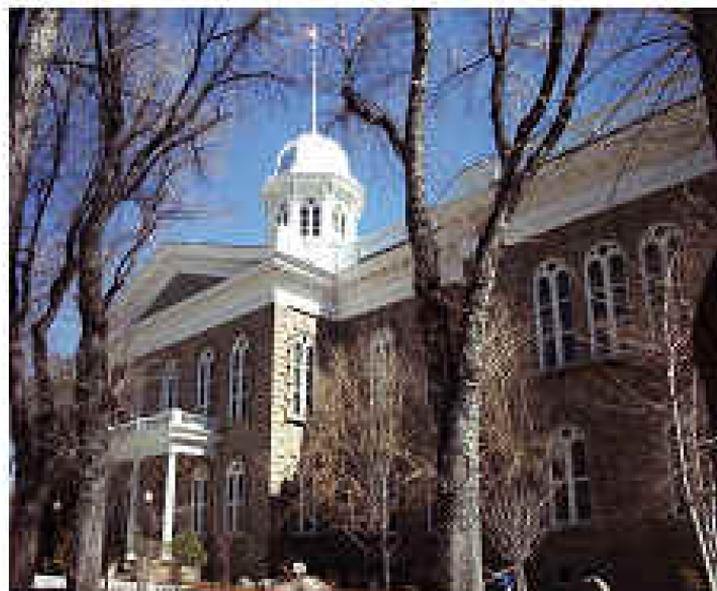


**STATE OF NEVADA**  
**2003 - 2005**  
**EXECUTIVE BUDGET IN BRIEF**



**KENNY C. GUINN**  
**GOVERNOR**





**DEPARTMENT OF ADMINISTRATION**

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January 13, 2003

Dear Fellow Nevadans:

On behalf of Governor Kenny C. Guinn and the Budget and Planning Division, it is my pleasure to present this *Executive Budget in Brief* for the 2003 - 2005 biennium. This brief offers users a quick and easy tool to understand the many challenges facing the State. Most importantly, it highlights the steps proposed by Governor Guinn to meet these challenges.

Nevada continues to grow and change. As a result, the Budget and Planning 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 on-going and significant changes.

In this *Executive Budget in Brief*, tabular presentations have been expanded to provide a clearer picture of underlying trends. The various budget summaries in the "Highlights" sections have also been modified to facilitate a more effective presentation of information. Perhaps most importantly, a new section of this document provides an overview of the decision-making process, which was utilized in determining the allocation of the State's fiscal resources across a wide variety of programmatic needs.

If you have any suggestions concerning how the Budget and Planning 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.

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.

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John P. Comeaux  
Director

## Table of Contents



Economic Overview .....	3
Budget Summary	
Fund Balances .....	9
Sources of Funding .....	15
Spending .....	25
Positions .....	31
The Decision-Making Process .....	37
Budget Highlights	
General .....	43
Elected Officials .....	55
Legislative / Judicial .....	59
Finance & Administration .....	63
Education .....	67
Commerce & Industry .....	73
Human Services .....	77
Public Safety .....	83
Infrastructure .....	89
Special Purpose .....	93
Future Challenges .....	97
Contacts .....	101

Note: Throughout this document, numerical and tabular information presented may not always add due to rounding. Where applicable, changes from historical to forecast periods depicted in graphs and charts are represented by a change in the color scheme.

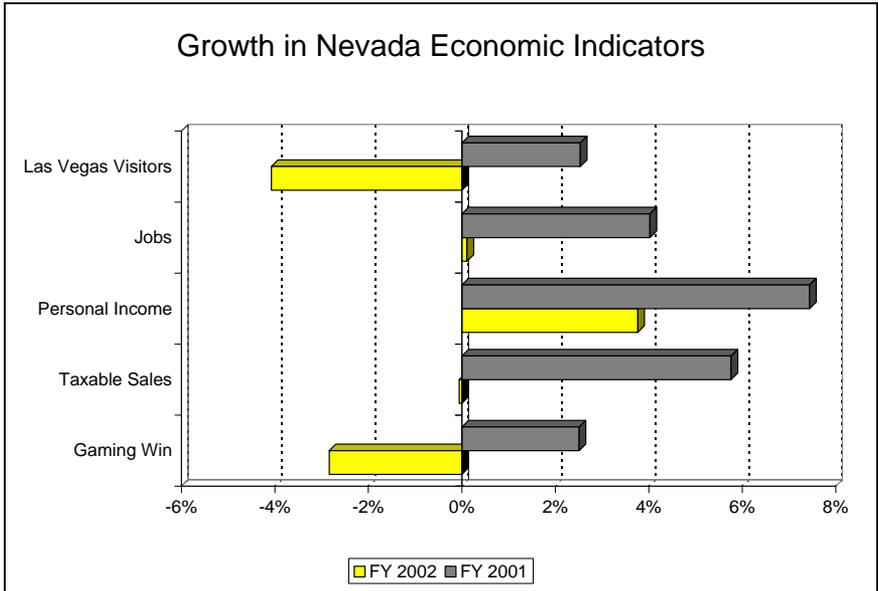
Cover photo courtesy of Anthony Marcin, Office of Nevada State Treasurer Brian K. Krolicki

# Economic Overview



## Economic Overview

- ✓ Since the final months of 2001, an across-the-board decline in the State's economic health is undeniable. Practically every indicator of the economy's performance--jobs, income, gaming activity, etc--has deteriorated, if not in actual terms, at least with respect to growth.



- ✓ Nationally, GDP barely grew (0.3%) during calendar year 2001. Overall conditions improved slightly during 2002, with the economy growing at a 2.4% pace. This is less than two-thirds of the average rate of growth during the 1995-2000 period. The consumer and housing sectors kept the economy afloat during 2002.
- ✓ As FY 2002 unfolded, Las Vegas visitor volume fell at an alarming rate. Declines in excess of 6% were registered in every month between September and December. Visitor volume was off 4.1% for the year.

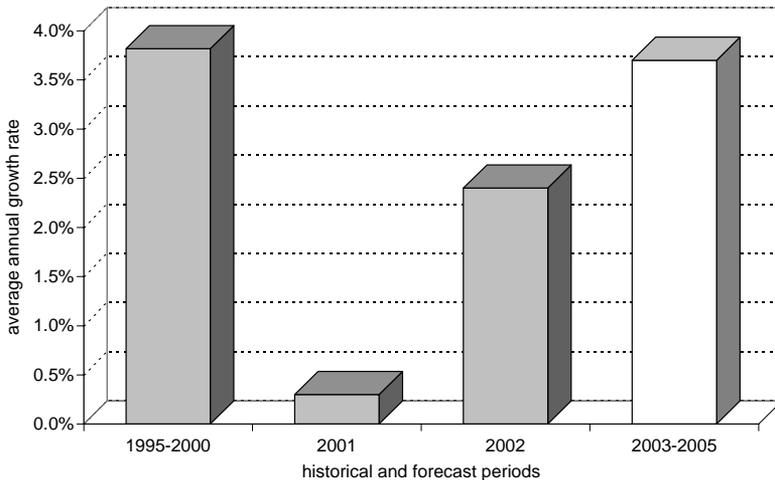
## Economic Overview



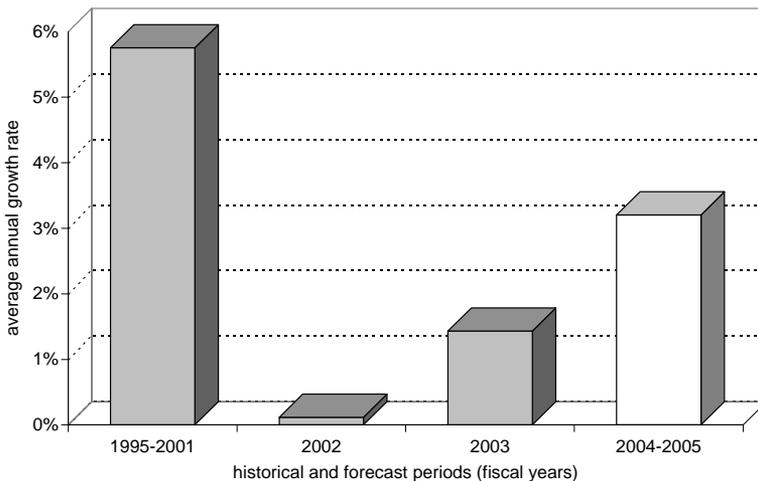
- ✓ After growth hovered in the mid-single digits for an extended period of time, jobs declined in each of the final three quarters of FY 2002. Despite the deterioration in the State's labor markets of late, trends have still held up well relative to the nation as a whole.
- ✓ During the year ending with the third quarter of 2001, personal income growth averaged 6.5% in Nevada. Since then, growth has been reduced by half. Still, trends in the Silver State are more encouraging than throughout the rest of the country.
- ✓ Taxable sales grew at a 5.8% pace in FY 2001. In FY 2002, sales actually declined at a 0.1% rate. Sales in eating and drinking establishments (the State's largest sales category) were up 8% in FY 2001. In FY 2002, sales declined 0.7%. There was just one notable bright spot--autos--where sales were up 8.9% in FY 2002.
- ✓ Gaming conditions in FY 2002 deteriorated markedly. Total win ended the year off 2.8%, but growth in the 4%-range was necessary to achieve our budgeted target. Declines were especially pronounced on the games and tables side, where win was down 7.3%. For the less volatile slots, win was off just 0.4%.
- ✓ The national economic outlook is clouded in uncertainty. Still, the economy will grow, but at a pace that does not stack up well relative to previous recovery periods. Expectations are for real GDP growth to average about 3.7% over the next three years.
- ✓ Against this backdrop, expectations are for Nevada to gradually rebound. However, the recovery in the Silver State will also likely be relatively mild, especially when measured against the high-growth period during the late-1990s. During that time period, job growth averaged over 5% per year in Nevada. Expectations are for jobs to grow just 1.4% in FY 2003 before rising to above 3% in the next biennium.

