

State of Nevada  
**EXECUTIVE BUDGET IN BRIEF**

**Governor Kenny C. Guinn**



**2001 - 2003 Biennium**

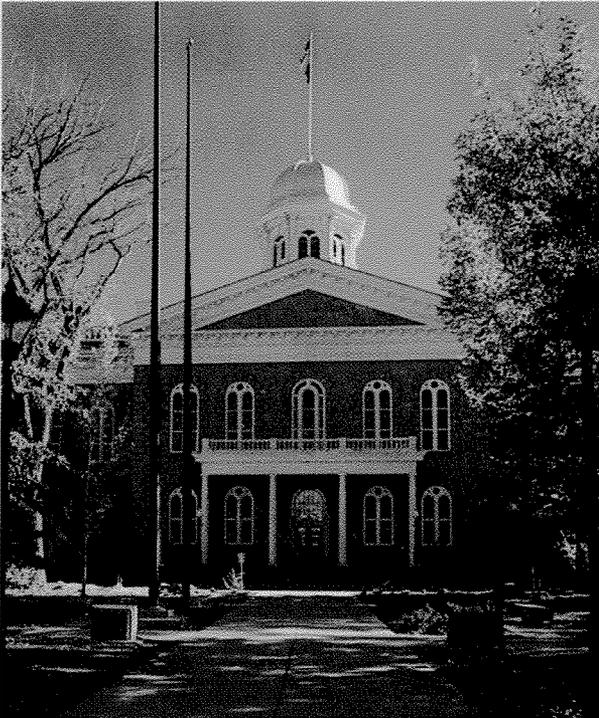


Photo By Val D. Dutter, Department of Administration, Purchasing Division



## OFFICE OF THE GOVERNOR

KENNY C. GUINN  
Governor

January 22, 2001

Members of the 71<sup>st</sup> Legislative Session  
Nevada Legislature  
401 S. Carson Street  
Legislative Building  
Carson City, Nevada 89701

Honorable Members of the Senate and Assembly:

Transmitted herewith is my recommended budget for the State of Nevada for Fiscal Years 2001-02 and 2002-03.

My \$3.846 billion budget contains more money for health care, education, and other public services than ever before in this state's history. During the past year, I solicited comments about the state's needs and resources from legislators, legislative study committees, community advocates, and the public. Many of their suggestions are included in my proposals. Nevertheless, I am pleased to say that this budget, like its predecessor for the previous biennium, contains no new or increased taxes.

Two years ago, I was forced to cut a quarter-billion dollars in order to balance the budget that was presented to you at the start of session. Many of these cuts were of essential services or critical needs. Accordingly, when I transmitted the budget to the Legislature I included a list of recommendations for funding priority should the May 1 Economic Forum forecasts result in additional revenue. Many of these priorities were later included in the final budget when, in fact, the May forecasts were higher than those used to craft the initial budget.

This year, we are fortunate that we were not forced to make budget cuts. At the start of the budget process, I directed all state agencies to submit flat budgets, allowing only for caseload growth in critical areas such as Medicaid and school enrollment. The savings from fundamental review and the effect of the flat-budgetting directive made budget cuts unnecessary this budget cycle.

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Members of the 71<sup>st</sup> Legislative Session

January 22, 2001

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Although we have made substantial improvements to education and health care funding in the state, there is one area that could not be addressed with ongoing revenues – teacher salaries. This year, I have only one priority to recommend to the Legislature, should additional revenues be identified following the Economic Forum's May 1 forecast, and that priority is a raise for teachers and school support personnel.

Next to parents and families, teachers are the most important people in our children's lives. Yet here in Nevada we have a teacher shortage, and that shortage is exacerbated by our inability to fund a cost-of-living allowance at the state level. Certainly, teachers can be, and some have been, awarded a raise from the local districts, but we must make a commitment at the state level as well. Therefore, should state revenues come in at higher than anticipated revenues after the close of the 2001 legislative session and before the start of the 2003 session, I hope that we would all consider a special session to address the issue of salaries in the public school system.

I look forward to working with you in the coming months on this issue and others.

Sincerely,

A handwritten signature in black ink, which appears to read "Kenny C. Guinn", is written over the typed name and title.

KENNY C. GUINN  
Governor

KCG/DLM

**KENNY C. GUINN**  
*Governor*

**JOHN P. COMEAUX**  
*Director*

**STATE OF NEVADA**



**DEPARTMENT OF ADMINISTRATION**

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January 22, 2001

Dear Fellow Nevadans:

On behalf of Governor Kenny C. Guinn and the Budget Division, it is my pleasure to present this *Executive Budget in Brief* for the 2001 - 2003 biennium. We think that it offers users a quick and easy tool to understand the many challenges facing the State. Most important, it highlights the steps proposed by the Governor to successfully meet these challenges.

Nevada's rapid economic, demographic, and policy-driven changes over the past several decades are reflected in the State's fiscal landscape. As a result, the Budget Division continuously evaluates the manner in which all aspects of the *Executive Budget* are presented in an effort to ensure that all Nevadans are kept informed of how the State is addressing these ongoing and significant changes.

This document differs considerably, both in terms of appearance and content, from its predecessor covering the 1999 - 2001 biennium. These changes are all designed to provide users with a more efficient and streamlined presentation. Among other things, some

material has been removed in an effort to avoid duplication with the *Executive Budget* document; tabular presentations of information have been simplified; and the “Highlights” section has been strengthened. Furthermore, this document will be accessible via our website.

I hope that you find this to be a useful and valuable resource. If you have any suggestions concerning how the Budget Division can better present this information, please relay those suggestions to me or to any member of my staff. We look forward to your feedback.

Thank you,

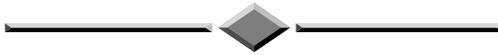
John P. Comeaux  
Director

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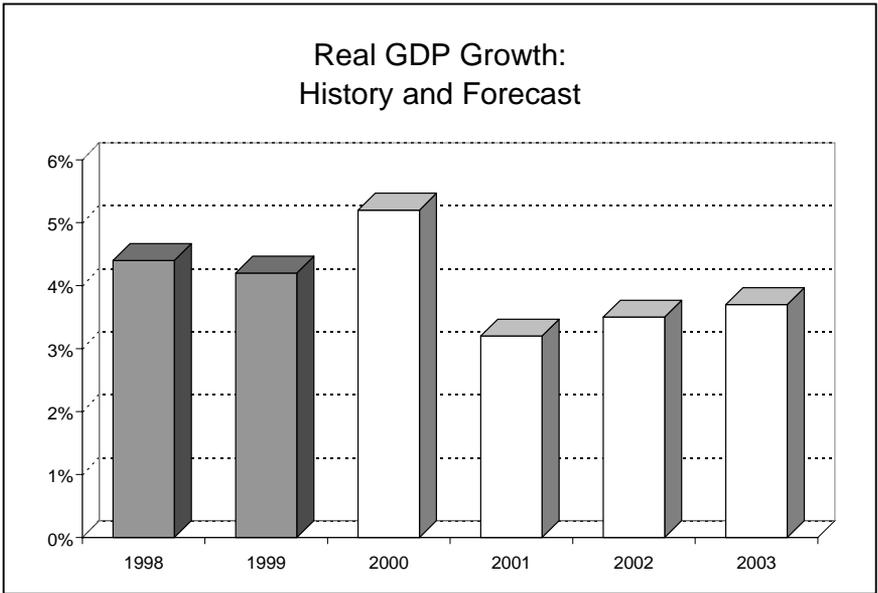
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# ***Economic Overview***

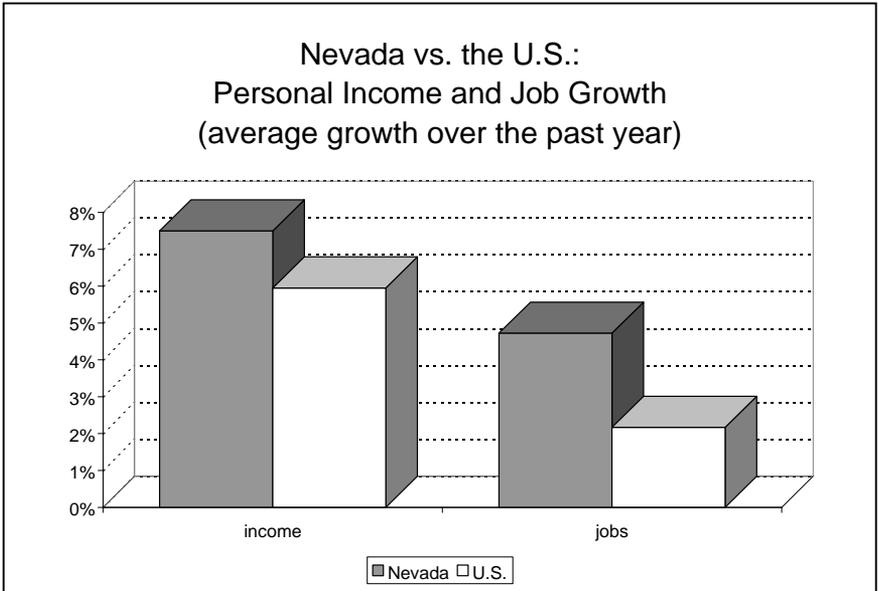


## Economic Overview

- ✓ The U.S. economy has been recession-free since mid-1991. This makes the current upswing the longest on record. Although talk of a slowdown is on the rise, odds are that the expansion will continue.



