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OFFICE OF THE GOVERNOR

KENNY C. GUINN
Governor

BUDGET
CHAUFFEUR
DRIVE SM

A.R. (Bob) Fairman

January 13, 2003

Members of the Nevada State Legislature
Seventy-Second Legislative Session
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Honorable Members of the Senate and Assembly:

Transmitted herewith is my recommended budget for the State of the Nevada for state fiscal years 2003-2004 and 2004-2005.

Nevada continues to be one of the fastest growing states in the nation. This growth has put a tremendous strain upon our state government's obligation to provide basic services to our school children in grades K-12, to provide essential services to the less fortunate citizens of our state, and to address expanded enrollment in our university and community college system. During the first four years of my administration, the demands caused by this rapid growth were offset by cost cutting measures permitted by initiating a fundamental review of state government – a top to bottom review of every agency, program, position, and dollar. That process gave me the flexibility to reallocate millions of dollars in my budget to areas of high priority such as health care, education, and public safety. I also introduced flat budgeting – the process of creating a budget based on the prior year's funding – allowing for growth in the state's high priority areas. As a result, I presented the 2001 Legislature with a streamlined flat budget for this biennium. In the last two years, however, the serious economic difficulties facing our state have been intensified by a nationwide economic downturn coupled with the tragic events of September 11th.

When the Economic Forum projections were revised at the end of the 2001 Legislative Session, I was required to make budget cuts to essential services in excess of \$120 million in order to balance the budget. During the upcoming Legislative Session, an allocation of \$100 million from the Rainy Day Fund will be needed in order to meet the remaining financial obligations of the state for the 2002-2003 fiscal year. I will also request that new revenues, in the amount of \$84 million, be approved by this body and implemented by April 1, 2003, so that the state can close its fiscal year with a balanced budget and, if possible, replenish the Rainy Day Fund.

EXHIBIT F Senate Committee on Finance

Date: 3/18/03 Page 1 of 54