## Economic Overview

### Real Gross Domestic Product



### Nevada Jobs



## Economic Overview



- ✓ In the near-term, various economic indicators may show “robust” growth. For instance, during September and October of 2002, Las Vegas visitor volume was up 6.3%. Gaming win expanded at a 5.4% rate. Taxable sales for the period stood 4.6% higher than a year ago. These increases, however, are “artificially” inflated. Much of the apparent improvement beginning in September is solely the result of easy comparisons to weak year-ago readings.
- ✓ While Nevada’s economy has decelerated of late, and the unfolding rebound will likely prove to be constrained, the demands placed upon State services continue to increase. The same economic pressures that have brought about the softening revenue picture have increased the need for human services. Student enrollments are still expanding at a rapid pace. The State’s infrastructure continues to be strained. This presents considerable fiscal challenges. The 2003 – 2005 *Executive Budget* takes significant steps to meet these challenges.

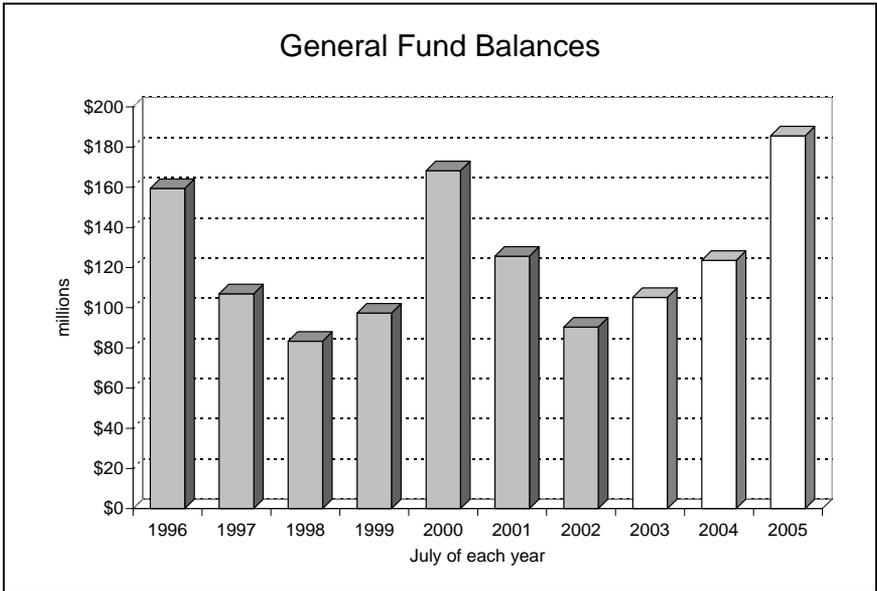
# Fund Balances Summary



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## Fund Balances

- ✓ The State's General Fund<sup>1</sup> balance at year-end FY 2003 is forecast to be \$105.2 million. It is expected to rise to \$123.7 million the following year and to \$185.6 million by the end of FY 2005.

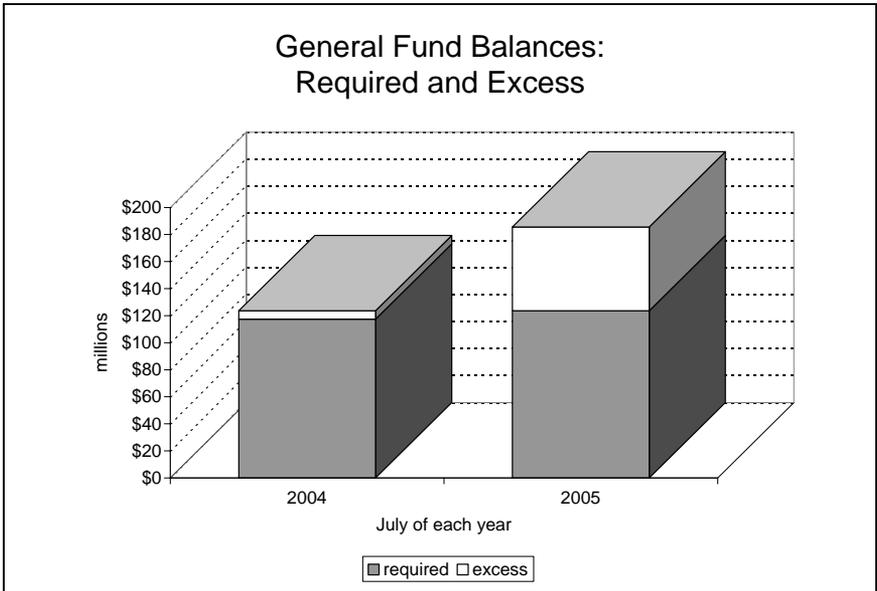


- ✓ The State's General Fund balance at year-end FY 2004 is forecast to be \$6.2 million higher than required. By the end of FY 2005, the balance is forecast to be \$61.9 million higher than required.

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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

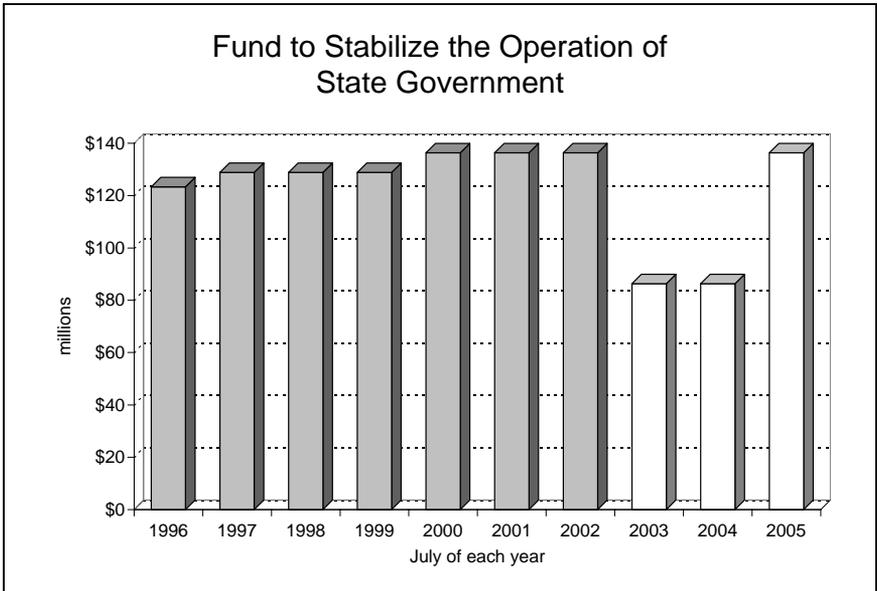


- ✓ In light of actual and expected revenue and expenditure trends in FY 2003, it is recommended that \$100 million in resources from the State's \$136.3 million "Rainy Day"<sup>2</sup> Fund be utilized. Year-end supplemental funding is being made available to return \$50 million to the Fund.
- ✓ As a result, the Fund's balance is forecast to be \$86.3 million at the end of FY 2003.
- ✓ The *Executive Budget* provides for an additional appropriation of \$50 million in FY 2005 to replenish the Rainy Day Fund to its current level.