- ✓ Real GDP growth has been hovering in the 4% - 5% range for the past several quarters. Growth is expected to ease to around 3.5% beginning in 2001.
- ✓ Nevada's economy remains especially strong. In the past year, both personal income (7.5% vs. 6%) and job growth (4.7% vs. 2.2%) in the State has been well above national norms. The State's population continues to surge--by 500,000 during just the past five years--as a result.
- ✓ Las Vegas visitor volume is up 7% through the first nine months of 2000. Since late-1998, five new megaresorts, accounting for over 15,000 new hotel rooms, have opened. Partly as a result, gaming win has increased at an average annual clip of over 10% since the beginning of 1999.

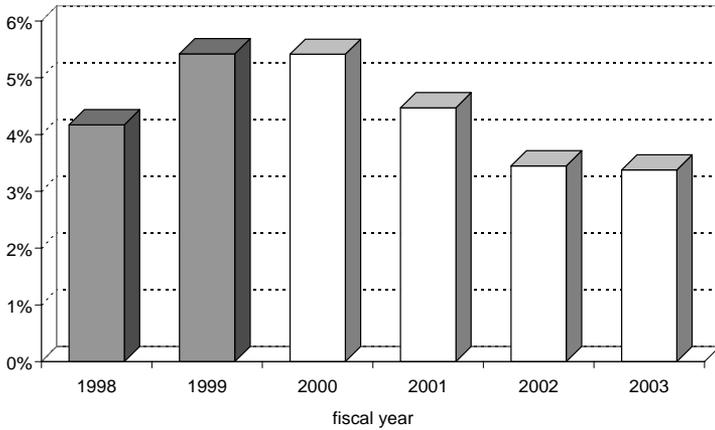


- ✓ Current expectations are for Nevada’s economy to continue to expand in the near-term, but at a slightly less pronounced pace than in the recent past. Job growth is expected to gradually ease, to about 3.5%, by mid-2003. Personal income growth should easily remain in the mid-single digits.
- ✓ Perhaps most important, even with slightly less pronounced growth, economic conditions in Nevada will still fare very well relative to the nation as a whole. For instance, U.S. job growth is forecast to average just 1.5% annually in the next few years.
- ✓ Nevada’s strong economy will continue to attract new residents. By 2003, the State’s population will total nearly 2.3 million, almost double that for 1990.
- ✓ Although there have been no “official” announcements of a new round of megaresort expansions, there are a number of projects with a strong probability of moving beyond the planning stage within the next few years. Historically, these types of projects have been the catalysts for even stronger economic growth in Nevada.

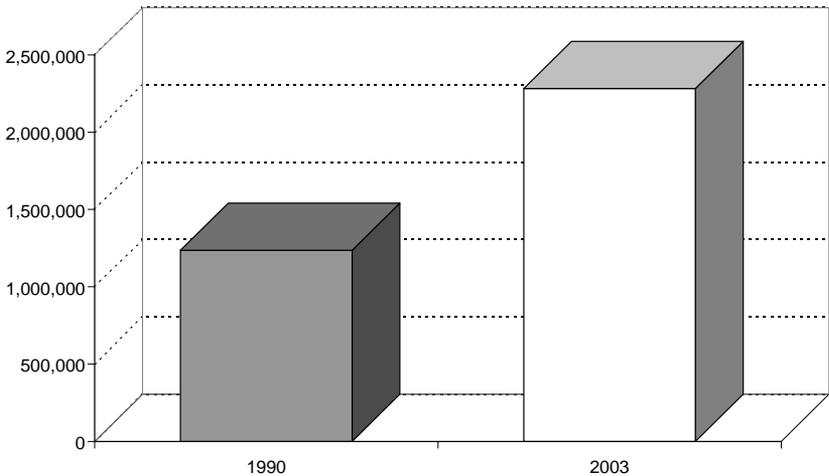
## Economic Overview



### Nevada Job Growth: History and Forecast



### Nevada Population



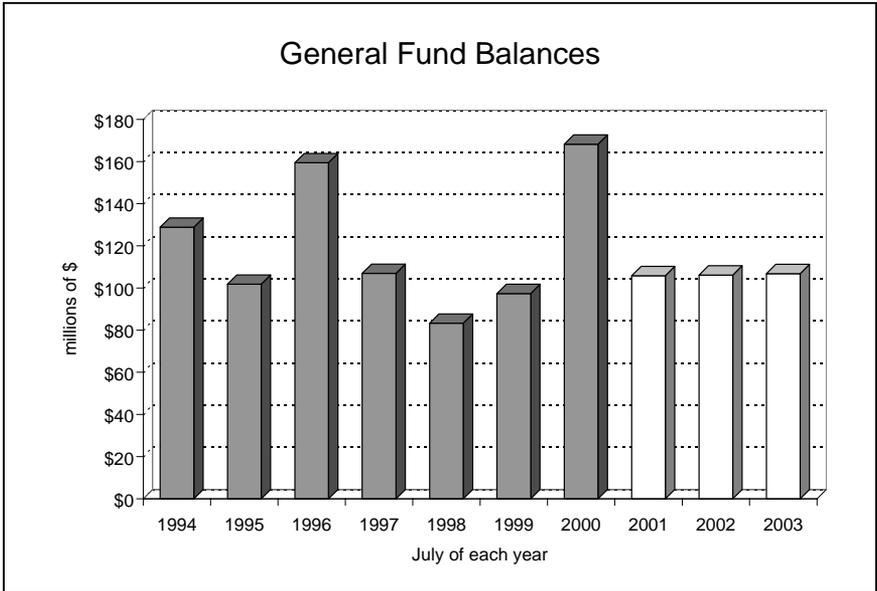


# ***Fund Balances Summary***



## Fund Balances

- ✓ The State's General Fund<sup>1</sup> balance at year-end FY 2001 is forecast to be \$105.85 million. It is expected to rise to \$106.13 million the following year, eventually settling at \$106.85 million by the end of FY 2003.

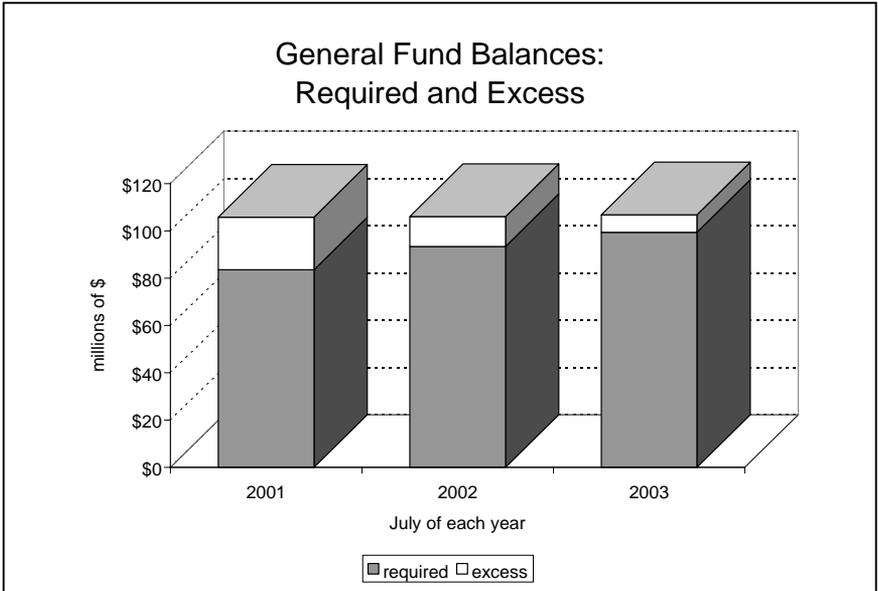


- ✓ The State's General Fund balance at year-end FY 2001 is forecast to be over \$22 million higher than required. By the end of FY 2002, the balance is forecast to be \$13 million higher than required. At year-end FY 2003, the General Fund balance is expected to be over \$7 million in excess of that required.

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<sup>1</sup> The State's General Fund receives all revenues and accounts for all expenditures not otherwise provided by law to be accounted for in any other fund. The Executive Budget for each fiscal year of a biennium must provide for a General Fund reserve of not less than 5% nor more than 10% of the total of all proposed appropriations from the State General Fund for the operation of all departments, institutions, and agencies of State Government and authorized expenditures from the State General Fund for the regulation of gaming for that fiscal year.

## Fund Balances

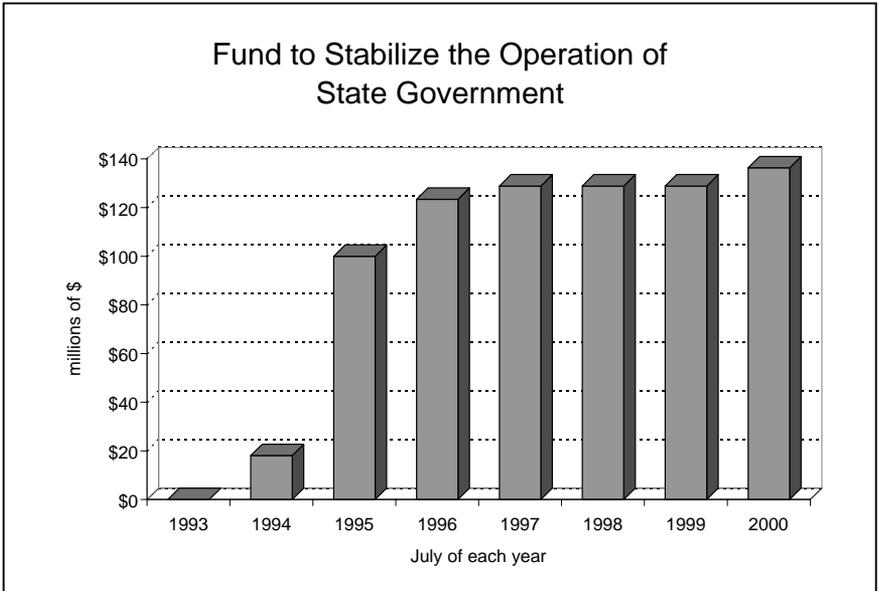


- ✓ The 2001 - 2003 Executive Budget does not propose an appropriation to the State's "Rainy Day"<sup>2</sup> Fund. The Fund's balance sits at \$136.34 million.
- ✓ In that General Fund revenues came in considerably higher than anticipated in FY 2000, there was an "automatic" deposit of nearly \$7.5 million.

