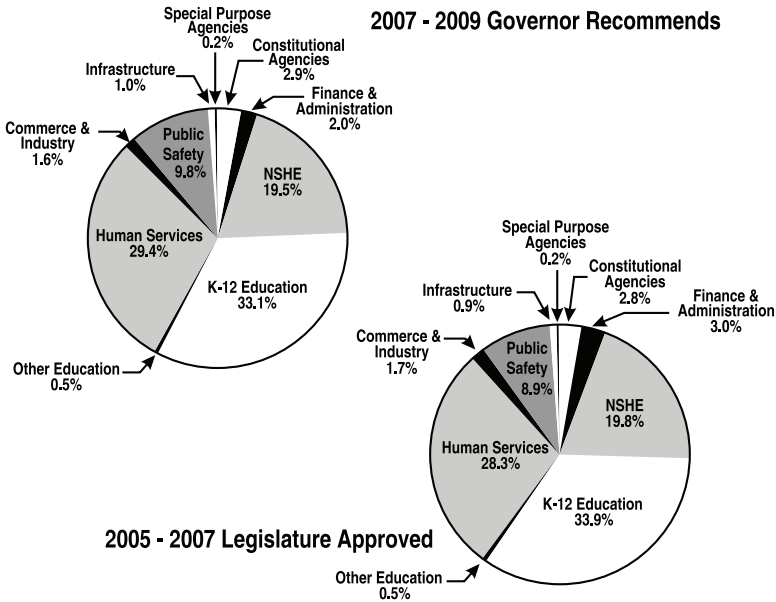


Caseload is a measure of the demand on a service and is driven by outside forces. The Department of Corrections' caseload is the number of inmates it must house. Caseload for the Nevada System of Higher Education (NSHE) is the number of students it teaches. Since 2000, Nevada has seen its population increase by nearly 32%. During the same time, our prison population has swollen by almost 3,000, higher education has added over 14,000 students, there are 70,000 more students enrolled in public school, and the number of Medicaid recipients has grown over 70%. In order to maintain levels of service in these areas, the state must restrict growth in other programs and projects.

General Fund Appropriations by Function

In millions of dollars Function	2005 Legislature Approved		2007 - 09 Governor Recommends	
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
Elected Officials	\$32.4	\$30.9	\$34.2	\$35.9
Legislative / Judicial	\$49.2	\$51.1	\$62.4	\$67.8
Finance & Administration				
Department of Administration	\$7.8	\$7.8	\$7.9	\$8.3
Information Technology Projects	\$15.3	\$0.9	\$0.0	\$0.0
Department of Taxation	\$37.4	\$29.7	\$30.6	\$31.4
Salary Adjustments	\$27.9	\$46.0	\$17.6	\$37.3
Subtotal Finance & Administration	\$88.3	\$84.4	\$56.0	\$77.1
Education				
University System	\$557.4	\$591.8	\$650.2	\$684.9
Kindergarten to 12th Grade	\$926.8	\$1,036.1	\$1,101.0	\$1,166.1
Other Education	\$14.2	\$13.7	\$15.9	\$16.6
Subtotal Education	\$1,498.3	\$1,641.6	\$1,767.1	\$1,867.6
Human Services	\$774.0	\$866.0	\$953.9	\$1,057.2
Commerce & Industry	\$50.2	\$49.5	\$53.8	\$54.7
Public Safety	\$248.0	\$268.2	\$321.0	\$345.7
Infrastructure	\$27.5	\$27.0	\$36.8	\$33.8
Special Purpose Agencies	\$5.6	\$5.5	\$7.1	\$8.2
Total by Fiscal Year	\$2,773.5	\$3,024.4	\$3,292.3	\$3,547.9
Dollar Change		\$250.9	\$267.9	\$255.6
Percent Change		9.0%	8.9%	7.8%
Total by Biennium		\$5,797.9		\$6,840.2
Dollar Change				\$1,042.3
Percent Change				18.0%

Executive Budget General Fund Appropriations by Function - Comparison of the 2007-2009 and 2005-2007 Biennia



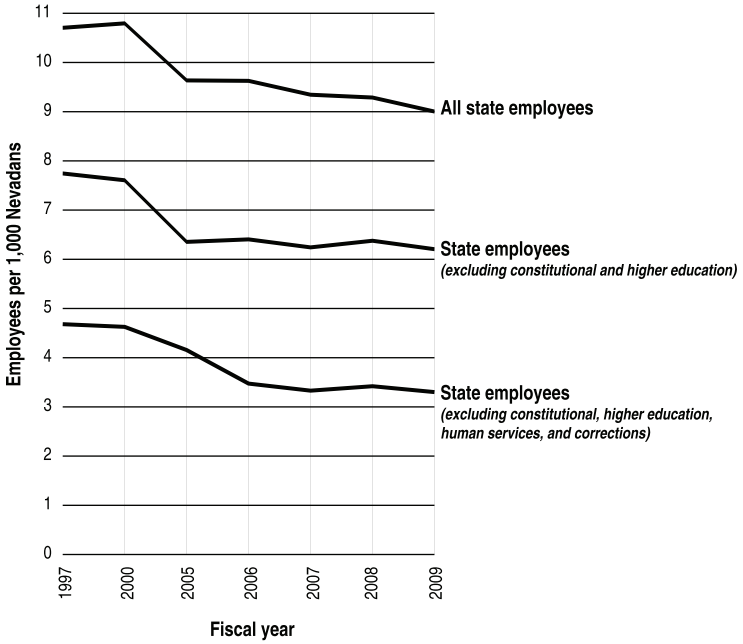
Total Spending by Function

In millions of dollars

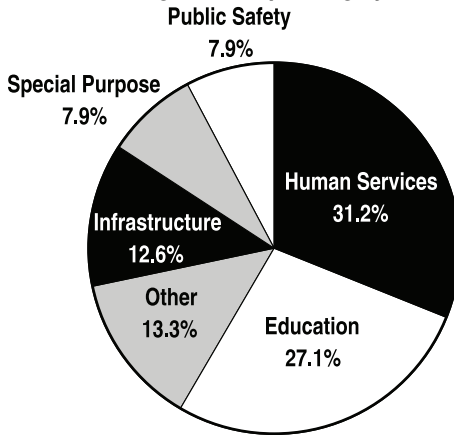
Function	2005-2007 Biennium		2007-2009 Biennium	
	FY 2006	FY 2007	FY 2008	FY 2008
	Actual	Work Program		
Elected Officials	\$353.8	\$550.9	\$537.7	\$591.0
Legislative / Judicial	\$69.2	\$74.0	\$86.7	\$90.9
Finance & Administration	\$234.2	\$320.5	\$249.5	\$301.6
Education	\$1,988.0	\$2,449.0	\$2,404.0	\$2,537.9
Human Services	\$2,277.1	\$2,662.4	\$2,757.8	\$2,927.2
Commerce & Industry	\$181.6	\$261.8	\$281.3	\$287.8
Public Safety	\$561.0	\$667.3	\$688.3	\$750.0
Infrastructure	\$1,005.1	\$1,285.3	\$1,137.1	\$1,154.5
Special Purpose Agencies	\$364.0	\$544.2	\$654.1	\$787.8
Total by Fiscal Year	\$7,033.9	\$8,815.3	\$8,796.4	\$9,428.8
Dollar Change		\$1,781.4	(\$18.9)	\$632.4
Percent Change		25.3%	-0.2%	7.2%
Total by Biennium		\$15,849.2		\$18,225.2
Dollar Change				\$2,376.0
Percent Change				15.0%

The state has seen a steady decline in per capita state government employment in Nevada, particularly in departments outside of human services, corrections, and higher education.

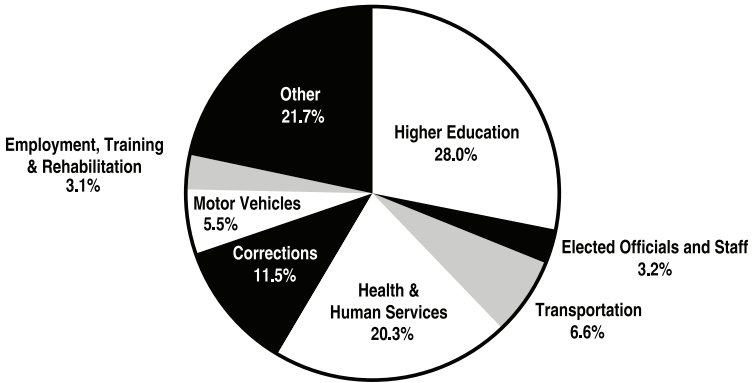
Number of State Employees per 1,000 Nevadans



2007-2009 Executive Budget Total Spending by Function



2007 - 2009 Executive Budget Positions by Department



GENERAL HIGHLIGHTS

War on Methamphetamine Abuse

Unfortunately, in the National Survey on Drug Use and Health, Nevada earned the distinction of having the highest rate of methamphetamine use among people 12 or older, and one of the highest rates of use in the nation for 18 to 25 year-olds. According to the US Drug Enforcement Administration, the state also serves as a distribution hub for methamphetamine shipments arriving from California and Mexico. This addiction has a devastating impact on Nevada's families, schools, and economy.