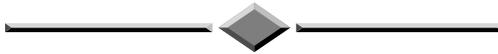
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<sup>2</sup> The Fund to Stabilize the Operation of State Government is a trust fund. The Fund is also referred to as the "Rainy Day" or "Stabilization" Fund. A direct appropriation to the Fund may be made. In addition, at the close of each fiscal 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

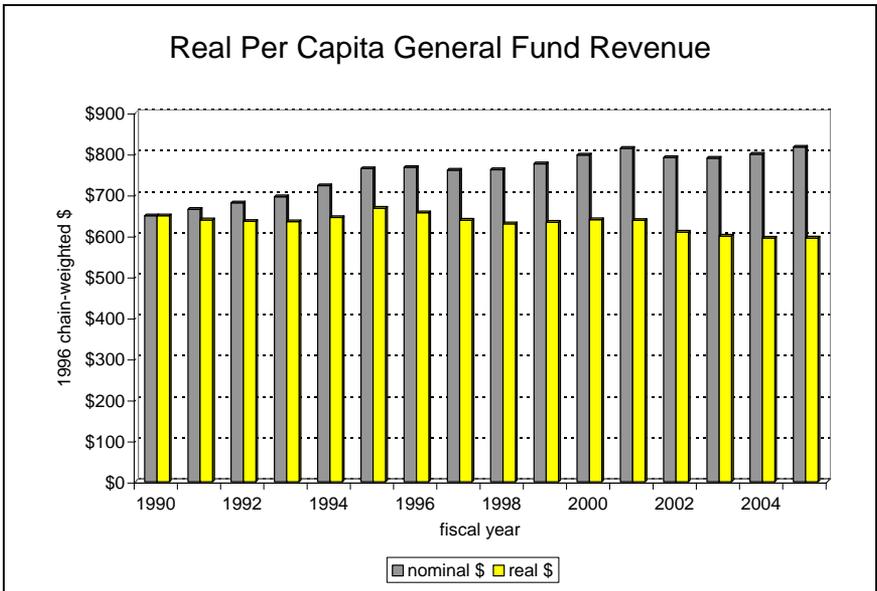
- ✓ In FY 2002, General Fund revenue collections came in **\$68.2 million below the Economic Forum forecast** upon which the current biennium's budget was built. The revised forecast for FY 2003 is **\$87.5 million below the original projection.**

<b>Economic Forum General Fund Revenue Forecast</b> (millions of \$)				
	2001 - 2003 Biennium		2003 - 2005 Biennium	
	FY 2002 (actual)	FY 2003	FY 2004	FY 2005
Sales and Use Taxes	\$655.1	\$689.1	\$724.3	\$764.8
Gaming Taxes	\$589.8	\$605.6	\$625.9	\$654.6
Insurance Premium Tax	\$156.3	\$167.3	\$179.0	\$191.5
Business License Tax	\$78.4	\$79.5	\$82.0	\$84.7
Casino Entertainment Tax	\$64.8	\$68.7	\$72.5	\$76.8
Other	\$207.5	\$203.3	\$212.4	\$220.5
<b>TOTAL BY YEAR</b>	<b>\$1,752.0</b>	<b>\$1,813.5</b>	<b>\$1,896.0</b>	<b>\$1,993.0</b>
<b>\$ change</b>		<b>\$61.5</b>	<b>\$82.5</b>	<b>\$97.0</b>
<b>% change</b>		<b>3.5%</b>	<b>4.6%</b>	<b>5.1%</b>
<b>TOTAL BY BIENNIUM</b>		<b>\$3,565.5</b>		<b>\$3,889.0</b>
<b>\$ change</b>				<b>\$323.6</b>
<b>% change</b>				<b>9.1%</b>

- ✓ General Fund revenues, as forecast by the Economic Forum, will grow just 3.5% in FY 2003, followed by growth of 4.6% and 5.1% in each year of the next biennium. This comes on the heels of a weak 1% increase in FY 2002, as nearly every major revenue source struggled in the face of the tourism-led economic slowdown.
- ✓ Revenue is expected to total \$3.89 billion in the 2003–2005 biennium, based on the Economic Forum forecast. This translates into an increase of \$323.6 million. Relative to the revenue forecast upon which the current biennium's budget is based, this represents an increase of just \$167.8 million.
- ✓ The State's largest revenue source, sales and use taxes, is forecast by the Forum to grow at a 5.3% average annual rate between FY 2002 and FY 2005. Between FY 1997 and FY 2001, growth averaged 6.4% per year. During FY 2002, this revenue source was extremely hard-hit by the economic downturn, and grew just 1.4%.

## Sources of Funding

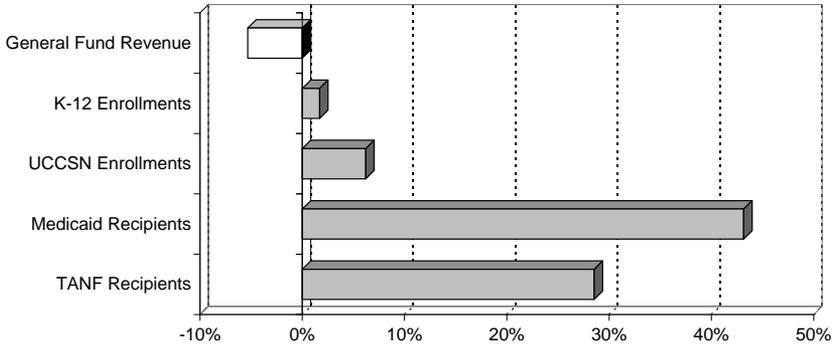
- ✓ Gaming taxes will follow a similar pattern. Growth will average 3.5% between FY 2002 and FY 2005 according to the Economic Forum, down considerably from the 5.9% average gain during the FY 1997–FY 2001 period. During FY 2002, gaming taxes fell 2.4%.
- ✓ Over time, the State’s General Fund revenue base has struggled to keep pace with growth in Nevada, straining the State’s ability to fund needed services. Revenues have not kept pace with both population gains and increasing costs. Measured in per capita terms, inflation-adjusted revenue in FY 2005 is forecast to be \$594. That is down from \$667 in FY 1995.



- ✓ Looked at another way, per capita revenue is forecast to decline over 5% in inflation-adjusted terms between FY 1999 and FY 2003. However, the State’s major caseload groups (e.g., K-12 and UCCSN enrollments, and Medicaid and TANF recipients), measured on a per capita basis, are forecast to grow markedly. Again, the State’s existing revenue base is not keeping pace with our needs.

## Sources of Funding

### FY 1999 - FY 2003 Real Per Capita General Fund Revenue Growth vs. Per Capita Growth for Major Caseload Groups



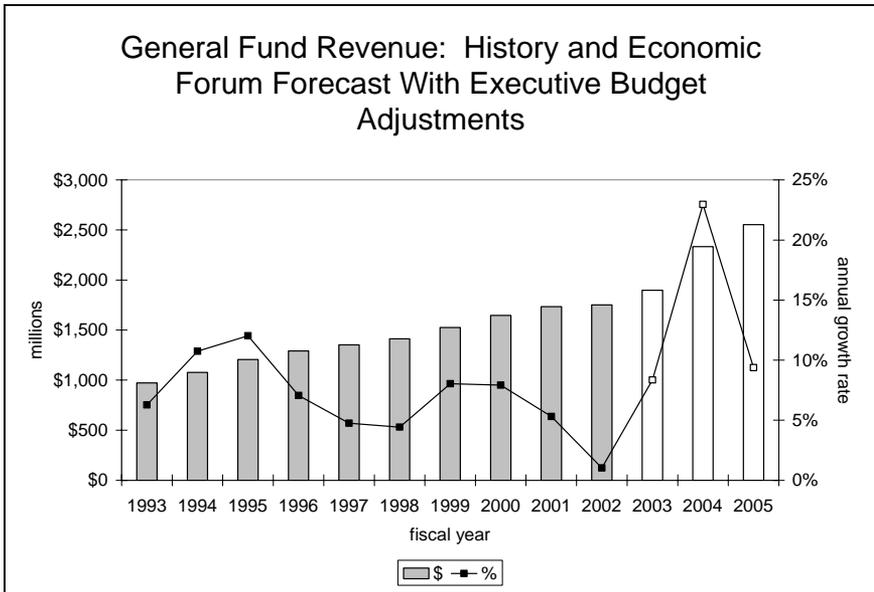
- ✓ As a result, the 2003 – 2005 *Executive Budget* recommends a series of “needs-driven” adjustments to the Economic Forum General Fund revenue forecast. These adjustments are presented here and discussed more thoroughly in the “General Highlights” section. (In addition to the adjustments designed to address the discrepancy between available funding and the State’s needs, there are some “routine” adjustments to existing revenue sources resulting from reorganizations, fee changes, etc. These changes result in a net addition to the Economic Forum forecast of \$4.9 million.)
- ✓ Needs-driven adjustments total \$83.9 million in FY 2003. The additional revenue totals \$436.2 million in FY 2004 and \$558.1 million in FY 2005.
- ✓ The most pronounced changes attributable to existing revenue sources are the result of an increase in cigarette taxes (generating an additional \$120-\$125 million per year) and business license taxes (generating an additional \$176.1 million in FY 2004 and \$190.7 million in FY 2005).