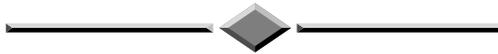
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<sup>2</sup> The Fund to Stabilize the Operation of State Government is a trust fund. The Fund is also referred to as the "Rainy Day" or "Stabilization" Fund. A direct appropriation to the Fund may be made. In addition, at the close of each fiscal year, the State Controller deposits to the Fund two-fifths of the General Fund revenue collected during the year that exceeds appropriations for the year and the required unappropriated ending General Fund balance, when applicable.

## Fund Balances

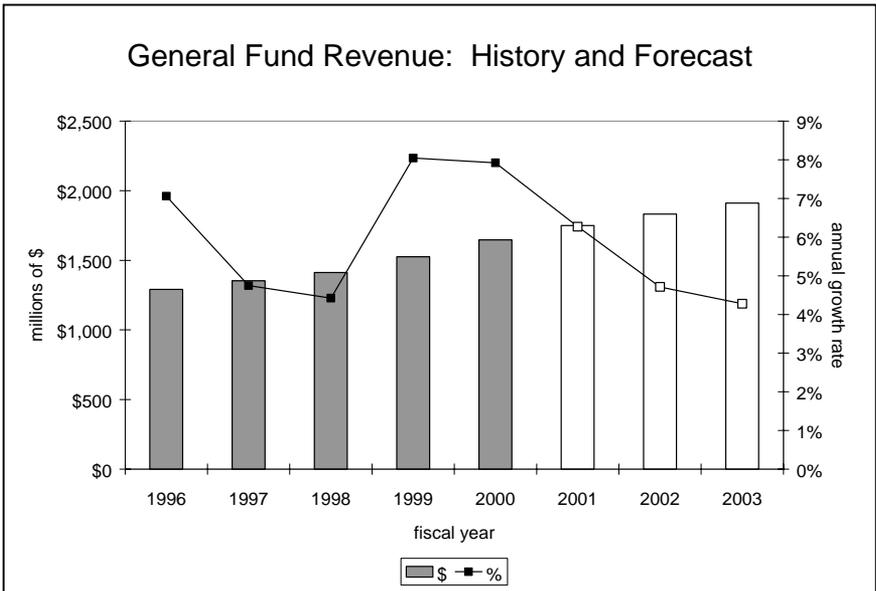


# ***Sources of Funding Summary***



## Sources of Funding

- ✓ Despite the fact that the demands placed upon the State's limited resources continue to grow, the Executive Budget does not include any new General Fund revenue enhancements.



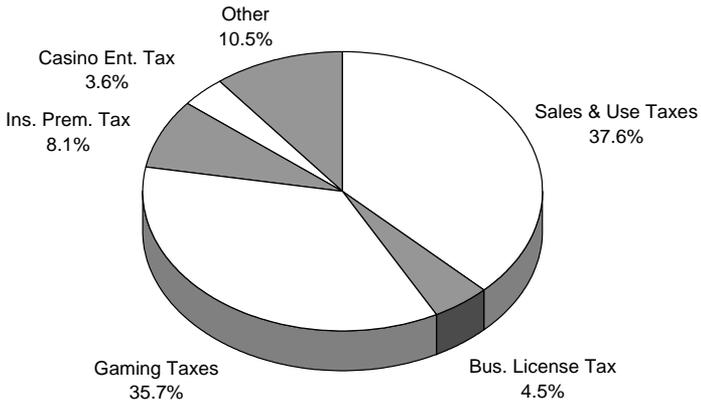
- ✓ General Fund revenue growth is forecast to hover in the mid-single digits through the next biennium. This comes on the heels of somewhat stronger growth in FY 99 and FY 00, fueled mainly by several Las Vegas megaresort openings.
- ✓ All told, General Fund revenue is expected to total over \$3.74 billion in the 2001 - 2003 biennium. This translates into an increase of \$346 million relative to the revenue forecast upon which the 1999 – 2001 biennium budget is based, this represents an increase of \$544 million.
- ✓ The State's largest revenue source, sales and use taxes, is forecast to grow at a 5.8% average annual rate between FY 00 and FY 03. Between FY 97 and FY 00, growth averaged a slightly stronger 6.7%.

## Sources of Funding

- ✓ Gaming taxes will follow a similar pattern. Growth will average 4.7% between FY 00 and FY 03, down from 7.2% during the previous three-year period.

<b>General Fund Revenue</b> (millions of \$)			
	1999 - 2001 Biennium <u>(May 99 forecast)</u>	1999 - 2001 Biennium <u>(Dec. 00 forecast)</u>	2001 - 2003 Biennium <u>(Dec. 00 forecast)</u>
Sales and Use Taxes	\$1,231.6	\$1,256.4	\$1,407.8
Gaming Taxes	\$1,114.0	\$1,224.1	\$1,335.5
Insurance Premium Tax	\$248.0	\$268.9	\$303.8
Business License Tax	\$154.3	\$155.3	\$167.8
Casino Entertainment Tax	\$101.1	\$121.2	\$135.7
Other	\$350.1	\$371.1	\$392.7
<b>TOTAL</b>	<b>\$3,199.1</b>	<b>\$3,396.9</b>	<b>\$3,743.3</b>

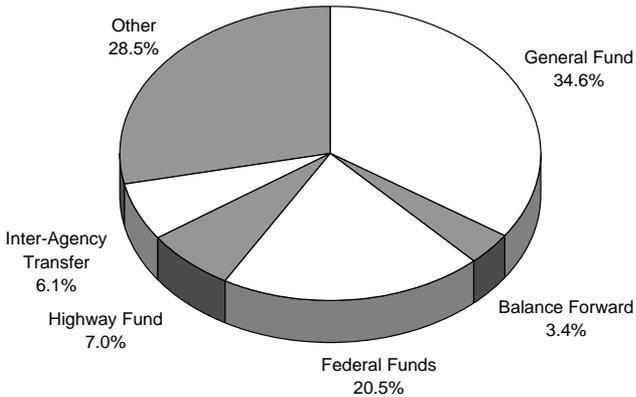
### 2001 - 2003 Executive Budget General Fund Revenue by Source



## Sources of Funding

<b>Total Sources of Funding</b>		
(millions of \$)		
	1999 - 2001 Biennium	2001 - 2003 Biennium
General Fund	\$3,201.9	\$3,846.9
Balance Forward	\$318.7	\$376.8
Federal Funds	\$1,908.6	\$2,278.1
Highway Fund	\$914.9	\$774.8
Inter-Agency Transfer	\$649.8	\$682.6
Other	\$2,312.6	\$3,165.0
Interim Finance	\$6.1	
Reversions	-\$45.2	
<b>TOTAL</b>	<b>\$9,267.5</b>	<b>\$11,124.1</b>

### 2001 - 2003 Executive Budget Total Sources of Funding



## Sources of Funding



- ✓ All told, budgeted resources total \$11.12 billion dollars during the next biennium. This represents an increase of \$1.86 billion over the current biennium.
- ✓ General Fund resources represent just over one-third of the total. The next two largest sources are various federal funds and the Highway Fund.

Spending

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# *Spending Summary*

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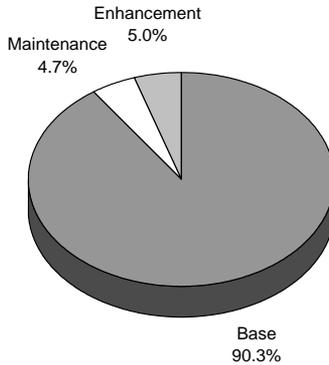
## Spending

<b>General Fund Appropriations by Function</b>		
(millions of \$)		
	1999 - 2001 Biennium	2001 - 2003 Biennium
Elected Officials	\$47.7	\$57.9
Legislative / Judicial	\$63.6	\$69.4
Finance & Administration	\$35.6	\$41.7
Education	\$1,767.0	\$2,000.3
Human Services	\$787.9	\$1,091.4
Commerce & Industry	\$76.9	\$87.0
Public Safety	\$371.0	\$436.5
Infrastructure	\$43.8	\$48.8
Special Purpose	\$8.3	\$13.9
<b>TOTAL</b>	<b>\$3,201.9</b>	<b>\$3,846.9</b>

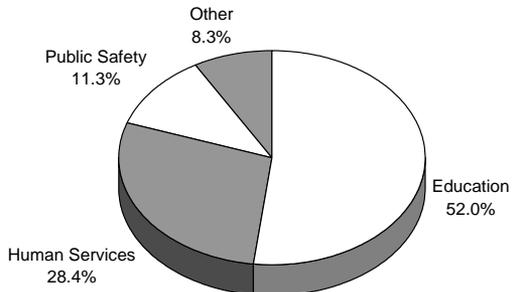
- ✓ The Executive Budget provides for total General Fund appropriations of \$3.85 billion in the upcoming biennium. This translates into a gain of \$645 million relative to the 1999 - 2001 biennium.
- ✓ More than 90% of General Fund appropriations represent resources necessary to continue State programs under existing conditions (the “base” budget). Only 4.7% is budgeted for “maintenance” purposes—to maintain existing programs after taking into account a variety of external factors, such as caseload growth, new mandates, etc. Approximately 5% is budgeted for program “enhancements”.
- ✓ More than one-half of total General Fund spending is targeted for education. Of that, \$1.2 billion represents the State’s General Fund obligation to the Distributive School Account, the funding mechanism through which State monies are distributed to school districts.
- ✓ Human services accounts for over one-fourth of General Fund appropriations. The State’s Medicaid obligations total \$524 million out of \$1.09 billion in human services spending.