To combat this blight upon the state, the Governor's budget pledges \$17.4 million from the General Fund to develop and coordinate statewide drug education, treatment, and enforcement programs aimed both at preventing the flow of methamphetamine into Nevada and rebuilding from the damage it has wrought. A \$100,000 one-shot will fund a methamphetamine working group in the Governor's Office to direct efforts throughout the state.

Most of the crimes committed in Nevada have a drug related component. Northern Nevada's Secret Witness program reports that "nearly 70% of all crimes [are] related to meth use." Seven of ten child abuse cases are exacerbated by a parent's abuse of drugs and alcohol. In most cases the abuse is a long-standing problem, lasting more than five years. Approximately 50% of existing drug and alcohol funding goes toward methamphetamine prevention and treatment.

The \$17.4 million includes new resources for law enforcement: ten new Department of Public Safety investigators specializing in the battle against the methamphetamine epidemic facing Nevada.

Services to the People

\$10 million from the General Fund in fiscal year 2007 followed by an additional \$5 million in both 2008 and 2009 will fuel research at the Nevada Cancer Institute towards discovering new ways to prevent, detect, and treat cancer - discoveries that improve the lives of Nevadans.

Nevada will contribute \$10 million from the General Fund to assist research, operations, clinical services, and public outreach and education programs at the Lou Ruvo Brain Institute in Las Vegas, to accelerate the discovery of cures for memory disorders and dementia associated with neurodegenerative diseases such as Alzheimer, Huntington, Parkinson, ALS and other brain dysfunctions. The Institute is due to open in late 2008.

The Institute for Neuro-Immune Disease will receive a General Fund appropriation of \$3.5 million, with the goal of helping the citizens of our state who suffer from neuro-immune disorders.

Providing support for vocational training, employment, and social recreation services for people with intellectual disabilities in southern Nevada, Opportunity Village is a prime example of beneficial programs supported by the General Fund – \$12 million in this biennium. Washoe Arc, a similar program for those in the north, receives \$2.5 million from the General Fund as part of the budget.

The Nevada Discovery Museum, due to open in 2008 in downtown Reno, will provide children with hands-on educational exhibits and programs that stimulate curiosity and creativity. The General Fund will contribute \$2.1 million to ensure that this valuable asset becomes a reality.

White Pine County has recently pulled itself up from a severe financial downturn. As a further boost to its health, the county will receive a General Fund appropriation of \$6.5 million to help build a new courthouse.

Salary Increases

Nevada's public schools, system of higher education, and state employees will receive a 2% cost-of-living adjustment (COLA) in fiscal year 2008, followed by a 4% increase in fiscal year 2009. Total cost for the biennium is \$321.8 million, of which \$261.9 comes from the General Fund and \$14 million from the Highway Fund.

An \$11 million appropriation from the General Fund (\$18.2 million including all funds) will bring the salaries of nurses, mental health counselors, psychologists, clinical social workers, mid-level medical practitioners, construction inspectors, highway equipment mechanics, and others in state service closer to the levels offered by the private sector, local and county governments, and other western states. \$201,313 in General Fund (approximately \$2 million total) will increase the pay of selected sworn po-

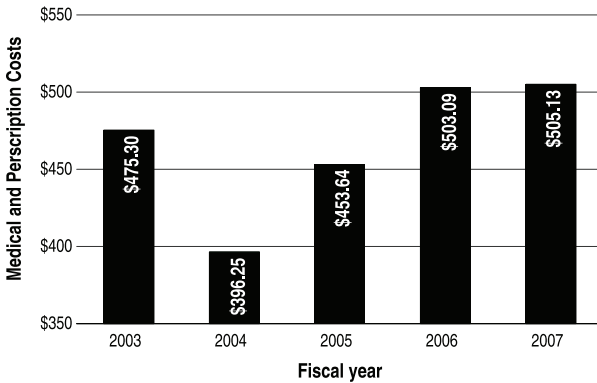
sitions in the Departments of Health and Human Services, Business and Industry, Agriculture, and Motor Vehicles.

The 2005 Legislature awarded a one-step increase to classified employees and this budget does the equivalent for those in the unclassified service. The equity adjustment will cost a total of a little over \$12.5 million for the biennium, of which \$6.3 million comes from the General Fund.

Public Employees' Benefits Program

Nevada subsidizes retirees' health insurance on a pay-as-you-go basis, and only the current cash outlay for those subsidies is reported in the state's financial statements. The new Governmental Accounting Standards Board (GASB) rules require the state to reflect the future cost as a liability in its financial statements unless sufficient funding to finance the liability is set aside each year. \$50.0 million in total resources (\$30 million from the General Fund) will be placed in an irrevocable trust account to fund this future liability.

PEBP Self-Funded Medical and Prescription Costs per Participant per Month



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ELECTED OFFICIALS

Nevada's ongoing effort to fight the opening of the Yucca Mountain nuclear repository will receive a boost of nearly a million of General Fund dollars for the Attorney General's litigation against the federal government. An additional \$2 million from the General Fund will be directed to the Governor's Office of Nuclear Projects for Yucca Mountain oversight, pre-licensing, and licensing activities.