## Sources of Funding

<b>Economic Forum General Fund Revenue Forecast With Executive Budget Adjustments</b>				
(millions of \$)				
	2001 - 2003 Biennium		2003 - 2005 Biennium	
	FY 2002 (actual)	FY 2003	FY 2004	FY 2005
<b>TOTAL BY YEAR</b>	<b>\$1,752.0</b>	<b>\$1,813.5</b>	<b>\$1,896.0</b>	<b>\$1,993.0</b>
<b>Routine Adjustments:</b>				
Fin. Inst. Lic.			-\$1.8	-\$1.8
Real Estate Lic.			\$0.2	\$0.1
Personnel Reprmt.		\$0.9	\$1.0	\$1.0
Tuition Admin.			-\$0.3	-\$0.3
Cost Recovery		\$0.0	\$3.1	\$3.1
<b>Sub-Total</b>		<b>\$0.9</b>	<b>\$2.0</b>	<b>\$2.0</b>
<b>Needs-Driven Adjustments:</b>				
Cigarette Tax		\$29.7	\$120.9	\$122.8
Liquor Tax		\$4.2	\$17.3	\$17.7
Business Lic. Tax		\$42.7	\$176.1	\$190.7
Sec. of St. Fees		\$6.8	\$28.0	\$28.9
Rest. Slots		\$0.6	\$2.3	\$2.4
Business Lic. Fee			\$9.1	\$10.3
Amusements Tax			\$82.5	\$85.8
Property Tax				\$99.5
<b>Sub-Total</b>		<b>\$83.9</b>	<b>\$436.2</b>	<b>\$558.1</b>
<b>Total Adj.</b>		<b>\$84.8</b>	<b>\$438.2</b>	<b>\$560.1</b>
<b>GRAND TOTAL BY YEAR</b>		<b>\$1,898.3</b>	<b>\$2,334.2</b>	<b>\$2,553.1</b>
<b>\$ change</b>		<b>\$146.3</b>	<b>\$435.9</b>	<b>\$218.9</b>
<b>% change</b>		<b>8.4%</b>	<b>23.0%</b>	<b>9.4%</b>
<b>GRAND TOT. BY BIEN.</b>		<b>\$3,650.3</b>		<b>\$4,887.3</b>
<b>\$ change</b>				<b>\$1,237.0</b>
<b>% change</b>				<b>33.9%</b>

- ✓ A new revenue stream, an admissions and amusements tax, begins in FY 2004, generating \$80-\$85 million annually. Also, in FY 2005, a \$0.15 property tax levy will be directed to the General Fund, resulting in additional revenue approaching \$100 million.

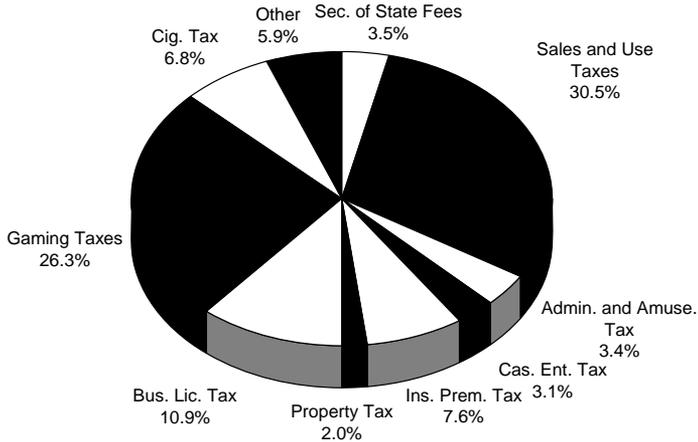
## Sources of Funding



- ✓ General Fund revenue is expected to total \$4.89 billion in the 2003-2005 biennium, after factoring in both the routine and needs-based adjustments. This translates into an increase of 33.9% relative to the current biennium. In FY 2004, as many of the recommended revenue adjustments take full effect, a gain of 23% is likely. However, to put this in perspective, it will be pointed out below that the State is \$705 million short of the General Fund resources necessary to just maintain the status quo budget.
- ✓ All told, budgeted resources total \$13.38 billion during the 2003-2005 biennium. This represents an increase of \$2.31 billion over the current biennium.
- ✓ General Fund resources represent nearly 36% of the total. The next two largest sources are various federal funds and the Highway Fund.

## Sources of Funding

### 2003 - 2005 Executive Budget General Fund Revenue by Source

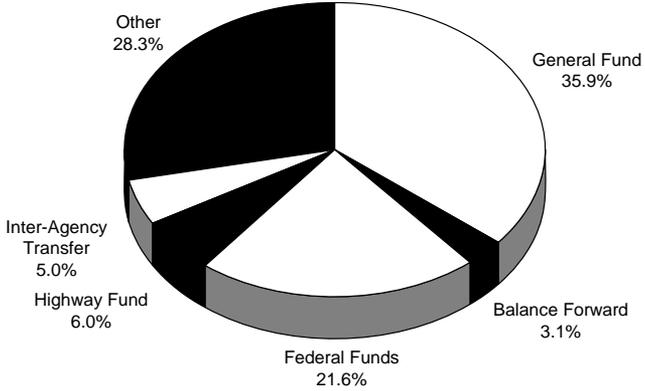


#### Total Sources of Funding (millions of \$)

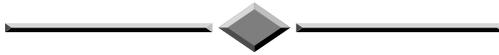
	2001 - 2003 Biennium		2003 - 2005 Biennium	
	FY 2002 (actual)	FY 2003	FY 2004	FY 2005
General Fund	\$1,860.1	\$1,892.3	\$2,348.2	\$2,461.5
Balance Forward	\$56.4	\$306.5	\$201.1	\$207.2
Federal Funds	\$1,144.0	\$1,378.6	\$1,418.9	\$1,472.2
Highway Fund	\$377.0	\$382.6	\$405.3	\$402.3
Inter-Agency Transfer	\$382.6	\$374.7	\$332.9	\$340.7
Other	\$1,311.3	\$1,728.7	\$1,827.8	\$1,965.0
Interim Finance	\$17.3	\$17.6		
Reversions	-\$161.0			
<b>TOTAL BY YEAR</b>	<b>\$4,987.7</b>	<b>\$6,081.0</b>	<b>\$6,534.1</b>	<b>\$6,848.9</b>
<b>\$ change</b>		<b>\$1,093.3</b>	<b>\$453.2</b>	<b>\$314.8</b>
<b>% change</b>		<b>21.9%</b>	<b>7.5%</b>	<b>4.8%</b>
<b>TOTAL BY BIENNIUM</b>		<b>\$11,068.6</b>		<b>\$13,383.1</b>
<b>\$ change</b>				<b>\$2,314.4</b>
<b>% change</b>				<b>20.9%</b>

## Sources of Funding

### 2003 - 2005 Executive Budget Total Sources of Funding



# Spending Summary



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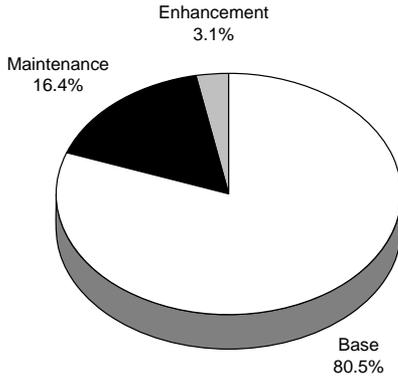
## Spending

General Fund Appropriations by Function (millions of \$)				
	2001 - 2003 Biennium		2003 - 2005 Biennium	
	FY 2002 (actual)	FY 2003 (work program)	FY 2004	FY 2005
Elected Officials	\$27.3	\$27.4	\$31.3	\$30.1
Legislative / Judicial	\$32.7	\$35.0	\$46.0	\$44.9
Finance and Administration	\$18.8	\$20.3	\$26.1	\$24.9
Education	\$999.5	\$990.4	\$1,291.2	\$1,346.9
Commerce and Industry	\$40.7	\$39.5	\$43.7	\$43.6
Human Services	\$501.6	\$544.4	\$654.1	\$710.0
Public Safety	\$210.4	\$207.4	\$224.1	\$229.6
Infrastructure	\$22.3	\$21.4	\$25.1	\$24.7
Special Purpose	\$6.9	\$6.5	\$6.5	\$6.9
<b>TOTAL BY YEAR</b>	<b>\$1,860.1</b>	<b>\$1,892.3</b>	<b>\$2,348.2</b>	<b>\$2,461.5</b>
<b>\$ change</b>		<b>\$32.1</b>	<b>\$455.9</b>	<b>\$113.3</b>
<b>% change</b>		<b>1.7%</b>	<b>24.1%</b>	<b>4.8%</b>
<b>TOTAL BY BIENNIUM</b>		<b>\$3,752.4</b>		<b>\$4,809.7</b>
<b>\$ change</b>				<b>\$1,057.3</b>
<b>% change</b>				<b>28.2%</b>