## Spending

### 2001 - 2003 Executive Budget General Fund Appropriations by Decision Unit



### 2001 - 2003 Executive Budget General Fund Appropriations by Function



## Spending

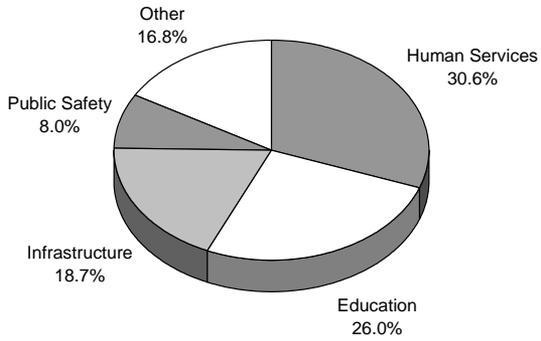
- ✓ More than \$435 million in General Fund spending, 11.3% of the total, is earmarked for public safety purposes.
- ✓ The Executive Budget proposes total spending of \$11.12 billion during fiscal years 2002 and 2003. During the current biennium, spending is budgeted at \$9.27 billion.

<b>Total Spending by Function</b>		
(millions of \$)		
	1999 - 2001 Biennium	2001 - 2003 Biennium
Elected Officials	\$676.0	\$751.3
Legislative / Judicial	\$77.6	\$88.0
Finance & Administration	\$297.4	\$306.4
Education	\$2,561.4	\$2,888.5
Human Services	\$2,858.2	\$3,401.7
Commerce & Industry	\$273.5	\$339.0
Public Safety	\$770.7	\$886.2
Infrastructure	\$1,409.0	\$2,081.4
Special Purpose	\$343.7	\$381.6
<b>TOTAL</b>	<b>\$9,267.5</b>	<b>\$11,124.1</b>

- ✓ Spending on human services accounts for more than 30% of the total. A significant portion of non-General Fund spending is driven by various federal resources.
- ✓ More than one-fourth of total spending is accounted for by education.
- ✓ All told, approximately one-fifth of total spending is targeted to the State's varied infrastructure networks. Much of that spending is attributable to Department of Transportation activities, which are completely funded by non-General Fund monies.
- ✓ Public safety spending accounts for 8% of the total budget.

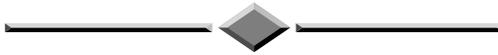
## Spending

### 2001 - 2003 Executive Budget Total Spending by Function





# *Positions Summary*



## Positions



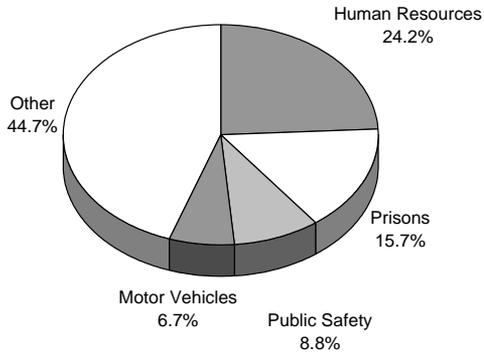
- ✓ The Executive Budget holds the line on State positions. In FY 2003, the number of full-time equivalent positions, after taking into account the likely impacts of the transfer of certain child welfare services to Clark and Washoe Counties, will total just under 15,700. This represents an increase of less than 50 positions over FY 2001.

<b>State Positions by Fiscal Year</b>		
2001	2002	2003
15,637	15,796	15,685

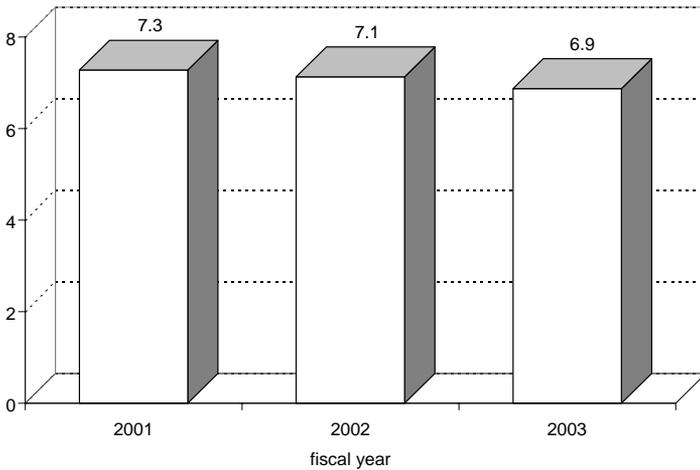
- ✓ Although total positions will hold relatively steady, some departments will be adding much-needed staff. For instance, in FY 2001, 125 new positions will be added in the Department of Motor Vehicles and 73 additional positions will be funded in the Department of Human Resources.
- ✓ More than half of all State positions are accounted for by four departments: Human Resources (3,800), Prisons (2,500), Motor Vehicles (1,400), and Public Safety (1,100).
- ✓ Measured relative to the State's population, State positions are actually on the decline, from 7.3 State workers per 1,000 residents in FY 2001 to 6.9 in FY 2003.

## Positions

### 2001 - 2003 Executive Budget Positions by Department



### State Employees Per 1,000 Residents



# ***General Highlights***



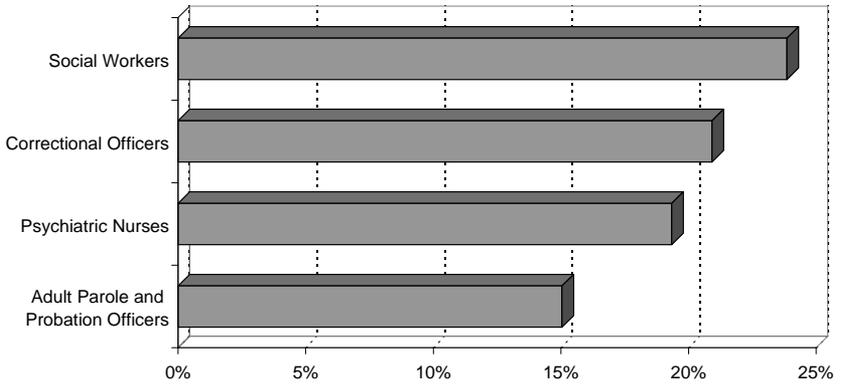
The 2001 - 2003 Executive Budget contains significant compensation increases for State workers. All told, compensation enhancements total \$107 million (General Fund). The State has experienced considerable problems with staff turnover, often in areas of especially critical need. The proposed compensation package will help alleviate these problems and result in the more efficient provision of services to all Nevadans. Important components of the package include:

- Annual cost of living increases of 4% each year of the biennium for State workers.
  - Workers at the top of their respective pay scales, many of whom have served the State well for extended periods of time, will receive an additional “step” or merit increase on their anniversary date of approximately 5% in the first year of the biennium.
  - Employees in specific occupational groups—certain engineers, correctional officers, and parole and probation officers—are targeted for additional increases.
  - A 2% cost of living increase in each year of the biennium for University faculty and professionals. Authority is proposed for the University System to augment these resources.
- ✓ There is considerable uncertainty concerning future trends in energy prices. Dynamics in the electric and natural gas markets may result in significant price increases for end-users, including the State of Nevada. After declining in 1998, energy prices at the consumer level rose 3.6% in 1999. Through the first nine months of calendar year 2000, prices are up by more than 17%. Given the potential for the continuation of significant price increases, \$41 million has been budgeted across all departments to meet these possible future obligations as well as other inflation-related costs. Not doing so could leave the State at considerable financial risk.