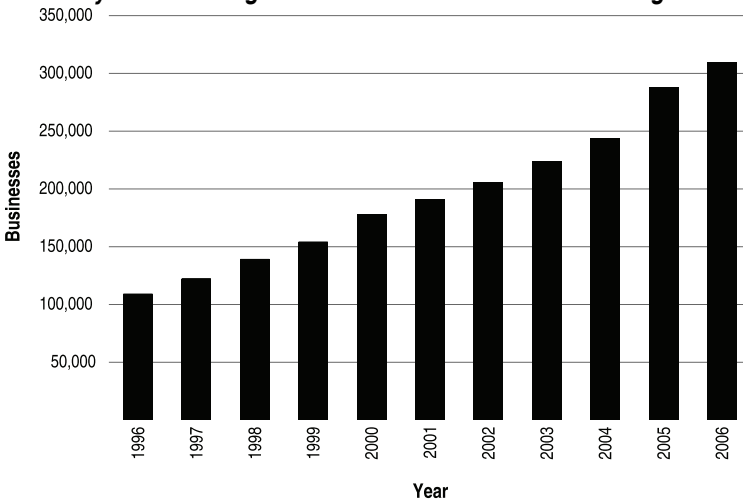
Elected Officials' Budgets

	2005 - 2007 Biennium			2007 - 2009 Biennium			
	FY 2006	FY 2007		FY 2008		FY 2009	
			Change		Change		Change
Governor	\$9.7	\$11.8	\$2.1	\$11.6	(\$0.2)	\$11.9	\$0.2
General Fund	\$5.2	\$5.1	(\$0.1)	\$6.4	\$1.3	\$6.5	\$0.1
Other	\$4.5	\$6.7	\$2.2	\$5.2	(\$1.5)	\$5.3	\$0.1
Positions	56.0	63.0	7.0	60.5	-2.5	60.5	0.0
Lieutenant Governor	\$0.6	\$0.6	\$0.0	\$0.6	\$0.1	\$0.7	\$0.0
General Fund	\$0.5	\$0.5	\$0.0	\$0.6	\$0.1	\$0.6	\$0.0
Other	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Positions	7.0	7.0	0.0	7.0	0.0	7.0	0.0
Attorney General	\$36.7	\$50.9	\$14.2	\$53.1	\$2.2	\$53.5	\$0.3
General Fund	\$12.1	\$12.0	(\$0.1)	\$13.6	\$1.6	\$15.1	\$1.5
Other	\$24.7	\$38.9	\$14.2	\$39.6	\$0.7	\$38.4	(\$1.2)
Positions	332.4	331.9	-0.5	345.9	14.0	345.9	0.0
Controller	\$3.8	\$4.0	\$0.2	\$4.8	\$0.8	\$4.8	\$0.0
General Fund	\$3.8	\$3.8	\$0.0	\$4.7	\$0.9	\$4.6	(\$0.1)
Other	(\$0.1)	\$0.1	\$0.2	\$0.1	(\$0.1)	\$0.2	\$0.1
Positions	45.0	45.0	0.0	45.0	0.0	45.0	0.0
Secretary of State	\$13.2	\$23.6	\$10.4	\$21.7	(\$1.9)	\$19.5	(\$2.2)
General Fund	\$7.8	\$7.7	(\$0.1)	\$7.3	(\$0.5)	\$7.4	\$0.2
Other	\$5.4	\$15.9	\$10.5	\$14.4	(\$1.4)	\$12.0	(\$2.4)
Positions	140.6	140.6	0.0	140.6	0.0	140.6	0.0
Treasurer	\$289.9	\$450.6	\$160.8	\$445.8	(\$4.8)	\$500.7	\$54.9
General Fund	\$1.5	\$1.5	\$0.0	\$1.6	\$0.2	\$1.6	(\$0.0)
Other	\$288.4	\$449.2	\$160.8	\$444.2	(\$5.0)	\$499.1	\$54.9
Positions	39.0	39.0	0.0	41.0	2.0	41.0	0.0
Total	\$353.8	\$541.4	\$187.6	\$537.7	(\$3.7)	\$591.0	\$53.3
General Fund	\$30.9	\$30.7	(\$0.2)	\$34.2	\$3.6	\$35.9	\$1.7
Other	\$322.9	\$510.8	\$187.9	\$503.5	(\$7.3)	\$555.1	\$51.6
Positions	620.0	626.5	6.5	640.0	13.5	640.0	0.0

In millions of dollars; positions expressed on a full-time equivalent basis

Virtually all serious crimes now entail digital evidence. Examples are cell phone use in drug crimes, computer use in identity theft and child pornography, and Internet/computer use in first-degree murder for research in body disposal or lethal drug dosages. As first responders are trained to recognize the importance of digital evidence, requests for forensic examination will increase. This increase will be far greater than any overall increase in reported crime. The budget expands and changes the High Tech Crime Task Force into a specialized investigative unit. This unit will also be available to state and local government agencies that request assistance when a security breach occurs. The expansion will total \$2.2 million, of which \$1.1 million will come from the General Fund.

Secretary of State Filings - Business Entities in Good Standing



LEGISLATIVE & JUDICIAL

Legislative

\$6.6 million from the General Fund will go to the Legislature to print Nevada Reports and the Statutes of Nevada, and for information technology projects, new screens for chambers, general building maintenance projects, and planning a new office building.

Judicial

The Judicial Task Force on Compensation recommended a salary upgrade for district judges and Supreme Court justices, which will cost \$2.5 million, all General Fund.

The specialty drug and mental health courts will continue to serve troubled Nevadans, receiving a total of \$13.4 million over the coming biennium, of which \$5.1 million comes from the General Fund.

Legislative and Judicial Budgets

	2005 - 2007 Biennium			2007 - 2009 Biennium			
	FY 2006	FY 2007		FY 2008		FY 2009	
			Change	Change		Change	
Judicial Discipline							
Comm.	\$0.5	\$0.5	\$0.0	\$0.5	\$0.0	\$0.5	\$0.0
General Fund	\$0.5	\$0.5	\$0.0	\$0.5	\$0.0	\$0.5	\$0.0
Other	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Positions	2.5	2.5	0.0	2.5	0.0	2.5	0.0
Legislative Counsel							
Bureau	\$33.1	\$33.3	\$0.2	\$39.3	\$5.9	\$39.2	(\$0.1)
General Fund	\$27.3	\$28.5	\$1.2	\$34.2	\$5.7	\$34.8	\$0.6
Other	\$5.8	\$4.8	(\$1.0)	\$5.1	\$0.2	\$4.4	(\$0.7)
Positions	N/A	295.0		311.0	16.0	311.0	0.0
Supreme Court	\$35.6	\$40.2	\$4.6	\$46.9	\$6.7	\$51.2	\$4.3
General Fund	\$21.3	\$21.8	\$0.5	\$27.7	\$5.8	\$32.4	\$4.8
Other	\$14.3	\$18.4	\$4.1	\$19.2	\$0.8	\$18.8	(\$0.5)
Positions	193.0	197.0	4.0	218.1	21.0	219.1	1.0
Total	\$69.2	\$74.0	\$4.9	\$86.7	\$12.6	\$90.9	\$4.3
General Fund	\$49.1	\$50.8	\$1.7	\$62.4	\$11.6	\$67.8	\$5.4
Other	\$20.0	\$23.2	\$3.2	\$24.3	\$1.1	\$23.2	(\$1.1)
Positions	N/A	494.6	N/A	531.6	37.0	532.6	1.0

In millions of dollars; positions expressed on a full-time equivalent basis

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FINANCE AND ADMINISTRATION

Finance and Administration Budgets

	2005 - 2007 Biennium			2007 - 2009 Biennium			
	FY 2006	FY 2007		FY 2008		FY 2009	
			Change		Change		Change
Administration	\$156.2	\$233.2	\$77.0	\$165.3	(\$67.9)	\$215.2	\$49.9
General Fund	\$50.0	\$98.2	\$48.2	\$34.1	(\$64.0)	\$72.6	\$38.5
Other	\$106.2	\$135.0	\$28.8	\$131.2	(\$3.8)	\$142.7	\$11.4
Positions	338.5	337.5	-1.0	362.5	25.0	362.5	0.0
Information Technology	\$29.0	\$37.7	\$8.7	\$35.2	(\$2.5)	\$36.4	\$1.2
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$29.0	\$37.7	\$8.7	\$35.2	(\$2.5)	\$36.4	\$1.2
Positions	158.0	158.0	0.0	144.0	-14.0	147.0	3.0
Personnel	\$12.0	\$16.1	\$4.1	\$17.4	\$1.3	\$16.7	(\$0.7)
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$12.0	\$16.1	\$4.1	\$17.4	\$1.3	\$16.7	(\$0.7)
Positions	87.0	87.0	0.0	90.0	3.0	90.0	0.0
Taxation	\$37.0	\$33.4	(\$3.5)	\$31.6	(\$1.8)	\$33.2	\$1.6
General Fund	\$35.3	\$31.8	(\$3.5)	\$30.6	(\$1.2)	\$31.4	\$0.8
Other	\$1.7	\$1.6	\$0.0	\$1.0	(\$0.6)	\$1.8	\$0.8
Positions	323.5	323.5	0.0	335.5	12.0	335.5	0.0
Total	\$234.2	\$320.5	\$86.3	\$249.5	(\$71.0)	\$301.6	\$52.1
General Fund	\$85.3	\$130.0	\$44.7	\$64.7	(\$65.3)	\$104.0	\$39.3
Other	\$148.9	\$190.5	\$41.6	\$184.8	(\$5.7)	\$197.6	\$12.8
Positions	907.0	906.0	-1.0	932.0	26.0	935.0	3.0

In millions of dollars; positions expressed on a full-time equivalent basis

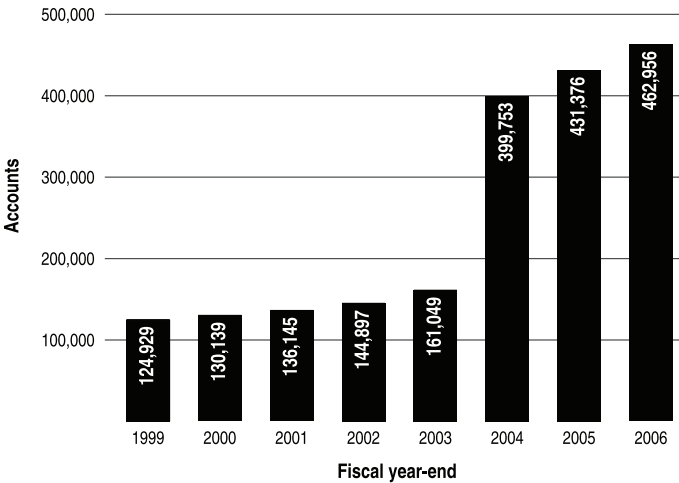
The Capital Improvement Program (CIP) totals \$912.1 million, financed by \$525 million of general obligation bonds, \$194 million of general funds, and \$193 million in other funds.