- ✓ For the FY 2003 work program, General Fund appropriations are budgeted at \$1.89 billion, nearly \$80 million below the Legislatively approved amount. This reduction is, in large part, the result of necessary cost-cutting measures undertaken in response to the State's sluggish revenue picture.
- ✓ The *Executive Budget* provides for total General Fund appropriations of \$2.35 billion in FY 2004 and \$2.46 billion the following year. For the biennium, this translates into a gain of \$1.06 billion, or 28.2%.
- ✓ Nearly all of the General Fund appropriations represent spending necessary to continue State programs under existing conditions (the “base” budget) and for “maintenance” purposes—to maintain existing programs after taking into account a variety of factors, such as caseload growth, new mandates, etc. The remainder, **just 3.1%, is budgeted for program “enhancements”**.

## Spending

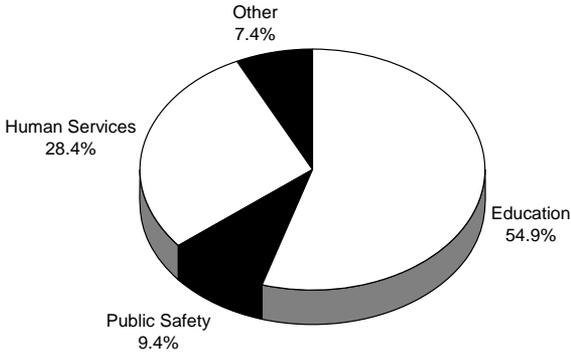
### 2003 - 2005 Executive Budget General Fund Appropriations by Decision Unit



- ✓ All told, 54.9% of total General Fund spending is targeted for education, up from a 52.4% share in the Legislatively approved budget for the current biennium. For the upcoming biennium, \$1.69 billion, out of a total education appropriation of \$2.64 billion, is budgeted for 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 account for 28.4% of General Fund appropriations. The State's Medicaid obligations total \$645.8 million out of \$1.36 billion in human services spending. Another \$92.5 million is for the TANF Program. In the Legislatively approved budget for the current biennium, 27.4% of all General Fund resources were dedicated to human services.
- ✓ Over \$450 million in General Fund spending, 9.4% of the total, is earmarked for public safety purposes.

## Spending

### 2003 - 2005 Executive Budget General Fund Appropriations by Function



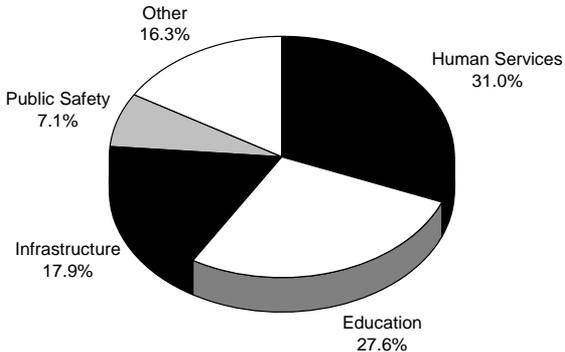
#### Total Spending by Function (millions of \$)

	2001 - 2003 Biennium		2003 - 2005 Biennium	
	FY 2002 (actual)	FY 2003 (work program)	FY 2004	FY 2005
Elected Officials	\$339.7	\$382.4	\$395.1	\$391.5
Legislative / Judicial	\$42.2	\$51.0	\$54.8	\$52.8
Finance and Administration	\$128.8	\$180.1	\$184.3	\$180.6
Education	\$1,464.1	\$1,549.7	\$1,809.4	\$1,884.7
Commerce and Industry	\$139.0	\$175.2	\$187.7	\$190.8
Human Services	\$1,659.9	\$1,886.2	\$2,013.0	\$2,132.9
Public Safety	\$400.5	\$442.8	\$471.0	\$483.3
Infrastructure	\$626.5	\$1,179.0	\$1,161.3	\$1,239.9
Special Purpose	\$187.1	\$234.5	\$257.6	\$292.4
<b>TOTAL BY YEAR</b>	<b>\$4,987.7</b>	<b>\$6,081.0</b>	<b>\$6,534.1</b>	<b>\$6,848.9</b>
<b>\$ change</b>		<b>\$1,093.3</b>	<b>\$453.2</b>	<b>\$314.8</b>
<b>% change</b>		<b>21.9%</b>	<b>7.5%</b>	<b>4.8%</b>
<b>TOTAL BY BIENNIMUM</b>		<b>\$11,068.6</b>		<b>\$13,383.1</b>
<b>\$ change</b>				<b>\$2,314.4</b>
<b>% change</b>				<b>20.9%</b>

- ✓ The 2003 – 2005 *Executive Budget* proposes total spending of \$13.38 billion during fiscal years 2004 and 2005. General Fund appropriations represent just 35.9% of the total. During the current biennium, spending is budgeted at \$11.07 billion.

## Spending

### 2003 - 2005 Executive Budget Total Spending by Function



- ✓ Spending on human services accounts for 31% of the total. A significant portion of non-General Fund spending in this programmatic area is driven by various federal resources.
- ✓ Nearly 27.6% of total spending is accounted for by education.
- ✓ All told, 17.9% 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 7.1% of the 2003 – 2005 *Executive Budget*.

# Positions Summary

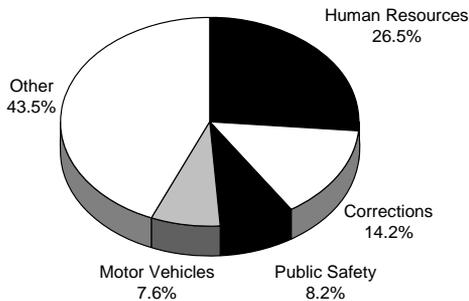


## Positions

- ✓ With a few exceptions, departments will be keeping position growth to a minimum in the 2003–2005 biennium. In fact, the Department of Corrections, as a cost-cutting measure, is eliminating more than 100 positions in FY 2004. The Department of Public Safety is reducing positions by 38, also in an effort to streamline operations.
- ✓ All told, an increase of 301 new full-time equivalent positions is budgeted for FY 2004, with an additional 128 positions in FY 2005. As highlighted below, these increases are almost exclusively caseload-driven.

<b>Executive Budget Positions by Fiscal Year</b> (full-time equivalent basis)			
	2003	2004	2005
Total	16,215	16,516	16,644
Change		301	128

**2003 - 2005 Executive Budget Positions by Department**  
(full-time equivalent basis)



## Positions

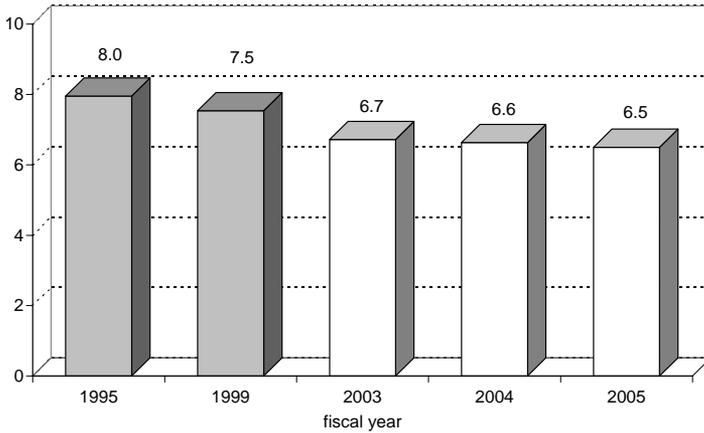


- ✓ Some departments will be adding much-needed staff. The net increase in Department of Human Resources positions is 170 in FY 2004 and 113 in FY 2005. These new positions are largely caseload-driven and will allow the Department to more efficiently manage projected increases in those citizens requiring various human services. The Department of Motor Vehicles is adding 206 positions in FY 2004, all with non-General Fund monies, the vast majority of which are part of an effort to reduce public wait-times at local offices. The Department of Transportation is adding 42 positions, also with non-General Fund resources.
- ✓ Exclusive of the Departments of Human Resources, Motor Vehicles, and Transportation, the State payroll is being reduced by 116 positions in FY 2004. In FY 2005, just 15 new positions are being added outside the Department of Human Resources.
- ✓ More than half of all State positions are accounted for by four departments: Human Resources (4,400), Corrections (2,400), Public Safety (1,400), and Motor Vehicles (1,300).
- ✓ Measured relative to the population, State positions are on a noticeable decline. In FY 1995, there were eight State workers per 1,000 residents. As recently as FY 1999, that figure stood at 7.5 positions. Since then, however, there has been a marked decline. In the FY 2003 work program, the number of budgeted positions translates into just 6.7 workers per 1,000 residents. That is expected to ease further in the 2003 – 2005 *Executive Budget*, so that by FY 2005, this measure of public sector efficiency will be just 6.5 positions per 1,000 residents, a full position below it's level just six years prior.