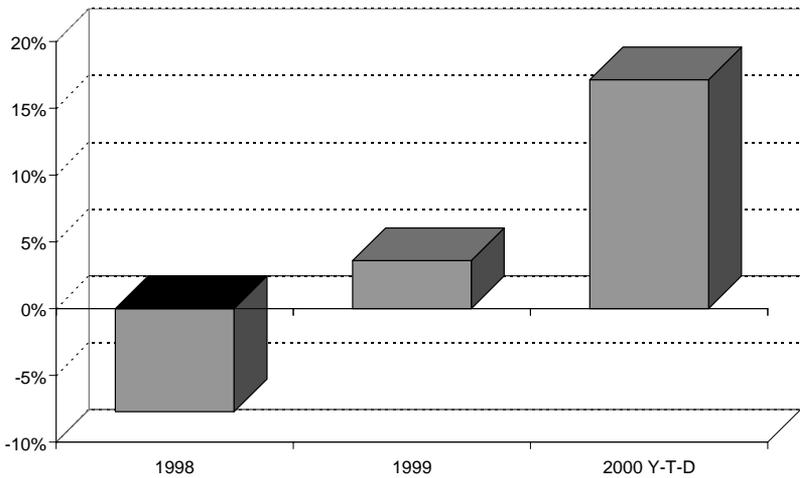
General



FY 2000 Turnover Rates for Selected Occupational Groups



Consumer Energy Price Growth



## General



- ✓ The 2001 - 2003 Executive Budget incorporates a variety of organizational changes within State government, each designed to further increase efficiencies in the provision of services:
  - Decentralizing the motor vehicles and public safety components of the DMV & PS into the Department of Motor Vehicles and the Department of Public Safety.
  - Creation of the Office of Disability Services in the Department of Human Resources.
  - Creation of the Office of Grants Management in the Department of Human Resources.
  - Transfer of the Welfare to Work Program in the Department of Human Resources to the Department of Employment, Training & Rehabilitation.
  - Consolidation of the Commission for Hospital Patients in the Department of Business and Industry with the Office of Ombudsman for Healthcare Services in the Office of the Governor.
  - Transfer of the Senior Citizens Property Tax Rebate Program in the Department of Taxation to the Division of Aging Services in the Department of Human Resources.
  - Transfer of the Science Engineering and Technology function from UCCSN to the Office of the Governor.
  - Transfer of the Division of Unclaimed Property in the Department of Business and Industry to the Office of the State Treasurer.
  - Pilot decentralizations of computer programming and computer technician services from the Department of Information Technology to three State agencies.
  - The Department of Museums, Library and Arts is being renamed the Department of Cultural Affairs.

## General

- ✓ The Governor's Capital Improvement Program totals \$306.5 million. These projects will be financed by a variety of sources, including \$221.2 million in State funds. Some of the major projects include:
- A new \$66 million library at UNR.
  - A \$41 million/1,000-bed expansion at High Desert State Prison.
  - The initial building at the new Henderson State College, at a cost of \$26 million.
  - A new Health Sciences/Biotech Building at the Community College of Southern Nevada with a total cost of \$25 million.
  - Additions and renovations to Wright Hall at UNLV totaling \$19 million.

<b>2001 - 2003 Executive Budget CIP</b> (millions of \$)	
<b>Total Program</b>	<b>\$306.5</b>
Sources of Funds:	
State funds	\$221.2
Federal funds	\$5.3
UCCSN funds	\$66.5
Highway Fund	\$1.6
Employment Security funds	\$8.3
Insurance settlement	\$0.7
Fees	\$3.0
<b>Total Funds</b>	<b>\$306.5</b>



# ***Elected Officials Highlights***



## Elected Officials

<b>Elected Officials' Budgets</b>		
(millions of \$)		
	1999 - 2001	2001 - 2003
	<u>Biennium</u>	<u>Biennium</u>
Office of the Governor	\$12.8	\$17.4
General Fund	\$7.8	\$9.8
Other	\$5.0	\$7.7
Lieutenant Governor	\$0.9	\$0.9
General Fund	\$0.9	\$0.9
Other	\$0.0	\$0.0
Attorney General	\$62.5	\$75.3
General Fund	\$21.4	\$25.7
Other	\$41.2	\$49.6
Controller's Office	\$5.7	\$7.3
General Fund	\$5.6	\$7.3
Other	\$0.1	\$0.0
Secretary of State	\$17.3	\$16.2
General Fund	\$8.4	\$10.5
Other	\$9.0	\$5.7
State Treasurer	\$576.8	\$634.1
General Fund	\$3.8	\$3.7
Other	\$573.0	\$630.4
<b>Total</b>	<b>\$676.0</b>	<b>\$751.3</b>
<b>General Fund</b>	<b>\$47.7</b>	<b>\$57.9</b>
<b>Other</b>	<b>\$628.3</b>	<b>\$693.3</b>

## Elected Officials



- ✓ The \$5 million Nevada Protection Fund is included in the Governor's Office budget to allow for activities to protect Nevada citizens from the federal decision for location of the Nuclear Waste Repository at Yucca Mountain.
- ✓ Funding for the evaluation of the Millennium Scholarship Program is provided for.
- ✓ A one-time General Fund appropriation of \$1.4 million is made to the Secretary of State to fund various enabling technology projects.
- ✓ Resources are provided for a Family Resources Coordinator in the Governor's Office. The Coordinator will identify the availability of services for children and families from all sources in both the public and private sectors and will direct citizens to the most appropriate entity for the receipt of services.

# ***Legislative / Judicial Highlights***



<b>Legislative / Judicial Budgets</b>		
(millions of \$)		
	1999 - 2001	2001 - 2003
	<u>Biennium</u>	<u>Biennium</u>
Legislative	\$36.9	\$37.6
General Fund	\$35.4	\$36.4
Other	\$1.5	\$1.2
Judicial	\$40.7	\$50.4
General Fund	\$28.2	\$33.0
Other	\$12.5	\$17.4
<b>Total</b>	<b>\$77.6</b>	<b>\$88.0</b>
<b>  General Fund</b>	<b>\$63.6</b>	<b>\$69.4</b>
<b>  Other</b>	<b>\$14.0</b>	<b>\$18.6</b>

- ✓ Pay increases of approximately 30% are provided for District Court Judges effective in 2003 when new elected terms begin.
- ✓ One-time General Fund appropriations totaling \$1.03 million support the continuation of the Drug Court Program in the 2<sup>nd</sup> and 8<sup>th</sup> Judicial Districts.
- ✓ Funding is provided for the creation of a Standing Legislative Committee for Juvenile Justice as recommended by an Interim Legislative Committee.

# ***Finance & Administration Highlights***



## Finance & Administration

<b>Finance &amp; Administration Budgets</b>		
(millions of \$)		
	1999 - 2001	2001 - 2003
	<u>Biennium</u>	<u>Biennium</u>
Administration	\$163.7	\$177.8
General Fund	\$9.6	\$11.5
Other	\$154.1	\$166.3
Taxation	\$30.3	\$32.5
General Fund	\$26.0	\$30.2
Other	\$4.3	\$2.2
Information Services	\$86.0	\$75.6
General Fund	\$0.0	\$0.0
Other	\$86.0	\$75.6
Personnel	\$17.5	\$20.5
General Fund	\$0.0	\$0.0
Other	\$17.5	\$20.5
<b>Total</b>	<b>\$297.4</b>	<b>\$306.4</b>
<b>  General Fund</b>	<b>\$35.6</b>	<b>\$41.7</b>
<b>  Other</b>	<b>\$261.9</b>	<b>\$264.7</b>

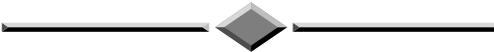
- ✓ Nearly \$15 million in one-time appropriations (including \$12.3 million in General Funds, with the remainder coming from the Highway Fund) is budgeted for the final phase of the development and roll out of the Integrated Financial System.
- ✓ A \$1.3 million one-time General Fund appropriation is being utilized for Phase II of the Department of Taxation's business process re-engineering study. The results of the study will identify, among other things, potential efficiencies in the State's revenue collection processes.

## Finance & Administration



- ✓ For the first time, the Governor's \$306.5 million Capital Improvement Program utilizes a cash-flow funding structure designed to help ensure that resources are distributed across competing projects in an efficient fashion.
- ✓ A \$9.1 million one-time General Fund appropriation is made to fund Phase II of the digital microwave upgrade.

# ***Education Highlights***



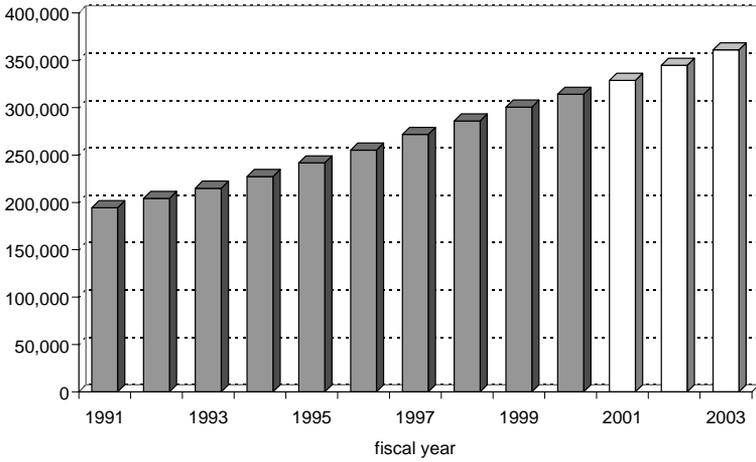
## Education

<b>Education Budgets</b>		
(millions of \$)		
	1999 - 2001	2001 - 2003
	<u>Biennium</u>	<u>Biennium</u>
K-12 Education	\$1,640.1	\$1,800.0
General Fund	\$1,123.6	\$1,222.0
Other	\$516.5	\$577.9
University System	\$889.6	\$1,054.8
General Fund	\$621.2	\$756.0
Other	\$268.5	\$298.8
Cultural Affairs	\$28.5	\$30.1
General Fund	\$20.3	\$20.2
Other	\$8.2	\$9.9
WICHE	\$3.1	\$3.6
General Fund	\$1.9	\$2.1
Other	\$1.2	\$1.6
<b>Total</b>	<b>\$2,561.4</b>	<b>\$2,888.5</b>
<b>General Fund</b>	<b>\$1,767.0</b>	<b>\$2,000.3</b>
<b>Other</b>	<b>\$794.4</b>	<b>\$888.2</b>