2007 Capital Improvement Program Summary

Bond Availability Balanced Forward	19,525,000
New Bonding Available for CIP	505,300,000
2007 General Fund Appropriation Balanced Forward	144,000,000
General Fund Appropriations - 2008 and 2009	50,000,000
Highway Funds Available	23,497,845
Other Funds Available	169,794,585
Total Funds Available	912,117,430
2007 CIP	912,085,654
Total Expenditures	912,085,654
Remaining Funding	31,776

The budget includes \$11.9 million to continue developing, implementing, and supporting the Department of Taxation’s Unified Tax System (UTS) to better manage revenue collection, and \$1.6 million to improve tax return data entry, imaging, and retrieval, both with General Funds.

Active Taxation Accounts



EDUCATION

Education K-12

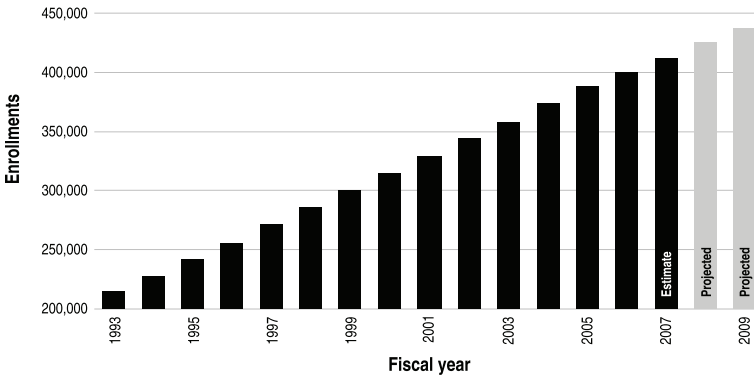
The *Executive Budget* dedicates over \$60 million of General Funds to improve to the K-12 school system. A major part of this is a program designed to empower schools and decentralize school budgeting. It is intended to encourage principals, staff, parents, and students to take a more active role in developing school programs and budgets that reflect local needs. The \$60 million also provides faculty with merit pay incentives and funds school safety programs.

Education Budgets

	2005 - 2007 Biennium			2007 - 2009 Biennium			
	FY 2006	FY 2007		FY 2008		FY 2009	
			Change	Change		Change	
Cultural Affairs	\$18.7	\$23.1	\$4.4	\$18.9	(\$4.2)	\$20.2	\$1.3
General Fund	\$13.2	\$13.2	\$0.0	\$14.6	\$1.4	\$15.2	\$0.6
Other	\$5.5	\$9.9	\$4.4	\$4.3	(\$5.6)	\$5.0	\$0.6
Positions	160.2	160.2	0.0	161.4	1.2	177.9	16.5
Higher Education	\$719.5	\$779.3	\$59.7	\$842.7	\$63.4	\$897.3	\$54.6
General Fund	\$555.6	\$597.9	\$42.3	\$641.5	\$43.7	\$658.0	\$16.4
Other	\$164.0	\$181.4	\$17.5	\$201.1	\$19.7	\$239.3	\$38.2
Positions	6,761.9	6,831.5	69.6	6,832.8	1.3	6,832.8	0.0
K-12 Education	\$1,247.9	\$1,644.6	\$396.7	\$1,540.5	(\$104.2)	\$1,618.5	\$78.0
General Fund	\$933.2	\$1,043.2	\$110.0	\$1,101.0	\$57.8	\$1,166.1	\$65.1
Other	\$314.6	\$601.4	\$286.8	\$439.4	(\$162.0)	\$452.3	\$12.9
Positions	144.5	144.5	0.0	150.5	6.0	150.5	0.0
Postsecondary Ed.	\$0.4	\$0.4	\$0.0	\$0.4	\$0.0	\$0.4	\$0.0
General Fund	\$0.2	\$0.2	\$0.0	\$0.3	\$0.0	\$0.3	\$0.0
Other	\$0.1	\$0.1	\$0.0	\$0.1	\$0.0	\$0.1	\$0.0
Positions	4.0	4.0	0.0	4.0	0.0	4.0	0.0
W.I.C.H.E	\$1.6	\$1.6	\$0.1	\$1.6	(\$0.1)	\$1.6	\$0.0
General Fund	\$1.1	\$1.1	\$0.0	\$1.1	(\$0.1)	\$1.1	\$0.0
Other	\$0.4	\$0.5	\$0.1	\$0.5	\$0.0	\$0.5	\$0.0
Positions	3.0	3.0	0.0	3.0	0.0	3.5	0.5
Total	\$1,988.0	\$2,449.0	\$460.9	\$2,404.0	(\$45.0)	\$2,537.9	\$134.0
General Fund	\$1,503.4	\$1,655.6	\$152.2	\$1,758.4	\$102.8	\$1,840.7	\$82.3
Other	\$484.6	\$793.3	\$308.7	\$645.5	(\$147.8)	\$697.2	\$51.7
Positions	7,073.6	7,143.2	69.6	7,151.7	8.5	7,168.7	17.0

In millions of dollars; positions expressed on a full-time equivalent basis

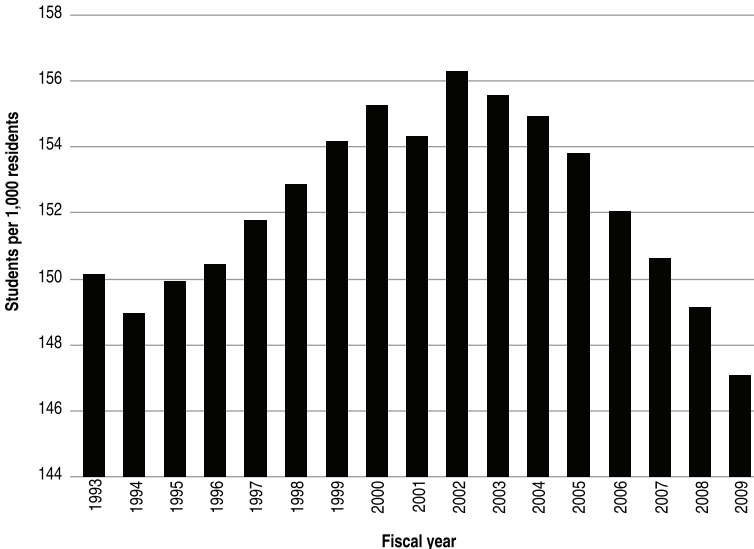
K-12 School Enrollments



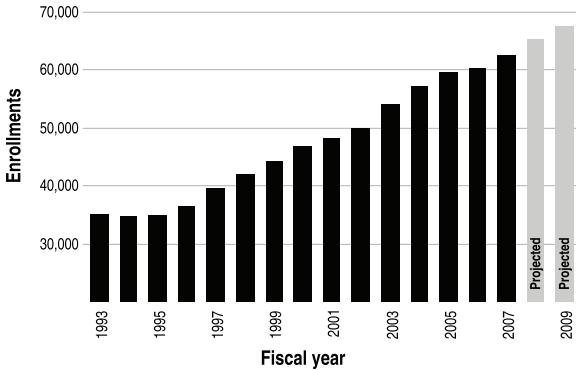
Nevada’s pilot all-day kindergarten program will continue with over \$51 million from the General Fund this biennium.

The Regional Professional Development Program will receive an additional \$6.7 million from the General Fund in the upcoming biennium to provide continuous training and education for teachers, counselors, and administrators of Nevada’s schools. \$3.7 million will also be available from the General Fund to improve schools whose students are not making adequate yearly progress but the schools do not qualify for federal funds through the No Child Left Behind Act.

K-12 Students per 1,000 Residents



Nevada System of Higher Education Enrollments

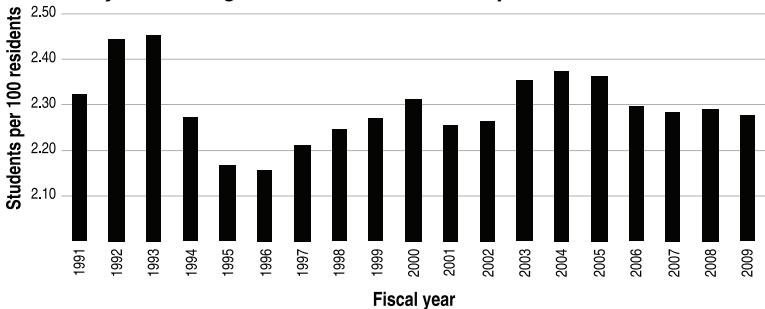


Higher Education

As part of the state's capital improvement program, \$157 million, \$110 million of it from the General Fund, will be used to build three new university health sciences projects in Reno and Las Vegas that strengthen Nevada's standing as a center of medical research and training. An additional \$89.2 million in state money will complete and provide furniture, fixtures, and equipment for eight major higher education projects, including the Greenspun building at the University of Nevada, Las Vegas and the Math and Science center at the University of Nevada, Reno. \$9.5 million of state funds will build Phase II of the Computational Research and Visualization Building at the Desert Research Institute.