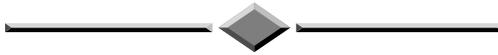
## Positions



State Employees Per 1,000 Residents  
(FTE basis; excludes Constitutional agencies)



# The Decision-Making Process



## The Decision-Making Process



- ✓ In a rapidly changing State such as Nevada, the budgeting process can become increasingly complex. Necessary tools and analytical approaches must be put in place to ensure that scarce fiscal resources are allocated in a thoughtful and efficient manner.
- ✓ Governor Kenny Guinn has adopted a system that is best described as the “new money” approach. It facilitates a fiscal decision-making process that is orderly and methodical and which highlights the distribution of the State’s limited fiscal resources across key programmatic areas.
- ✓ The Economic Forum General Fund revenue forecast calls for collections to total \$1.9 billion in FY 2004 and \$1.99 billion in FY 2005. These revenues provide the bulk of General Fund resources available to meet the needs of Nevada citizens.
- ✓ Reversions are an infusion into the General Fund and represent an addition to available resources. All told, General Fund resources, given the Economic Forum forecast, total \$3.97 billion for the next biennium--\$1.93 billion in FY 2004 and \$2.03 billion in FY 2005.

<b>"New Money" Calculation</b>			
(millions of \$)			
RESOURCES:	FY 2004	FY 2005	Biennium
Economic Forum Forecast	\$1,896.0	\$1,993.0	\$3,889.0
Reversions	\$37.9	\$39.9	\$77.8
<b>Total</b>	<b>\$1,933.9</b>	<b>\$2,032.8</b>	<b>\$3,966.8</b>
SPENDING NEEDS:			
FY 2003 Spending Program	\$1,971.2	\$1,971.2	\$3,942.5
Gross New \$ Available	-\$37.3	\$61.6	\$24.3

## The Decision-Making Process



- ✓ In allocating these resources across competing uses, the first step is to assess the extent to which current operations can be funded into the next biennium. For FY 2003, budgeted appropriations, with some minor adjustments, total \$1.97 billion. If current operations were budgeted in each year of the biennium, with no allowance for caseload growth, new mandates, or rising costs, \$3.94 billion in General Fund resources would be required. Given available resources, that leaves just \$24.3 million in gross new money available to address the State's needs, but years of unprecedented growth bring a hefty price tag
  
- ✓ To fund K-12 education services for the expected annual inflow of approximately 13,000 new students requires in excess of \$310 million in additional resources in the next biennium. Teachers need to be hired. Books and supplies need to be purchased. Adequate capacity has to exist. Just the additional K-12 needs far exceed available new money.

<b>"New Money" Calculation--cont.</b>			
(millions of \$)			
	FY 2004	FY 2005	Biennium
<b>SPENDING NEEDS:</b>			
Gross New \$ Available	-\$37.3	\$61.6	\$24.3
K-12 Growth	\$146.1	\$165.0	\$311.1
Sub-Total Net New \$ Available	-\$183.4	-\$103.4	-\$286.7

- ✓ Similarly, costs associated with providing services for expanding enrollments in the University System will require over \$90 million in additional resources over the course of the next biennium.

<b>"New Money" Calculation--cont.</b>			
(millions of \$)			
	FY 2004	FY 2005	Biennium
<b>SPENDING NEEDS:</b>			
Sub-Total Net New \$ Available	-\$183.4	-\$103.4	-\$286.7
UCCSN Growth	\$41.9	\$48.8	\$90.6
Sub-Total Net New \$ Available	-\$225.2	-\$152.1	-\$377.4

## The Decision-Making Process



- ✓ The State must address the needs of our less-fortunate citizens--provide healthcare, access to appropriate training, etc. It is more costly, over the long-run, to ignore these responsibilities. Together, our Medicaid and TANF programs will require nearly \$145 million, above and beyond current funding levels, in the next biennium to meet the demands arising from a number of different sources, mainly expanding caseloads. Without the benefit of additional federal Medicaid resources in FY 2005, the General Fund need would have been \$30 million higher.

<b>"New Money" Calculation--cont.</b>			
(millions of \$)			
	FY 2004	FY 2005	Biennium
<b>SPENDING NEEDS:</b>			
Sub-Total Net New \$ Available	-\$225.2	-\$152.1	-\$377.4
Medicaid Growth	\$34.5	\$44.0	\$78.5
Sub-Total Net New \$ Available	-\$259.7	-\$196.1	-\$455.9
Welfare Growth	\$24.6	\$40.6	\$65.2
Sub-Total Net New \$ Available	-\$284.3	-\$236.7	-\$521.1

- ✓ Taken as a group, these four major caseload-driven programmatic areas leave the State over \$520 million short of the resources necessary to just maintain current service levels and satisfy additional growth. This is without any program enhancements.
- ✓ There are other, often less visible, growth-induced demands being made upon State resources. The State must satisfy the increasing need for a variety of human services, such as mental health services. Increased costs associated with employee and retiree fringe benefits must be addressed. Continued growth puts strains on the State's infrastructure, including our parks and natural resources. Services must be provided to our growing senior population. The list goes on. All told, when these and other factors are taken into account, spending needs exceed available resources by \$705 million. Again, this is without any enhancements. It just maintains the status quo in an environment in which our responsibilities are on the rise.

## The Decision-Making Process



<b>"New Money" Calculation--cont.</b>			
(millions of \$)			
	FY 2004	FY 2005	Biennium
<b>SPENDING NEEDS:</b>			
Sub-Total Net New \$ Available	-\$284.3	-\$236.7	-\$521.1
All Other Growth	\$75.0	\$108.6	\$183.5
Total Net New \$ Available	-\$359.3	-\$345.3	-\$704.6

- ✓ Nevada does not strive to be a status quo State. We must move forward, despite the difficult economic conditions, and the associated fiscal impacts, that we face. A status quo budget does nothing to address our many needs, especially in the areas of education and human resources. We must do more.
- ✓ This mismatch between available resources and our spending requirements is not simply the result of a temporary cyclical downturn in the economy. It is the result of forces which have been building over the course of several years, if not decades.
- ✓ As a result, the inability of the State's resources to adequately fund our needs cannot be addressed with a quick fix. What is required is a long-term solution that provides Nevada with the means necessary to meet the demands and challenges associated with being the fastest-growing State in the nation.
- ✓ In the "General Highlights" section that follows, the details of such a plan for the 2003-2005 biennium are spelled out. Later, in the "Future Challenges" section, Governor Kenny Guinn discusses a plan that will move Nevada forward, beyond the next biennium, and provide for the resources necessary to successfully meet the many responsibilities that come with the State's continued growth. In the various "Highlights" sections in between, many of the decisions made as part of the 2003 – 2005 *Executive Budget* to move Nevada beyond the status quo will be outlined.

