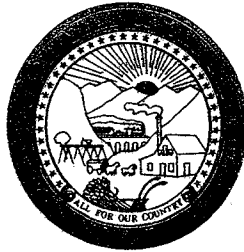


Kate Marshall
State Treasurer



Renee L. Parker, Esq.
Chief of Staff

Robin V. Reedy
Chief Deputy Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

April 4, 2008

VIA HAND DELIVERY

Governor Jim Gibbons
State of Nevada
101 N. Carson St.
Suite 1
Carson City, NV 89701

Dear Governor Gibbons:

This correspondence is sent to inform you of additional revenues exceeding \$20 million that I have identified, which can be reverted to the General Fund over the remainder of this biennium. The particulars of how these additional revenues are achieved are laid out below.

In response to news that the State budget shortfall will now exceed \$800 million, I directed my staff to revisit our revenue forecasts and to determine if we could discover any additional savings for the State. I am pleased to inform you that my office has identified additional revenues in an amount exceeding \$20 million over the remainder of this biennium. This approximately \$20 million is in addition to the \$40 million previously identified in my letter to you of February 5, 2008. These revenues can be reverted to the General Fund over the biennium from unclaimed property, bond interest accrual, investment division savings, and early payoff of a General Fund loan, as discussed below.

In my February 5, 2008 letter to you, I identified \$23 million in unclaimed property revenues in excess of our original \$17 million forecast. These monies increased the total reversions for unclaimed property for FY 2008 to approximately \$40 million. Over the last 60 days, my staff has continued aggressive collection efforts, such that I can now estimate total reversions for unclaimed property in FY 2008 to be approximately \$44 million. This represents an additional \$4 million in revenues for FY 2008. At the same time, we have returned over \$17 million in response to claims in this fiscal year to date, compared to returns of only about \$4.7 million as of this date in FY 2007. In addition, my office has performed due diligence and gathered

CARSON CITY OFFICE

State Treasurer
101 N. Carson Street, Suite 4
Carson City, Nevada 89701-4786
(775) 684-5600 Telephone
(775) 684-5623 Fax

STATE TREASURER PROGRAMS

Governor Guinn Millennium Scholarship Program
Nevada Prepaid Tuition Program
Unclaimed Property
Upromise College Fund 529 Plan

LAS VEGAS OFFICE

555 E. Washington Avenue, Suite 4600
Las Vegas, Nevada 89101-1074
(702) 486-2025 Telephone
(702) 486-3246 Fax



information that allows me to revise our unclaimed property revenue forecasts for FY 2009, upward. Specifically, I anticipate reverting approximately \$8 million in addition to our original \$17 million in unclaimed property revenue forecasts for FY 2009, bringing total reversions for that fiscal year to \$25 million. In summary, I have identified another \$12 million in reversions to the General Fund from unclaimed property over the remainder of the 2008/9 biennium.

It has been reported that a portion of the State's shortfall may be offset by eliminating the pay-as-you-go General Fund portion of the Capital Improvement Plan, using bonding exclusively. As a result, I have instructed my staff to determine the impact of such a proposed solution on forecasts within the Debt Affordability Model and the Bond Interest and Redemption Account ("Bond Fund"). One impact of such a determination regards whether the amount and timing of issuance of accelerated bonds will negatively impact our previously identified interest transfer or if other opportunities for transfers exist.

Again referring to my February 5, 2008, letter to you, I identified additional interest earned on the Bond Fund of approximately \$10 million in excess of what is necessary to repay currently outstanding bonds. After this further analysis, I can now commit another \$8 million in interest from the Bond Fund, which can also be reverted to the General Fund in this fiscal year, subject to the following conditions: In order to properly manage the remaining bond funds, my office must have the ability to determine the timing of the issuance of future bonds in the marketplace based on our analysis of interest rates, cash flow and the implementation of written policies within the Department of Administration and the Capital Improvement Plan citing budget monitoring procedures and integrating the long-term planning process. This will also require the assistance of the Department of Administration, on an ongoing basis, to provide timely and accurate information to my office and, in turn, the rating agencies, to ensure that we are able to maintain our current bond rating, a critical element to the economic health of this State.

Finally, I have also identified approximately \$350,000 per year in net savings through my Investment Division, and approximately \$60,000 in additional interest monies for the General Fund through the early payoff of a loan the General Fund issued for the State's Prepaid Tuition Program.

Regarding the savings from the Investment Division, our office currently utilizes money managers to invest a portion of the State's General Fund monies, as the Investment Division is not appropriately staffed to undertake investment of the entire portfolio. This has been the practice for many years, and during my tenure in office, I have questioned the efficiency of continuing this practice. In particular, the State currently pays these money managers over \$480,000 per year to maintain such investments. These fees increase over time, but can be saved with one additional analyst in our Investment Division. The costs for such an analyst, taking into account both salary and benefits, would be approximately \$125,000 per year. Thus, the State could realize over \$350,000 per year in savings by adding an in-house analyst. Based on the foregoing, we have worked with the Department of Personnel to create an analyst position, which will be presented at the April 8, 2008 Board of Examiners meeting and the April 9, 2008

Interim Finance Committee meeting. If this position is approved, the above referenced net savings will be realized to the State on an on-going basis.

The approximately \$60,000 in additional interest monies are realized through early payoff of a loan the General Fund provided to launch the State's Prepaid Tuition Program. The loan was issued in 1998 and was to be repaid from the State's College Savings Program fees over the course of 15 years, with the final payment due the General Fund in 2013. Following the audit of the College Savings Fund during the 2007 session, we became aware of monies in the College Savings Fund that had not been previously reported to the Legislature. This discovery led to my recommendation to accelerate repayment of the approximately \$3.3 million balance of this loan during this biennium, with \$2,188,014 due at the end of FY 2008 and the final balance of \$1,160,575.90 due at the end of FY 2009. Because there are sufficient monies in the College Savings Fund to pay the entire remainder of the loan in FY 2008, I recommend we obtain the appropriate authority to make the entire transfer in this current fiscal year, which will allow the General Fund to gain approximately \$60,000 in additional interest earnings.

In summary, the Office of the State Treasurer has identified more than \$20 million that we can revert to the General Fund over the remainder of this biennium to assist you with this next round of budget cuts through revenues obtained by the Unclaimed Property Division, interest and savings opportunities identified within the Debt and Investment Divisions, and early payoff of the loan the General Fund made years ago to launch the State's Prepaid Tuition Program. Our office also requires your assistance in coordinating with your Department of Administration to allow us to continue to manage the State's finances.

I look forward to continuing to cooperate and assist the State in prudently managing its finances while it recovers from the economic slowdown. If you have any questions concerning the foregoing, please do not hesitate to contact me or my Chief of Staff, Renee Lequerica, at (775) 684-7109.

Regards,



Kate Marshall
State Treasurer

Cc: Senator William J. Raggio
Speaker Barbara E. Buckley
Assemblyman Morse Arberry Jr.
Members of the Interim Finance Committee
Andrew Clinger, Director, Department of Administration
Mark Stevens, Fiscal Analyst
Gary Ghiggeri, Fiscal Analyst