A critical ingredient to ensure that Nevada's job growth remains strong is providing a trained and capable labor force. Over the next two years, \$7 million in General Fund will be directed through our community colleges

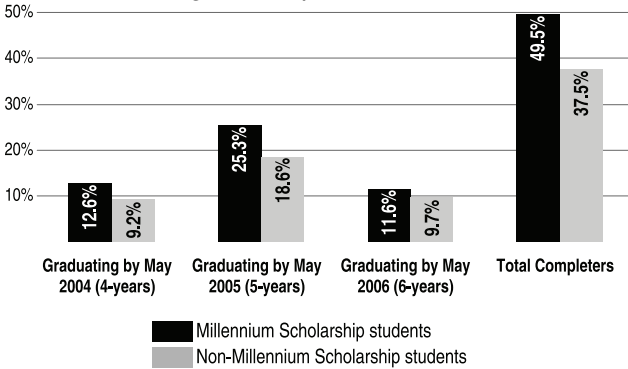
Nevada System of Higher Education Students per 100 Residents



for workforce development. This innovative effort will offer grants, training, and services designed to supply Nevada's workers with the skills they need to successfully compete in the state's diverse economy.

The Desert Research Institute will receive \$3.9 million from the General Fund, over half of which will be used to map and study Nevada's scarce groundwater resources. This research will help to reduce disputes and improve the decision-making process concerning groundwater in the state.

UNR and UNLV Graduation Rates (first-time, full-time freshman, entering Fall 2000)



The Millennium Scholarship program will continue to help Nevada's brightest and most promising students continue their education in the Nevada System of Higher Education. As part of this budget, \$5.6 million in revenues earned from Nevada's unclaimed property account will be reinvested in the state's future as Millennium Scholarships.

\$400,000 of General Fund will be used to develop the Nevada Scholars program, which is specifically intended to groom Nevada students to successfully compete for prestigious postgraduate awards and programs such as the Rhodes Scholarship.

Another \$400,000 from the General Fund is set aside for the P-21 Council – a program designed to encourage high school seniors not only to attend college, but to continue on to post-graduate work in Nevada's university system.

\$16.4 million in General Funds is included to increase the Nevada System of Higher Education's formula funding from 84.5% to 85.5%.

\$18 million in General Funds will be used to “hold harmless” those educational institutions that would otherwise lose state funding due to lower than budgeted enrollment growth.

Cultural Affairs

Over \$11.5 million of state funds are earmarked to complete the new Nevada State Museum, slated to open at the Las Vegas Springs Preserve site in July 2008, plus another \$1 million, \$788,095 in General Fund, to staff and operate it. The new facility will be almost double the size of the existing facility.

As the Nevada State Museum moves to its new quarters, state funds of \$1.6 million will remodel a portion of its old space at Lorenzi Park, creating space for the Nevada Arts Council, a long-planned Southern Nevada Records Center, State Historic Preservation Office and the Division of Museums & History.

The Nevada State Railroad Museum will receive \$120,000 from the General Fund to finalize reconstruction of the McKeen Motor Car and to determine whether the Hall-Scott Motor Car is a beneficial artifact with unique historical value that the state should restore.

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COMMERCE AND INDUSTRY

Commerce & Industry Budgets

	2005 - 2007 Biennium			2007 - 2009 Biennium			
	FY 2006	FY 2007		FY 2008		FY 2009	
				Change		Change	
Agriculture	\$12.4	\$16.2	\$3.8	\$15.9	(\$0.3)	\$16.1	\$0.2
General Fund	\$4.2	\$3.9	(\$0.3)	\$4.1	\$0.2	\$4.1	(\$0.0)
Other	\$8.2	\$12.3	\$4.1	\$11.8	(\$0.5)	\$11.9	\$0.2
Positions	102.0	102.0	0.0	100.0	-2.0	100.0	0.0
Business and Industry	\$77.0	\$138.2	\$61.1	\$152.0	\$13.8	\$156.8	\$4.8
General Fund	\$8.4	\$8.4	\$0.0	\$9.0	\$0.6	\$9.3	\$0.3
Other	\$68.7	\$129.8	\$61.1	\$143.0	\$13.2	\$147.5	\$4.5
Positions	635.0	635.0	0.0	684.0	49.0	704.0	20.0
Economic Development	\$12.7	\$14.8	\$2.1	\$13.7	(\$1.1)	\$13.8	\$0.1
General Fund	\$9.3	\$9.3	\$0.0	\$9.0	(\$0.3)	\$9.0	\$0.0
Other	\$3.4	\$5.6	\$2.1	\$4.7	(\$0.8)	\$4.8	\$0.1
Positions	32.0	32.0	0.0	32.0	0.0	32.0	0.0
Gaming Control Board	\$48.2	\$54.2	\$6.0	\$59.5	\$5.3	\$61.9	\$2.4
General Fund	\$28.7	\$28.4	(\$0.4)	\$31.7	\$3.4	\$32.3	\$0.6
Other	\$19.5	\$25.9	\$6.3	\$27.8	\$2.0	\$29.6	\$1.8
Positions	448.0	459.0	11.0	462.0	3.0	462.0	0.0
Minerals	\$1.1	\$2.2	\$1.1	\$2.3	\$0.0	\$2.3	\$0.1
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$1.1	\$2.2	\$1.1	\$2.3	\$0.0	\$2.3	\$0.1
Positions	10.0	10.0	0.0	10.0	0.0	10.0	0.0
Public Utilities Comm.	\$9.7	\$12.7	\$3.0	\$11.8	(\$0.9)	\$11.2	(\$0.7)
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$9.7	\$12.7	\$3.0	\$11.8	(\$0.9)	\$11.2	(\$0.7)
Positions	90.0	91.0	1.0	91.0	0.0	91.0	0.0
Tourism	\$20.4	\$23.5	\$3.0	\$26.0	\$2.6	\$25.7	(\$0.4)
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$20.4	\$23.5	\$3.0	\$26.0	\$2.6	\$25.7	(\$0.4)
Positions	40.0	40.0	0.0	39.9	-0.1	39.9	0.0
Total	\$181.6	\$261.8	\$80.2	\$281.3	\$19.4	\$287.8	\$6.5
General Fund	\$50.5	\$49.9	(\$0.6)	\$53.8	\$3.9	\$54.7	\$0.9
Other	\$131.1	\$211.9	\$80.9	\$227.5	\$15.6	\$233.1	\$5.6
Positions	1,357.0	1,369.0	12.0	1,418.9	49.9	1,438.9	20.0

In millions of dollars; positions expressed on a full-time equivalent basis

Agriculture

The 2005 Legislature funded the design of a new headquarters and laboratory building for the Department of Agriculture, to move them out of their current cramped and over-crowded space. \$29.0 million in state funds will fund construction.

Business and Industry

To improve the effectiveness of examination and compliance in the mortgage industry and to meet statutory requirements, the Division of Mortgage Lending will add 28 full-time equivalent positions, fee-funded at \$2.5 million.

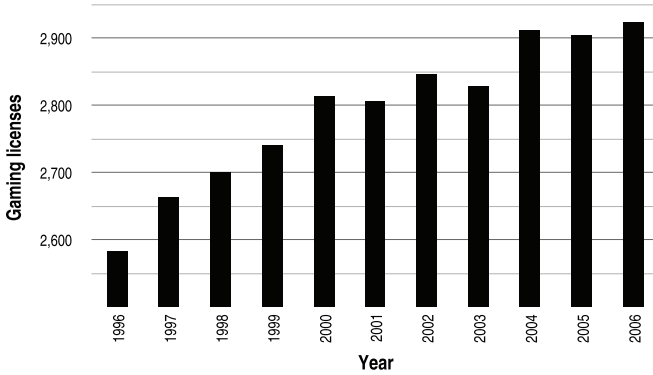
Economic Development

The unclaimed property account will contribute \$10 million to be leveraged into a trust fund of \$50 million to invigorate economic development and diversification, broadening our state's business portfolio so the private sector will create jobs in those industries that are most desirable to Nevada.