# General Highlights

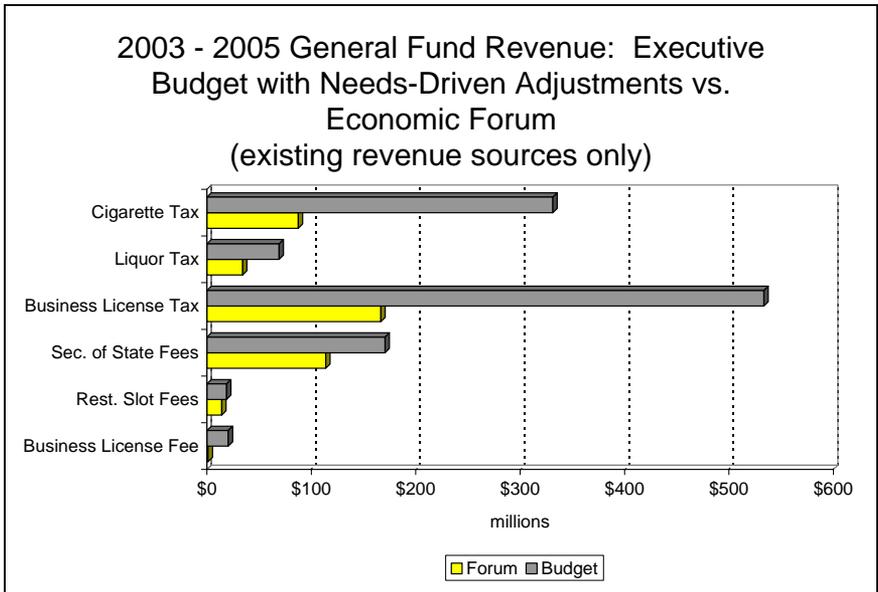


- ✓ The 2003 - 2005 *Executive Budget* takes historical steps to ensure that adequate resources are available to provide Nevada with the means necessary to meet the demands and challenges associated with being the fastest-growing State in the nation. This budget establishes a revenue structure that not only puts Nevada on the path towards adequately funding today's needs, but also provides the State with a resource base that funds necessary and appropriate services in the years ahead.
- ✓ The *Executive Budget* General Fund revenue package incorporates changes to existing revenue sources and establishes new revenue streams. Many of these recommendations are the result of the year-long efforts of the Governor's Task Force on Tax Policy.
- ✓ Revenue enhancements are recommended for this fiscal year in an effort to ease the fiscal pressures resulting from, in large part, the weakening in the State's tourism sector. Since the fall of 2001, there has been a non-stop deterioration in the State's revenue collections. At the same time, there has been upward pressure on spending in a variety of programmatic areas, most notably in human services. Additional resources are necessary to maintain the State's fiscal viability in the current fiscal year. Without this infusion, services will be cut and/or the State's financial health will suffer. Taken as a whole, these adjustments total \$83.9 million in FY 2003.
  - This budget includes an increase in cigarette taxes from \$0.35 per pack to \$1.05. When implemented on April 1<sup>st</sup> of this year, this will generate nearly \$30 million in additional resources for the current fiscal year.
  - Also included in the *Executive Budget* is an 89% increase in the existing schedule of liquor tax rates, designed to offset the effects of inflation over time. If in place by the final quarter of this fiscal year, our General Fund revenue will benefit by over \$4 million.
  - The *Executive Budget* recommends an increase in the business license tax from \$25 per quarter to \$75 per quarter. Also, the tax base is being expanded to encompass all for-profit private sector business establishments. If implemented by April 1<sup>st</sup>, this will generate an additional \$42.7 million in the current fiscal year.

## General

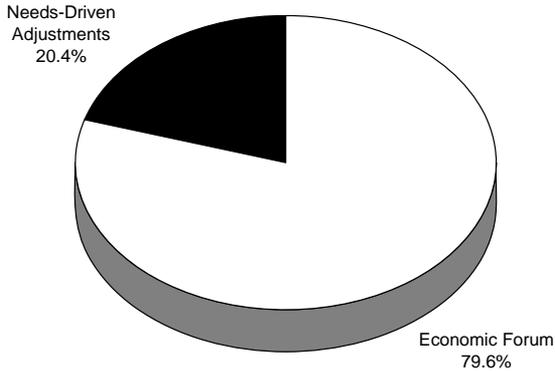


- It is recommended that all Secretary of State fees be increased 50%. Once in place for the final quarter of FY 2003, this will generate \$6.8 million in additional General Fund resources.
  - Also included in the *Executive Budget* is a 33% increase in restricted slot fees, effective April 1<sup>st</sup>, resulting in an infusion of \$0.6 million this year.
- ✓ A series of adjustments to existing General Fund revenue sources is also being recommended for the 2003-2005 biennium. All told, during FY 2004 and FY 2005, revenue increases resulting from the existing tax structure total just over \$725 million.
- Beginning in FY 2004, the General Fund will realize an annual infusion of over \$120 million as a result of the recommended increase in cigarette taxes highlighted above.
  - An additional \$17-\$18 million per year, beginning in FY 2004, will be generated by the increases in liquor tax rates.
  - The business license tax adjustments will result in additional General Fund revenue of \$176.1 million in FY 2004 and \$190.7 million in FY 2005.
  - Beginning in FY 2004, the 50% increase in Secretary of State fees will increase available resources by nearly \$30 million annually.
  - The restricted slot fee recommendation will expand the General Fund revenue base by nearly \$2.5 million annually in each year of the next biennium.
  - The business license fee is being changed from a one-time \$25 fee to an annual levy of \$100 per business license beginning in FY 2004. The end result will be additional revenue of \$9-\$10 million annually.

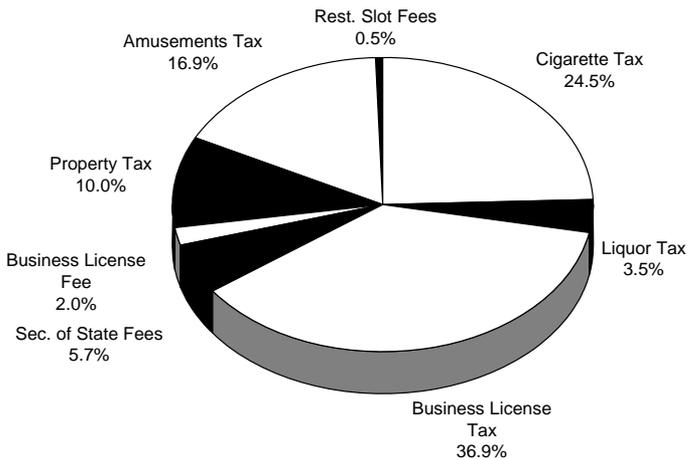


- ✓ The 2003 – 2005 *Executive Budget* also contains recommendations for two new General Fund revenue sources. Together, they will generate additional resources totaling close to \$270 million during the biennium and are necessary to meet the demands placed upon the State by our unprecedented growth.
  - An admissions and amusements tax of 7.3% will result in additional General Fund resources of \$82.5 million in the first year of the biennium and \$85.8 million in the second. It is recommended that the levy be imposed on taxable admissions and amusements expenditures, exempting those items for which the State’s casino entertainment tax and boxing and wrestling fees are currently imposed, as well as participatory activities.
  - Although currently not a source of General Fund revenue for the State, it is recommended that a \$0.15 property tax levy per \$100 of assessed value be implemented and directed to the General Fund, beginning in FY 2005. This levy will generate nearly \$100 million when implemented.

### 2003 - 2005 Executive Budget General Fund Revenue: Economic Forum Forecast and Executive Budget Needs-Driven Adjustments



### 2003 - 2005 Executive Budget General Fund Needs-Driven Revenue Adjustments by Source



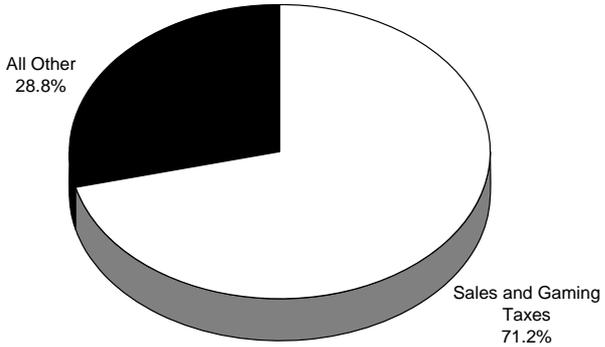
## General



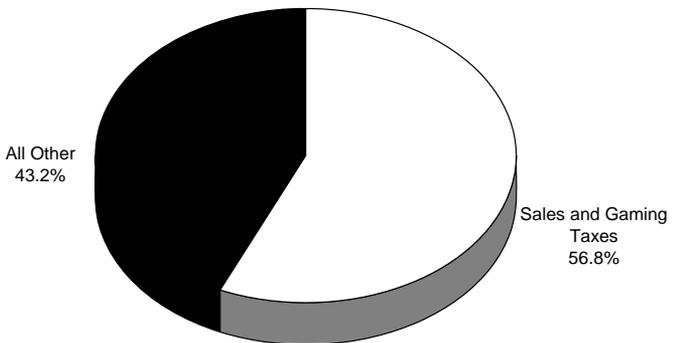
- ✓ All told, in addition to the \$83.9 million in recommended new resources for the current fiscal year, the 2003 – 2005 *Executive Budget* has put forth a plan to generate \$994.2 million in new General Fund revenue during the biennium. These new resources represent over one-fifth of total available resources.
- ✓ This plan is broad-based. It lessens the State's reliance on sales and gaming taxes. In the Economic Forum General Fund revenue forecast, these two sources of revenue accounted for 71.2% of the total. Under the plan recommended in the *Executive Budget*, that share drops to just 56.8%, a decline of over one-fifth.
- ✓ It spreads the burden across various segments of the economy. Businesses will bear the burden of the business license tax and fees, Secretary of State fees, and restricted slot licenses. Consumers will feel the effects of the cigarette and liquor levies and the admissions and amusements tax. Businesses and households will both be impacted by the property tax recommendation.
- ✓ It is important to note that the expenditure recommendations presented in this *Executive Budget* are not “driven” by the availability of these additional resources. The spending recommendations are not the result of a “tax and spend” approach to policymaking. Rather, the State's well-publicized needs in critical programmatic areas are the driving force behind both the revenue enhancements and spending programs. These needs must be met for Nevada to move forward. That is why over 90% of the growth in General Fund spending in the 2003–2005 biennium is concentrated in two programmatic areas--education and human services--where needs are the most pronounced.