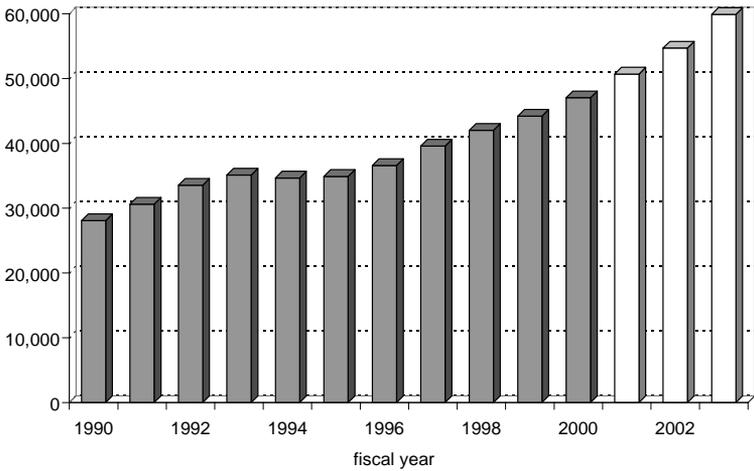
- ✓ K-12 student enrollments are forecast to increase at close to 5% annually. By FY 2003, enrollments are expected to total over 360,000. This translates into more than 15,000 new students each year. In averaging close to 8% annually, UCCSN enrollments are expected to rise at a pace even higher than for K-12. Enrollments in FY 2003 are forecast to total nearly 60,000, up from 47,000 in FY 2000.

## Education

### K-12 School Enrollments

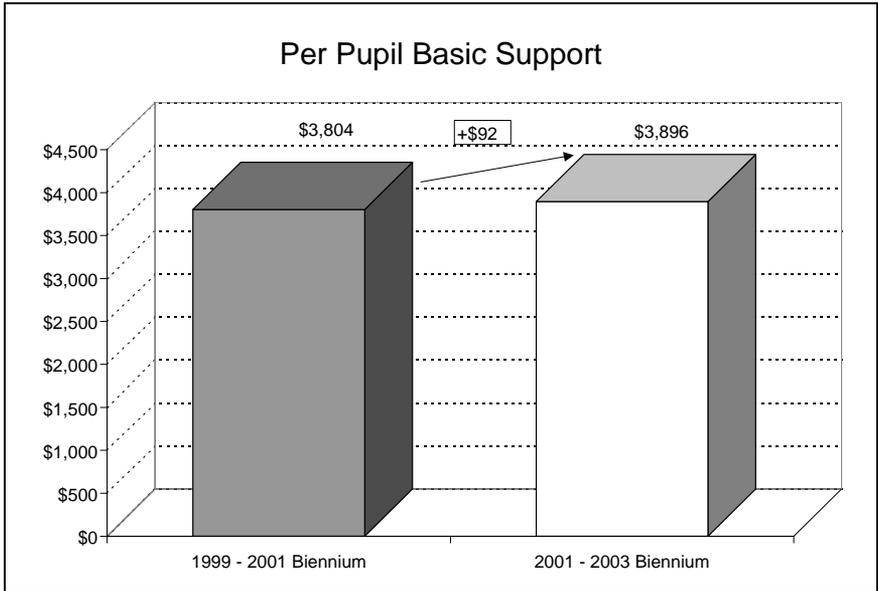


### UCCSN Enrollments



## Education

- ✓ The basic per student guarantee within the Distributive School Account is budgeted at \$3,896 for the 2001 - 2003 biennium, up from \$3,804.



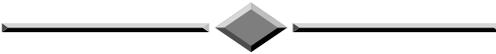
- ✓ One-time General Fund appropriations are being utilized to:
  - Provide for over \$57 million in cost of living bonuses for all public employees in local school districts. This translates into approximately a 5% bonus.
  - Fund increases in teacher training, textbook resources, and information technology for use on the basis of local priorities and needs (\$20 million).
- ✓ Increased funding for Professional Development Centers and remediation, a recommendation of the Standing Legislative Committee on Education. Additional resources for these activities total close to \$11 million.

## Education



- ✓ The State Board of Education has recommended that funding for early childhood education be increased. The 2001 - 2003 Executive Budget provides for \$4 million in General Funds for this purpose.
- ✓ The Nevada Early Literacy Intervention Program is being established at a total cost of \$10 million. The Program is designed to ensure that all students read at grade level by the third grade.
- ✓ Funding is budgeted for the evaluation of the Class Size Reduction Program.
- ✓ A one-time General Fund appropriation of nearly \$1.6 million is being utilized for the development of a criterion referenced test for 8<sup>th</sup> graders, a requirement of the Nevada Education Reform Act.
- ✓ Resources are provided to expand the reimbursement program for K-12 teachers attaining national certification to 75 teachers per year.
- ✓ The Executive Budget provides resources for the establishment of the Nevada State College at Henderson, including a \$1 million one-time General Fund appropriation. The College is a recommendation of an Interim Legislative Study.
- ✓ The 2001 - 2003 Executive Budget incorporates a recommendation of an Interim Legislative Committee to utilize new funding formulas for UCCSN.

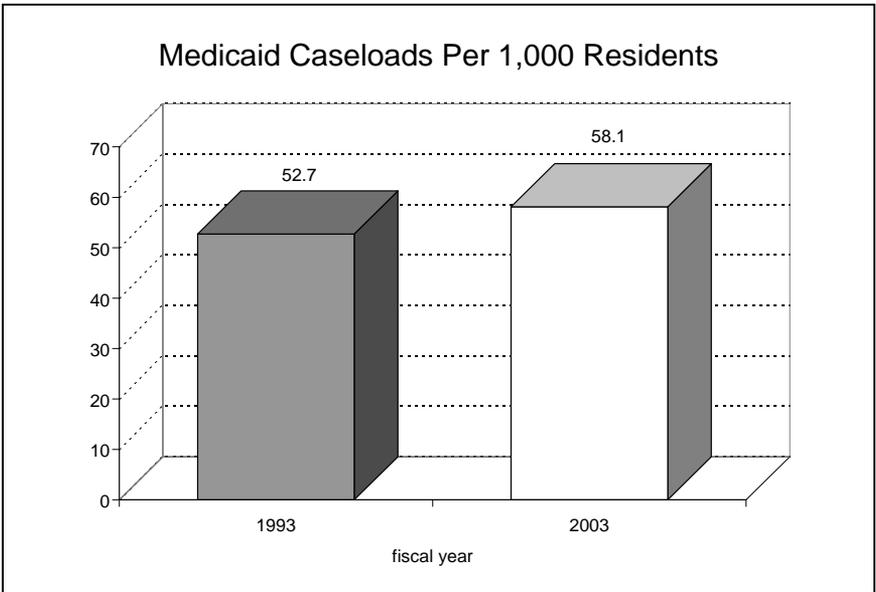
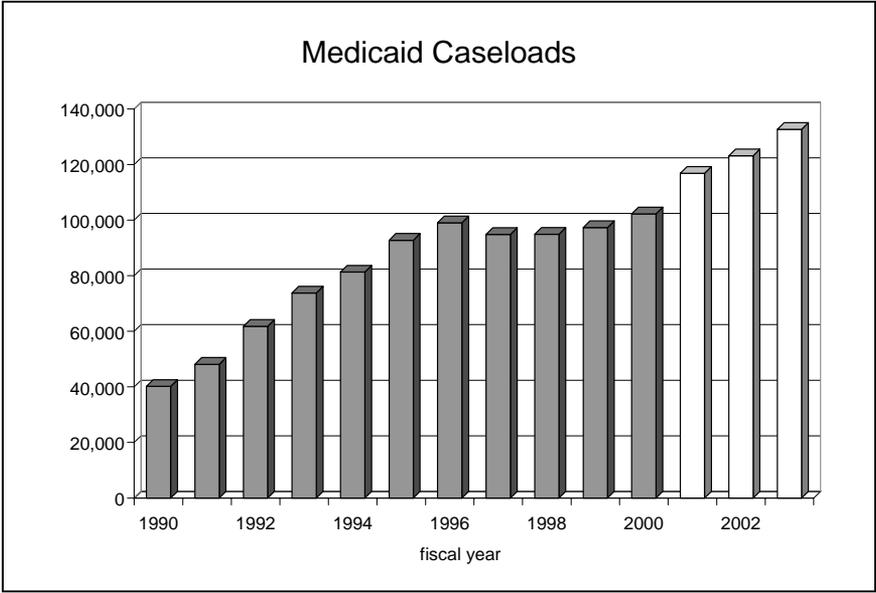
# ***Human Services Highlights***



## Human Services

<b>Human Services Budgets</b>		
(millions of \$)		
	1999 - 2001 Biennium	2001 - 2003 Biennium
Human Resources	\$2,671.5	\$3,183.3
General Fund	\$778.2	\$1,081.9
Other	\$1,893.3	\$2,101.4
Empl, Training, & Reh	\$186.7	\$218.5
General Fund	\$9.7	\$9.5
Other	\$176.9	\$209.0
<b>Total</b>	<b>\$2,858.2</b>	<b>\$3,401.7</b>
<b>General Fund</b>	<b>\$787.9</b>	<b>\$1,091.4</b>
<b>Other</b>	<b>\$2,070.3</b>	<b>\$2,310.4</b>

- ✓ The State administers a number of human service programs, each serving a defined population. The largest such program is Medicaid. By FY 2003, Medicaid caseloads are expected to total close to 133,000, up by 30,000 from FY 2000. Despite holding relatively steady during the second-half of the 1990s, caseloads are still up markedly from a decade ago. Gains over time have outpaced growth in the general population. In FY 1993, there were 52.7 recipients per 1,000 Nevadans. By FY 2003, that will increase to 58.1 Medicaid recipients per 1,000 residents.
  