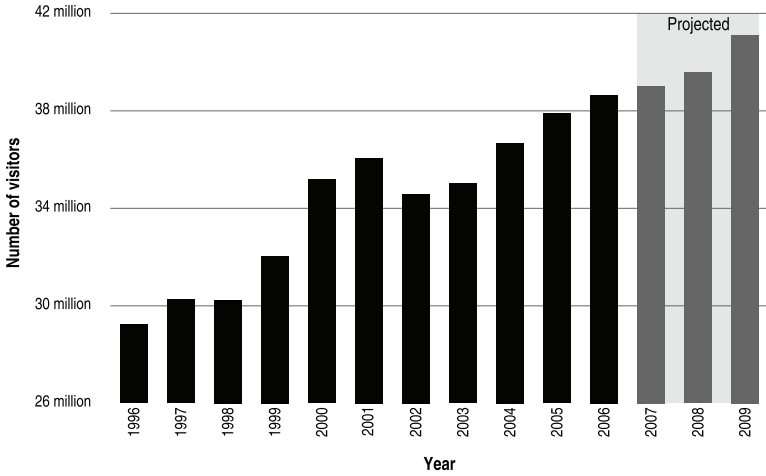
Tourism

The Commission on Tourism will use \$10.7 million in room tax to increase Nevada's visibility to potential tourists through increased advertising and international promotion, which includes opening offices in Mexico and India.

Total Number of Nevada Gaming Licenses



Annual Las Vegas Visitor Volume



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HUMAN SERVICES

Human Services Budgets

	2005 - 2007 Biennium			2007 - 2009 Biennium			
	FY 2006	FY 2007		FY 2008		FY 2009	
			Change	Change		Change	
Employment, Training, and Rehabilitation	\$120.8	\$137.9	\$17.1	\$140.2	\$2.3	\$139.7	(\$0.5)
General Fund	\$4.8	\$4.7	(\$0.1)	\$5.9	\$1.1	\$5.9	\$0.1
Other	\$116.0	\$133.2	\$17.2	\$134.4	\$1.1	\$133.8	(\$0.6)
Positions	814.0	820.0	6.0	822.0	2.0	822.0	0.0
Health and Human Services	\$2,156.3	\$2,524.5	\$368.2	\$2,617.6	\$93.1	\$2,787.5	\$169.9
General Fund	\$775.0	\$866.3	\$91.3	\$948.1	\$81.8	\$1,051.3	\$103.2
Other	\$1,381.3	\$1,658.2	\$276.9	\$1,669.5	\$11.4	\$1,736.2	\$66.7
Positions	4,949.4	5,129.7	180.4	5,397.6	267.9	5,432.7	35.1
Total	\$2,277.1	\$2,662.4	\$385.3	\$2,757.8	\$95.4	\$2,927.2	\$169.4
General Fund	\$779.8	\$871.0	\$91.2	\$953.9	\$82.9	\$1,057.2	\$103.3
Other	\$1,497.3	\$1,791.4	\$294.1	\$1,803.9	\$12.5	\$1,870.0	\$66.1
Positions	5,763.4	5,949.7	186.4	6,219.7	269.9	6,254.8	35.1

In millions of dollars; positions expressed on a full-time equivalent basis

Health and Human Services

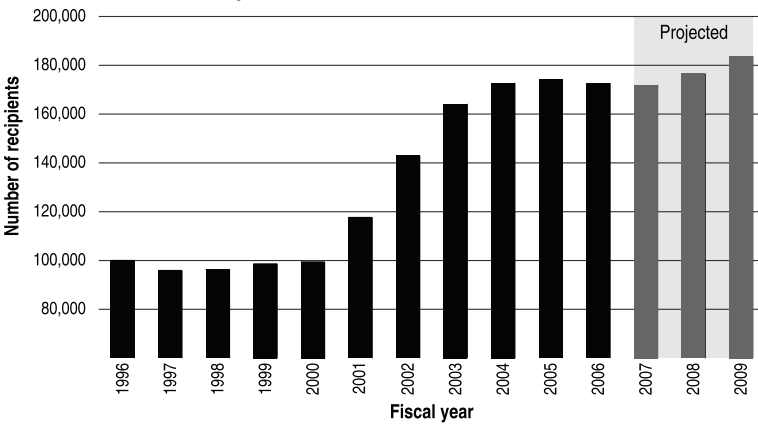
\$11.9 million, of which \$7.3 million is General Fund, will increase the daily foster care rate, to stem the loss of foster families who care for Nevada's most vulnerable children. Another \$8.8 million of General Fund (\$11 million total) will improve child welfare by supporting additional foster care licensing staff; expanding the existing Family Preservation Program; facilitating direct placement of children into family foster care homes on a 24/7 basis; supporting and mentoring foster parents; expanding recruitment, training, and retention of licensed family foster homes; providing additional visits with children, parents and relative foster parents; and providing direct services to children and families, such as transportation and supervised visitation.

Currently, when children experience mental health crises, families struggle without services or support, call law enforcement for psychiatric emergencies and /or end up in hospital emergency rooms where there are no psychiatric services. A total of \$1.5 million (\$950 thousand General Fund) would provide immediate telephone response, screening and triage, and community-based response by a team of mental health professionals for children in mental health crises and their families.

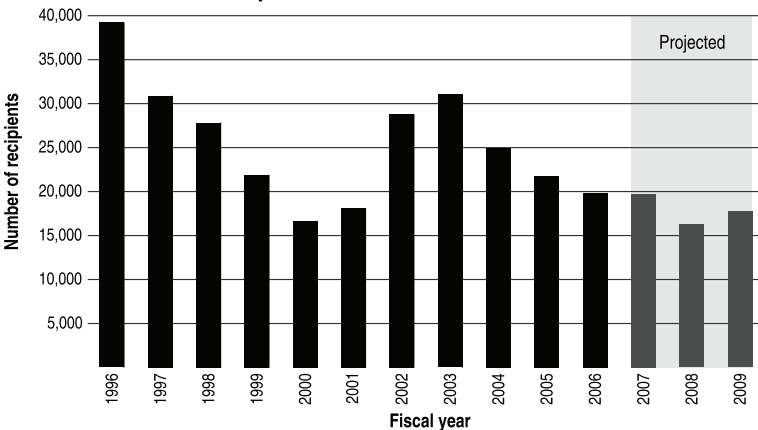
Due to unprecedented growth in the Las Vegas Valley, there have been an increasing number of children with immediate critical needs for whom acute psychiatric beds are not available. \$11.2 million of state funds will build twelve acute care psychiatric beds for children and adolescents at the existing Desert Willow Treatment Center located at the West Charleston campus in Las Vegas.

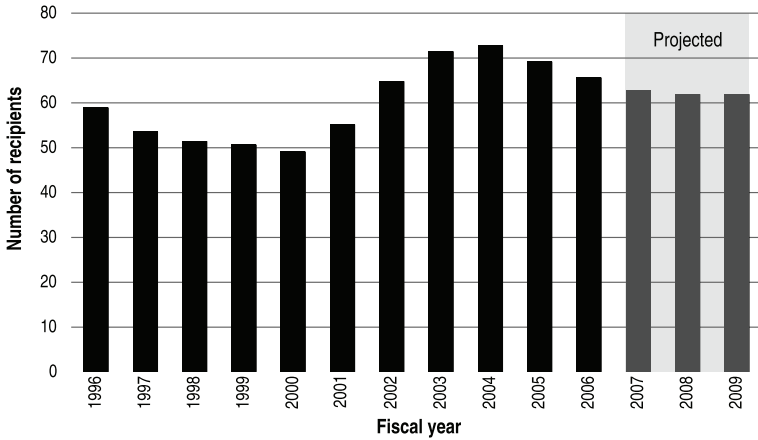
Children aging out of foster care will continue to get health care through Medicaid. \$202,000 (\$96,867 from the General Fund) will continue the temporary funding approved by the 2005 Legislature.

Nevada Medicaid Recipients



AFDC / TANF Grant Recipients



Nevada Medicaid Recipients per 1,000 Residents

Medicaid will adopt the most recent federal Medicare fee schedule, raising reimbursement rates for many of those providing services to Medicaid clients and helping ensure access to care for our medically needy, at a total cost of \$57.6 million, of which \$27.7 million is General Fund.

The state will save \$8.2 million in General Fund resources with several new Medicaid initiatives, including regional care coordination for children in residential treatment facilities; utilization review and care management for recipients with high-cost medical conditions; an extension of dental benefits to pregnant women enrolled in Medicaid to reduce premature births, and implementing a pilot managed care project for the aged and disabled population.

\$17.8 million in General Fund (\$19.2 million total) will continue initiatives originally funded by AB 175 of the 2005 Legislative session: Mental Health's share of the costs for mental health courts and mental health triage centers in Clark and Washoe Counties; additional psychiatric beds; and supported housing services. On the judicial side, the specialty drug and mental health courts will receive a total of \$13.4 million over the 2007-09 biennium, \$5.1 million from the General Fund, as listed in the Legislative-Judicial section.

To provide a safe and secure environment for evaluating seriously mentally ill persons' competency to stand trial, \$7.7 million in state money will buy land and design a 50-bed forensic facility in southern Nevada.

Community substance abuse treatment and prevention programs will continue, with \$5.3 million of General Fund replacing discontinuing federal grant funds; \$3.8 million, also General Fund, will reduce waiting lists and care for unmet need; and another \$3 million from the General Fund will handle co-occurring substance abuse and mental health disorders.

A program to help Nevadans overcome their gambling problems will be continued with \$3.3 million of slot tax revenue.

2-1-1 is an easy-to-remember telephone number that provides callers information on basic human services, such as food, clothing and shelter; physical and mental health resources; job support services; support for seniors and persons with disabilities; and programs for children, youth and families. The General Fund will contribute \$400,000 over the biennium to expand Nevada's 2-1-1 hotline to all areas of the state.

Nearly a million dollars of General Fund will continue support to poison control call centers.

Nevada will continue funding Lifeline with a General Fund appropriation of \$300,000 over the biennium, providing emergency call services to seniors in eleven rural counties.

To enhance the availability of community-based services that allow seniors to live in their homes and communities rather than in nursing homes, this budget proposes to increase the three Medicaid waivers serving Nevadans age 65 and over by 15 percent to allow seniors options for community living. In addition, it contains initiatives that support the informal caregivers who are a vital component of the long term care continuum, so that these caregivers have easier access to the information and services necessary to care for their loved ones in the community.

Employment, Training and Rehabilitation

\$2.4 million in funding for the the Department of Employment, Training, and Rehabilitation to determine best practices for modernizing the unemployment insurance system to better serve Nevada's workers and employers. The Career Enhancement Program will also receive \$5 million for Incumbent Worker and on-the-job programs for workers who want to upgrade their job skills. Neither of these initiatives will require General Funds.

PUBLIC SAFETY

Corrections

During the last Legislative session, the ten-year forecast predicted Nevada would add 4,044 inmates between 2005 and 2015. Inmate populations have grown considerably faster than expected, and the current forecast shows 7,642 more inmates over the coming ten years; the state will thus need almost twice as many new beds and a much larger staff.

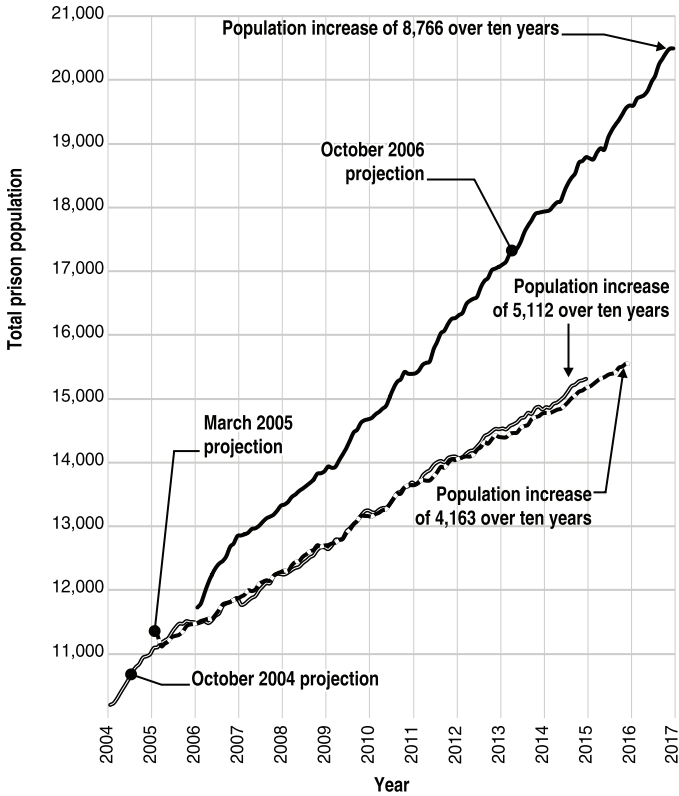
Public Safety Budgets

	2005 - 2007 Biennium			2007 - 2009 Biennium			
	FY 2006	FY 2007		FY 2008		FY 2009	
				Change		Change	
Corrections	\$248.1	\$277.6	\$29.5	\$308.4	\$30.8	\$340.1	\$31.7
General Fund	\$201.4	\$221.9	\$20.4	\$262.3	\$40.4	\$284.8	\$22.4
Other	\$46.7	\$55.7	\$9.1	\$46.1	(\$9.6)	\$55.4	\$9.3
Positions	2,762.4	2,842.0	79.5	2,918.5	76.5	3,189.5	271.0
Motor Vehicles	\$102.6	\$125.3	\$22.6	\$156.6	\$31.3	\$172.1	\$15.5
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$102.6	\$125.3	\$22.7	\$156.6	\$31.3	\$172.0	\$15.5
Positions	1,221.1	1,234.6	13.5	1,470.6	236.0	1,470.6	0.0
POST	\$1.6	\$2.0	\$0.4	\$3.7	\$1.6	\$4.3	\$0.6
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$1.6	\$2.0	\$0.4	\$3.7	\$1.6	\$4.3	\$0.6
Positions	14.0	14.0	0.0	17.0	3.0	17.0	0.0
Public Safety	\$208.6	\$262.4	\$53.8	\$219.6	(\$42.8)	\$233.5	\$13.9
General Fund	\$45.5	\$46.9	\$1.4	\$58.6	\$11.7	\$60.9	\$2.3
Other	\$163.1	\$215.5	\$52.4	\$161.0	(\$54.5)	\$172.6	\$11.6
Positions	1,419.5	1,420.5	1.0	1,516.5	96.0	1,575.5	59.0
Total	\$561.0	\$667.3	\$106.4	\$688.3	\$20.9	\$750.0	\$61.7
General Fund	\$247.0	\$268.8	\$21.9	\$321.0	\$52.1	\$345.7	\$24.7
Other	\$314.0	\$398.5	\$84.5	\$367.3	(\$31.2)	\$404.3	\$37.0
Positions	5,417.0	5,511.0	94.0	5,922.5	411.5	6,252.5	330.0

In millions of dollars; positions expressed on a full-time equivalent basis

Over the coming biennium, the state is projected to add 1,140 new inmates. To accommodate that growth, the Department of Corrections budget includes \$29.9 million for 337 new positions and a \$10.7 million increase in inmate expenditures, both amounts coming from the General Fund.

Comparison of Nevada Prison Population Projections



An additional \$2.9 million will go to the Division of Forestry of the Department of Conservation and Natural Resources from the General Fund to support Phase I of the expansion of the Indian Springs Conservation Camp, scheduled to open June 2009. This will cover the cost of new equipment as well as 17 new Forestry staff and supplies necessary to accommodate additional inmate crews.

During the biennium, Corrections will open 2,672 new beds, and plan or build an additional 3,258 beds that will open in future biennia, at a cost of \$288.4 million in state funds. This is part of a \$1.9 billion long-run plan that runs through 2015 and includes four new prisons, five new conservation camps, and nine housing units added to existing prisons.

Public Safety

The Campos Building was constructed in 1954 and the Campos Annex Building in 1968. The electrical, heating and air conditioning systems have not been upgraded nor properly retrofitted to meet current demands. The buildings do not meet current Americans with Disabilities Act (ADA) standards. The roof leaks frequently during the rainy season, causing ceiling tiles to break and creating water damage. \$63.6 million of state money will replace the building and provide new Las Vegas quarters for Parole and Probation. To accommodate caseload growth, Parole and Probation will add 40 new positions, costing the General Fund \$5.3 million.

With the ever increasing demand placed on public safety services in Las Vegas, and ever present homeland security threats, it is critical for the Department of Public Safety to operate a secure, dedicated training facility in southern Nevada. \$22.1 million (\$1.1 million General Fund and \$21 million Highway Fund) will build a southern Nevada public safety training center with an attached Highway Patrol substation in North Las Vegas to better serve citizens of the expanding north valley, as well as improve emergency response.

To further improve services to Nevada residents and visitors, the Nevada Highway Patrol will put 60 new troopers in the field this coming biennium with \$12.6 million of Highway Funds. An additional \$12.5 million from the Highway Fund will allow the Patrol to purchase over 300 new and replacement vehicles for enforcement operations.