- ✓ The Governor's Executive Budget provides for an expansion in the number of children served by the Nevada Check-Up Program. By FY 2003, participation in the Program is expected to total close to 25,000 children, up from 15,000 in FY 2001. Resources of \$14.6 million are necessary to fund the expansion.
  
- ✓ General Funds totaling over \$38 million are included in the Budget to fund discretionary rate increases for Medicaid providers. Increases are necessary to ensure that Nevadans have access to essential healthcare services.

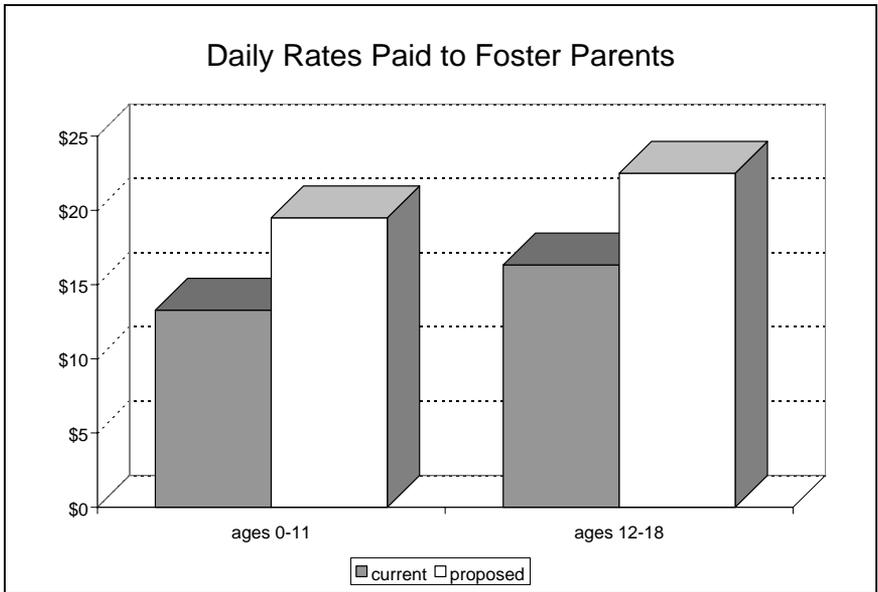


## Human Services



- ✓ The 2001 - 2003 Executive Budget provides General Fund resources of close to \$11.5 million to expand Medicaid eligibility. Components of the expansion include:
  - CHIP, group care, physically disabled, and mental retardation waivers.
  - Elimination of the asset test for children and pregnant women.
  - Expedited caseload processing for pregnant women.
  - Coverage of breast and cervical cancer.
- ✓ Funding is provided for the development of the new Medicaid Management Information System. Development costs total nearly \$21 million. A one-time appropriation of \$2.1 million funds the General Fund share.
- ✓ Funding for the transfer of certain child welfare services to Clark and Washoe Counties, a recommendation of an Interim Legislative Committee, is included in the Executive Budget. Among the resources is a nearly \$8 million one-time General Fund appropriation.
- ✓ The daily rate paid by the State to foster care providers is being increased. For children up to 11 years old, the rate is going up from \$13.28 to \$19.50. For older children, the increase is from \$16.33 to \$22.50. Rate increases are also being provided for subsidized adoptions. The General Fund cost of these increases is close to \$5 million.
- ✓ Funds for an enhanced health clinic for the new Jan Evans Juvenile Justice Center are included in the Budget.

## Human Services



✓ A one-time General Fund appropriation of \$1.8 million is to be utilized for the development of a long-term strategic plan that recognizes the current and future healthcare needs of Nevada citizens and provides a blueprint to fund the development of public and private resources necessary to meet these needs. Components of the plan include:

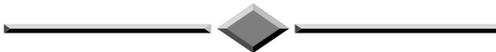
- Senior healthcare services and service continuum.
- Individuals with disabilities healthcare services and service continuum.
- Rural healthcare services.
- Services for uninsured families.
- Health and human services payment rates.
- Reduction of incidences of domestic violence and promote the health and well-being of Nevada's women and children.

## Human Services



- ✓ Funds for the establishment of the Health Fund for Uninsured Families to promote the availability of healthcare coverage benefits for uninsured families and assist Nevadans in accessing essential healthcare services are provided via a one-time \$5 million General Fund appropriation.
- ✓ Funding is provided for a business process re-engineering study for the Division of Mental Health and Developmental Services.
- ✓ The Executive Budget provides resources for an electronic application process for Nevada Check-Up and Medicaid assistance.
- ✓ A \$1 million revolving fund account for assistance to certain rural health programs is included in the Budget.
- ✓ A \$2 million one-time General Fund appropriation is being utilized to assist in the operation of HIV/AIDS clinics in Reno and Las Vegas.
- ✓ Funding of \$0.5 million is included in the Executive Budget for additional assistance for citizens with disabilities to maintain an independent living environment.
- ✓ The 2001 - 2003 Executive Budget contains nearly \$8 million in funding to double Senior Property Tax Rebate Program benefits.
- ✓ Senior RX Program marketing efforts and subsidy enhancements are being increased with \$1 million in General Funds.

# ***Commerce & Industry Highlights***



## Commerce & Industry

<b>Commerce &amp; Industry Budgets</b>		
(millions of \$)		
	1999 - 2001	2001 - 2003
	<u>Biennium</u>	<u>Biennium</u>
Agriculture	\$15.4	\$21.8
General Fund	\$6.4	\$7.6
Other	\$9.0	\$14.2
Business and Industry	\$118.8	\$148.4
General Fund	\$17.9	\$18.9
Other	\$101.0	\$129.4
Econ Dvlpmnt & Tour	\$48.9	\$56.0
General Fund	\$7.2	\$7.7
Other	\$41.7	\$48.3
Gaming Control Board	\$65.7	\$84.8
General Fund	\$45.5	\$52.8
Other	\$20.2	\$32.0
Minerals	\$2.8	\$5.0
General Fund	\$0.0	\$0.0
Other	\$2.8	\$5.0
Public Utilities Comm	\$21.9	\$23.1
General Fund	\$0.0	\$0.0
Other	\$21.9	\$23.1
<b>Total</b>	<b>\$273.5</b>	<b>\$339.0</b>
<b>General Fund</b>	<b>\$76.9</b>	<b>\$87.0</b>
<b>Other</b>	<b>\$196.5</b>	<b>\$252.0</b>

## Commerce & Industry



- ✓ The 2001 - 2003 Executive Budget includes a \$5 million one-time General Fund appropriation to the Department of Business and Industry. These resources allow for State augmentation of federal funding for eligible senior citizen energy bill assistance.
- ✓ One-time General Funds are provided for the development of an automated real estate agent licensing system.



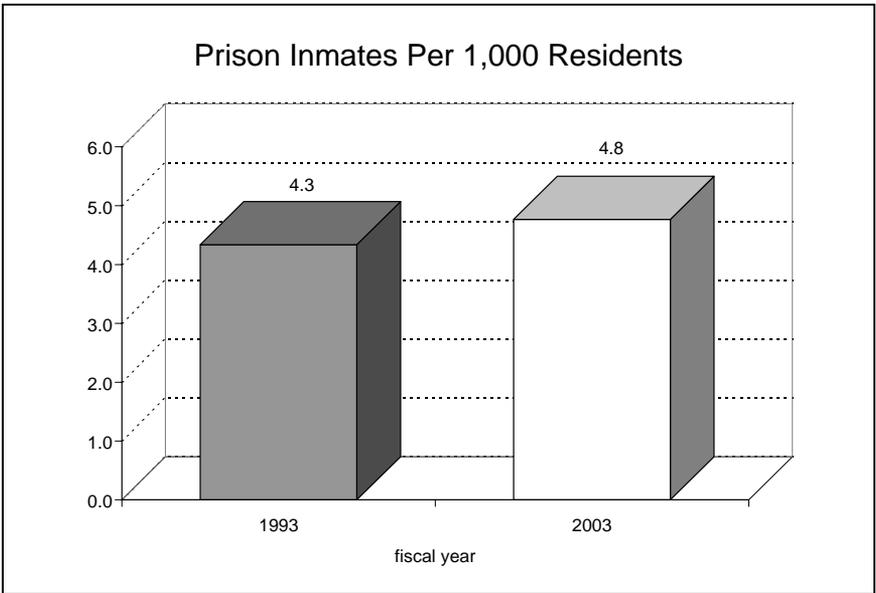
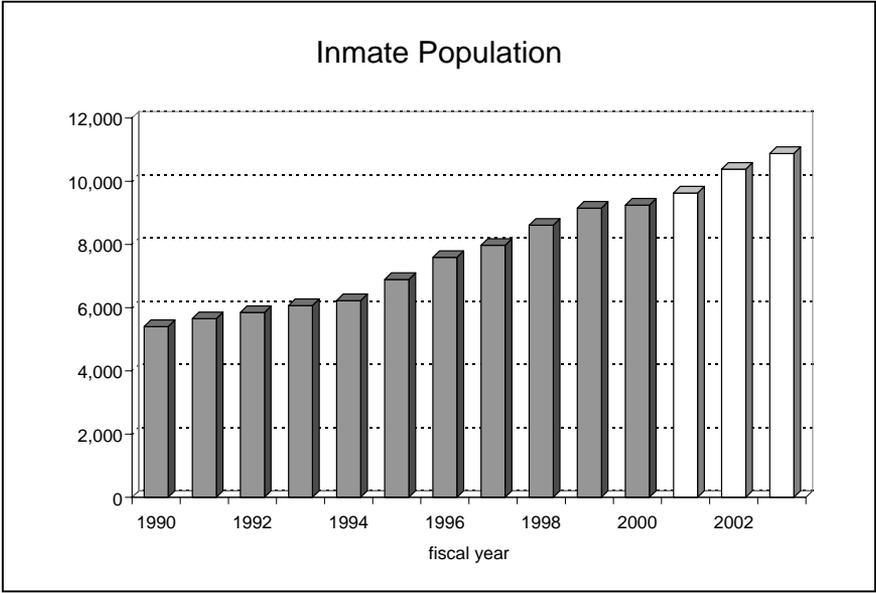
# ***Public Safety Highlights***