Peace Officers Safety Training

Navigating Nevada's increasingly crowded streets and highways in an emergency vehicle is a dangerous proposition at best. The state will finally receive a long needed emergency vehicles operations course that will allow peace officers in training to hone their skills in a controlled, safe environment, with a \$2.4 million Emergency Vehicle Operations Course for Peace Officers Safety Training (POST). Court assessments will cover the cost.

Motor Vehicles

Real ID, a national federal identification system, will be implemented in 2008. Intended to improve national security, Real ID will replace existing driver's licenses and ID cards with a standardized identification card introduced by the Department of Homeland Security. Although federal rule making will not be finalized until possibly the spring of 2007, the program is estimated to cost the state \$30 million in highway funds. It will require all holders of Nevada driver's licenses and ID cards to obtain new cards at Department of Motor Vehicles offices. Online renewals of licenses will be suspended during this process. The expected increase in workload will require extended hours, additional staff, a new call center, and increased security at DMV offices.

INFRASTRUCTURE

Infrastructure Budgets

	2005 - 2007 Biennium			2007 - 2009 Biennium			
	FY 2006	FY 2007		FY 2008		FY 2009	
				Change	Change	Change	Change
Colorado River Comm.	\$227.8	\$288.8	\$61.0	\$285.9	(\$2.9)	\$295.0	\$9.1
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$227.8	\$288.8	\$61.0	\$285.9	(\$2.9)	\$295.0	\$9.1
Positions	49.5	52.5	3.0	53.5	1.0	53.5	0.0
Conservation and Natural Resources	\$97.2	\$135.7	\$38.4	\$115.1	(\$20.6)	\$113.5	(\$1.6)
General Fund	\$26.3	\$27.2	\$0.9	\$35.0	\$7.8	\$32.5	(\$2.6)
Other	\$70.9	\$108.4	\$37.5	\$80.0	(\$28.4)	\$81.0	\$1.0
Positions	769.4	733.9	-35.5	758.3	24.4	776.3	18.0
Transportation	\$643.7	\$810.6	\$166.9	\$694.2	(\$116.5)	\$704.2	\$10.0
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$643.7	\$810.6	\$166.9	\$694.2	(\$116.5)	\$704.2	\$10.0
Positions	1,747.1	1,747.1	0.0	1,767.1	20.0	1,767.1	0.0
Wildlife	\$36.4	\$50.2	\$13.9	\$42.0	(\$8.3)	\$41.9	(\$0.1)
General Fund	\$1.3	\$1.2	(\$0.1)	\$1.7	\$0.5	\$1.4	(\$0.4)
Other	\$35.0	\$49.0	\$14.0	\$40.2	(\$8.8)	\$40.5	\$0.3
Positions	231.3	236.3	5.0	239.3	3.0	239.3	0.0
Total	\$1,005.1	\$1,285.3	\$280.2	\$1,137.1	(\$148.2)	\$1,154.5	\$17.4
General Fund	\$27.6	\$28.4	\$0.8	\$36.8	\$8.4	\$33.8	(\$3.0)
Other	\$977.5	\$1,256.9	\$279.4	\$1,100.3	(\$156.6)	\$1,120.7	\$20.4
Positions	2,797.3	2,769.8	-27.5	2,818.2	48.4	2,836.2	18.0

In millions of dollars; positions expressed on a full-time equivalent basis

To help safeguard people and property in Nevada, the Forest Fire Suppression Program will receive an additional \$1.5 million from the General Fund in each year for emergency response and wild land fire suppression.

In 2004, the Governor's Nevada Sage Grouse Conservation Plan was completed. To continue implementing the panel's recommendations for these birds, the budget dedicates \$200,800 of General Fund to the Department of Wildlife for sagebrush habitat projects.

\$2.9 million in General Fund for Forestry Division equipment and staff needed to open the expansion of Indian Springs Conservation Camp is discussed under Corrections, whose inmates will populate the camp.

Transportation

Improving the I-15 Freeway from the US-95 Spaghetti Bowl interchange in downtown Las Vegas to the Apex Interchange, about 15 miles, will receive \$170 million of General Funds that are above the cap on operating expenditures originally passed in 1979. See the section on the expenditure limit earlier in the *Budget in Brief*.

The Nevada Department of Transportation (NDOT) also proposes ten major projects between 2008 and 2015 totaling over \$4.6 billion in today's dollars.

Southern projects:

1. *Widening I-15 from Tropicana Avenue to the Las Vegas Spaghetti Bowl*
2. *Widening I-515/US 95 from the Spaghetti Bowl to Foothill Boulevard*
3. *Widening I-15 from the Spaghetti Bowl to Apex*
4. *The Boulder City Bypass*
5. *Widening US 95 from Craig Road to Kyle Canyon*
6. *Widening I-15 from St. Rose Parkway to Tropicana Avenue*
7. *Beltway interchanges at US 95, I-15, and Summerlin Parkway*

Northern projects:

7. *Widening I-80 from Robb Drive to Vista Boulevard*
8. *Widening US 395 from the Reno Spaghetti Bowl to Stead*
9. *Improvements to Pyramid Highway*

Although the Blue Ribbon Task Force unanimously supports construction of the Nevada Department of Transportation's ten major projects, the immediate concern is the impending shortfall of funds to carry out NDOT's current program of projects. NDOT has projected that without additional revenue sources, the state's Highway Fund will go into deficit by 2015.

SPECIAL PURPOSE AGENCIES

Public Employees' Benefits Program

Nevada subsidizes retirees' health insurance on a pay-as-you-go basis, and only the current cash outlay for those subsidies is reported in the state's financial statements. The new Governmental Accounting Standards Board (GASB) rules require the state to reflect the future cost as a liability in its financial statements unless sufficient funding to finance it is set aside each year. \$50.0 million in total resources (\$30 million from the General Fund) will be placed in an irrevocable trust account to fund this future liability.

Special Purpose Budgets

	2005 - 2007 Biennium			2007 - 2009 Biennium			
	FY 2006	FY 2007		FY 2008		FY 2009	
				Change		Change	
Adjutant General	\$10.0	\$13.5	\$3.5	\$14.3	\$0.8	\$17.3	\$3.0
General Fund	\$2.9	\$3.2	\$0.3	\$4.0	\$0.8	\$4.7	\$0.7
Other	\$7.2	\$10.4	\$3.2	\$10.3	\$0.0	\$12.6	\$2.2
Positions	138.5	142.5	4.0	143.5	1.0	143.5	0.0
Public Employees Benefits	\$331.2	\$506.4	\$175.3	\$610.7	\$104.3	\$740.4	\$129.7
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$331.2	\$506.4	\$175.3	\$610.7	\$104.3	\$740.4	\$129.7
Positions	32.0	33.0	1.0	33.0	0.0	33.0	0.0
Public Employees Retirement System	\$7.7	\$8.3	\$0.5	\$10.8	\$2.5	\$10.6	(\$0.1)
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$7.7	\$8.3	\$0.5	\$10.8	\$2.5	\$10.6	(\$0.1)
Positions	62.0	62.0	0.0	65.0	3.0	65.0	0.0
Veterans Services	\$15.0	\$15.9	\$0.9	\$18.2	\$2.3	\$19.4	\$1.2
General Fund	\$3.4	\$3.0	(\$0.4)	\$3.1	\$0.1	\$3.4	\$0.3
Other	\$11.6	\$12.9	\$1.3	\$15.1	\$2.2	\$15.9	\$0.8
Positions	213.0	213.0	0.0	218.0	5.0	218.0	0.0
Total	\$364.0	\$544.2	\$180.2	\$654.0	\$109.9	\$787.7	\$133.7
General Fund	\$6.3	\$6.2	(\$0.1)	\$7.1	\$0.9	\$8.1	\$1.1
Other	\$357.7	\$538.0	\$180.3	\$646.9	\$109.0	\$779.6	\$132.6
Positions	445.5	450.5	5.0	459.5	9.0	459.5	0.0

In millions of dollars; positions expressed on a full-time equivalent basis

Military

\$3.5 million, of which \$1.7 million is state General Fund, is included to establish a Project ChalleNGe program in Nevada. Project ChalleNGe is a National Guard program designed to provide high school dropouts with the opportunity to earn a GED (General Educational Development degree) by immersing them in a structured, military-style educational environment. Once approved, the state program will receive 60% of its operating costs from the National Guard.

The Nevada National Guard will begin plans for a new readiness center in Elko with \$514,573 of state funds and \$495,000 in federal funds. The center is intended to act as a base of operations for the Guard when responding to emergencies in the rapidly growing Elko area.

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