## Public Safety

<b>Public Safety Budgets</b>		
(millions of \$)		
	1999 - 2001	2001 - 2003
	<u>Biennium</u>	<u>Biennium</u>
Motor Vehicles	\$136.9	\$171.7
General Fund	\$0.0	\$0.0
Other	\$136.9	\$171.6
Prisons	\$363.7	\$434.3
General Fund	\$303.4	\$359.5
Other	\$60.3	\$74.8
Public Safety	\$266.7	\$275.7
General Fund	\$67.5	\$76.9
Other	\$199.2	\$198.8
POST	\$3.3	\$4.5
General Fund	\$0.0	\$0.0
Other	\$3.3	\$4.5
<b>Total</b>	<b>\$770.7</b>	<b>\$886.2</b>
<b>  General Fund</b>	<b>\$371.0</b>	<b>\$436.5</b>
<b>  Other</b>	<b>\$399.7</b>	<b>\$449.8</b>

- ✓ By FY 2003, Nevada's prison inmate population is forecast to total close to 10,900. Relative to FY 2000, this represents a gain of over 1,600 inmates. The inmate population has been rising non-stop for several years running and has outpaced growth in the general population. In FY 1993, there were 4.3 inmates per 1,000 Nevadans. By FY 2003, that will increase to 4.8 inmates per 1,000 residents.
  
- ✓ Nearly \$1.8 million in one-time appropriations from the Highway Fund are to be utilized for various communication-type projects within the Department of Public Safety.



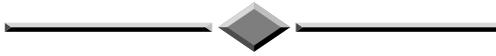
## Public Safety



- ✓ Funds for a job task analysis and physical fitness validation study for peace officers are provided.
- ✓ General Fund monies to upgrade the Division of Parole and Probation's computer resources are contained in the Executive Budget.



# ***Infrastructure Highlights***



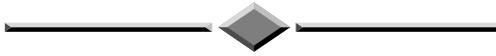
## Infrastructure

<b>Infrastructure Budgets</b>		
(millions of \$)		
	1999 - 2001	2001 - 2003
	<u>Biennium</u>	<u>Biennium</u>
Con & Natural Res	\$186.8	\$203.2
General Fund	\$43.2	\$48.8
Other	\$143.6	\$154.4
Transportation	\$1,086.4	\$1,311.1
General Fund	\$0.6	\$0.0
Other	\$1,085.8	\$1,311.1
Colorado River Comm	\$135.8	\$567.1
General Fund	\$0.0	\$0.0
Other	\$135.8	\$567.1
<b>Total</b>	<b>\$1,409.0</b>	<b>\$2,081.4</b>
<b>  General Fund</b>	<b>\$43.8</b>	<b>\$48.8</b>
<b>  Other</b>	<b>\$1,365.2</b>	<b>\$2,032.6</b>

- ✓ Funding is provided, via a one-time General Fund appropriation to the Tahoe Regional Planning Agency, to increase Lake Tahoe oversight, as recommended by an Interim Legislative Committee.
- ✓ Nearly \$2.1 million in General Fund resources are being made available to fund a variety of State Park improvement and maintenance projects.
- ✓ The large increase in the Colorado River Commission's budget is being driven by on-going and expected developments in the energy and power markets which are likely to result in significant price increases.



# *Special Purpose Highlights*



## Special Purpose

<b>Special Purpose Budgets</b>		
(millions of \$)		
	1999 - 2001	2001 - 2003
	<u>Biennium</u>	<u>Biennium</u>
Office of the Military	\$15.2	\$11.0
General Fund	\$3.7	\$4.2
Other	\$11.5	\$6.8
Veterans Affairs	\$10.9	\$23.6
General Fund	\$4.6	\$9.6
Other	\$6.3	\$13.9
PERS	\$16.6	\$14.5
General Fund	\$0.0	\$0.0
Other	\$16.6	\$14.5
Pub Emp Health Prog	\$301.0	\$332.6
General Fund	\$0.0	\$0.0
Other	\$301.0	\$332.6
<b>Total</b>	<b>\$343.7</b>	<b>\$381.6</b>
<b>General Fund</b>	<b>\$8.3</b>	<b>\$13.9</b>
<b>Other</b>	<b>\$335.3</b>	<b>\$367.7</b>

- ✓ A one-time General Fund appropriation totaling over \$14.3 million funds the conversion of the Judicial Pension Program for District Judges from a cash basis to an actuarial funding basis as recommended by an Interim Legislative Committee.

Special Purpose

# *Future Challenges*



## Future Challenges



Nevada continues to grow and evolve. The State's economic and social landscape will certainly change drastically in the years ahead, just as it has in the past. The 2001 - 2003 Executive Budget takes important steps to ensure that our State is able to successfully meet future challenges. This budget provides the resources necessary for the State and its most valuable asset, its citizens, to successfully meet these challenges by targeting resources to critical areas such as education and human services, to name just two.

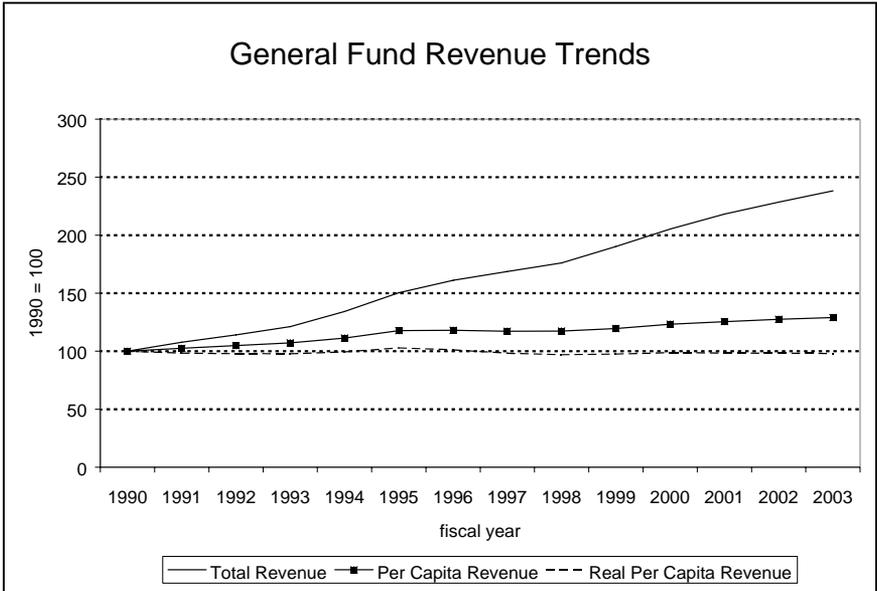
But this Executive Budget is only a start. New challenges and opportunities will certainly evolve. As a result, it is especially important to maintain a forward-looking approach that extends far beyond the current two-year budget cycle. I set the wheels in motion for such a process with the first Fiscal Forum in the spring of 2000. At that gathering, I presented alternative scenarios for the State's fiscal future over the course of the next decade. These efforts will continue. With the completion of this Executive Budget, the focus will begin shifting to the long-term, stretching through the first decade of the new millennium.

What are the challenges we are likely to face in the future? There are several. The various populations served by the State will, in all likelihood, continue to expand. For instance, K-12 school enrollments are likely to continue growing by 15,000 to 20,000 students annually and the prison inmate population is forecast to grow by approximately 30% between FY 2003 and FY 2009. The growth of gaming outlets beyond Nevada's borders will likely impact some of the State's gaming markets, although the extent of the impact is subject to debate. Despite the State's long-running economic boom, it is important to remember that Nevada is not immune to fluctuations in the national and international economy.

Certainly, State coffers have benefited from unprecedented growth in Nevada's economy. The General Fund revenue collections forecast for FY 2003 is 140% higher than FY 1990 collections. But all of this phenomenal increase has been "eroded" by population gains and increases in the costs associated with providing State services. For instance, on a per capita basis, General Fund revenues are forecast to rise by just 30% over the same 13-year period. After adjusting for inflation, "real" per capita revenue is actually forecast to decline. Quite simply, our revenues are struggling to keep pace with growth in the

## Future Challenges

populations that we serve and increasing costs associated with providing those services.



As a result, meeting future challenges will mean that the State's scarce fiscal resources must be utilized as efficiently as possible. This can only be accomplished if we continue to assess Nevada's strengths, weaknesses, opportunities, and challenges by extending our view beyond the current two-year budget cycle.

**Kenny C. Guinn**  
Governor

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