General

2003 - 2005 General Fund Revenue by Source:  
Economic Forum



2003 - 2005 General Fund Revenue by Source:  
Executive Budget



## General



- ✓ In addition to the more significant needs-driven *Executive Budget* adjustments outlined above, there are some selected routine modifications to the General Fund revenue structure.
  - The Financial Institutions Division within the Department of Business and Industry will operate on a self-funded basis beginning in FY 2004. This results in a shift of \$1.8 million of license and fee revenues attributable to the Division out of the General Fund to the direct support of Division operations in each year of the biennium.
  - Licensing fees administered by the Real Estate Division within the Department of Business and Industry are being increased by \$20 for original licenses and \$10 for renewals beginning in FY 2004. This results in additional General Fund revenue of nearly \$0.3 million over the course of the biennium.
  - The Department of Personnel's IFS repayment is being increased beginning in FY 2003 as a result of a recalculation of the repayment schedule, adding nearly \$1 million in General Fund revenue on an annual basis.
  - The Higher Education Tuition Administration General Fund payback is being scaled back from \$360,000 per year to the historical level of \$25,000 beginning in FY 2004, reducing revenue by \$0.3 million annually.
  - Cost recovery revenue has been revised with the completion of the cost allocation plan, resulting in \$6.2 million in additional revenue during the biennium.

- ✓ The 2003 – 2005 *Executive Budget* allows for a General Fund balance well in excess of the minimum required--5.3% of appropriations in FY 2004 and 7.5% in FY 2005<sup>1</sup>. The *Executive Budget* strongly recommends that these resources remain in the General Fund in light of the number of uncertainties clouding the economic outlook, to be utilized in the event that our fiscal condition worsens. Additionally, the admissions and amusements tax, with proceeds forecast to total over \$168 million, is a completely new revenue source. As a result, the State requires General Fund flexibility in the event that this revenue source does not generate the resources anticipated.
- ✓ Given current fiscal conditions, a withdrawal of \$100 million from the Rainy Day Fund is necessary in FY 2003. As is the case for the selected tax and fee increases beginning in the final three months of this fiscal year, services will be cut and/or the State's financial health will suffer if the Rainy Day resources are not utilized.
- ✓ The *Executive Budget* provides for appropriations to completely replenish the Fund. At year-end FY 2003, assuming all recommended needs-driven revenue adjustments are adopted, funding for a \$50 million restoration payment is budgeted. In addition, \$50 million will be appropriated to the Fund in FY 2005.
- ✓ In order to maintain the long-term financial health of the retirement system, an increase in the contribution rate for regular members, from 18.75% to 20.25 percent, is necessary beginning in FY 2004. The police-fire rate is unchanged at 28.5%.

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<sup>1</sup> The Department of Taxation will require substantial information technology investment and incur additional operating costs resulting from the various tax-related changes recommended in the *Executive Budget*. As a result, the needs-driven revenue adjustments reported in the General Fund Balance Statement for FY 2004 and FY 2005, and upon which these calculations are partly based, are net of these projected costs, estimated to be \$12.5 million in FY 2004 and \$20 million in FY 2005.

- ✓ Healthcare costs are rising at an alarming rate nationwide, including in Nevada. The 2003 – 2005 *Executive Budget* provides resources that will offset some of the negative impacts of these developments on the pocketbooks of State employees. These resources are in addition to those authorized at the 18<sup>th</sup> Special Session during the summer of 2002. The State's monthly subsidy to the Public Employees Benefit Program is budgeted to increase from the current level of \$466 per employee to \$496 in FY 2004. This amounts to a 6.4% increase. In FY 2005, an additional 12.6% increase is provided for, to \$558. Similar percentage increases in the State subsidy are budgeted for retirees.
- ✓ The Governor's Capital Improvement Program totals \$242 million. These projects will be financed by a variety of sources, including \$172.5 million in State funds. Some of the major projects include:
  - A new 150-bed psychiatric hospital in southern Nevada for \$32 million.
  - The \$60 million Science, Engineering, and Technology Complex at UNLV.
  - The Community College of Southern Nevada's \$20 million Health Sciences building on the West Charleston Campus.
  - Hatchery refurbishments totaling \$15 million.
  - Funding of \$14 million toward the lease purchase of office buildings for the Departments of Conservation and Natural Resources and Human Resources.
  - A North Las Vegas \$9 million Department of Motor Vehicles Field Services Office.
  - A \$7 million State Emergency Management Operations Center.
- ✓ The *Executive Budget* recommends an increase in the property tax rate for the State's Bond Interest and Redemption Fund from \$0.15 per \$100 of assessed value to \$0.16. Over the long-term, this will allow Nevada's capital stock to keep better pace with overall growth in the State.

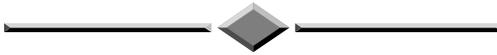
**General**

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<b>2003 Capital Improvement Program</b> (millions of \$)	
<b>Total Program</b>	<b>\$241.6</b>
Sources of Funds:	
Reallocation from Previous Capital Improvement Prog.	\$38.0
Non-State Funding	\$71.6
New Bonds	\$134.5
<b>Total Funds*</b>	<b>\$244.1</b>
<p>*Funds not expended will be reserved for future projects.</p>	

# Elected Officials Highlights



## Elected Officials

<b>Elected Officials' Budgets</b>							
(millions of \$; positions expressed on a full-time equivalent basis)							
	2001 - 2003 Biennium			2003 - 2005 Biennium			
	FY 2002	FY 2003		FY 2004		FY 2005	
			Change		Change		Change
Office of the Governor	\$6.8	\$9.2	\$2.5	\$8.1	-\$1.1	\$8.1	\$0.0
General Fund	\$3.9	\$3.9	\$0.0	\$3.7	-\$0.2	\$3.8	\$0.1
Other	\$2.9	\$5.4	\$2.5	\$4.4	-\$0.9	\$4.3	-\$0.1
Positions		52.0		43.0	-9.0	43.0	0.0
Lieutenant Governor	\$0.4	\$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		7.0		7.0	0.0	7.0	0.0
Attorney General	\$37.4	\$39.5	\$2.1	\$44.1	\$4.6	\$42.3	-\$1.8
General Fund	\$13.1	\$12.7	-\$0.4	\$16.1	\$3.4	\$14.1	-\$1.9
Other	\$24.4	\$26.8	\$2.4	\$28.0	\$1.2	\$28.2	\$0.1
Positions		325.7		325.9	0.3	325.9	0.0
Controller's Office	\$3.3	\$3.5	\$0.2	\$3.9	\$0.4	\$3.9	\$0.0
General Fund	\$3.4	\$3.5	\$0.1	\$3.9	\$0.4	\$3.9	\$0.0
Other	-\$0.1	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
Positions		42.0		45.0	3.0	45.0	0.0
Secretary of State	\$8.5	\$9.9	\$1.4	\$14.4	\$4.4	\$10.1	-\$4.3
General Fund	\$4.7	\$5.0	\$0.3	\$5.9	\$0.9	\$6.4	\$0.5
Other	\$3.8	\$4.9	\$1.1	\$8.5	\$3.6	\$3.7	-\$4.8
Positions		133.0		135.6	2.5	135.6	0.0
State Treasurer	\$283.3	\$319.8	\$36.5	\$324.1	\$4.4	\$326.6	\$2.5
General Fund	\$1.8	\$1.8	\$0.0	\$1.3	-\$0.5	\$1.3	\$0.0
Other	\$281.5	\$318.0	\$36.5	\$322.9	\$4.9	\$325.3	\$2.5
Positions		43.0		39.0	-4.0	39.0	0.0
<b>Total</b>	<b>\$339.7</b>	<b>\$382.4</b>	<b>\$42.8</b>	<b>\$395.1</b>	<b>\$12.7</b>	<b>\$391.5</b>	<b>-\$3.6</b>
<b>General Fund</b>	<b>\$27.3</b>	<b>\$27.4</b>	<b>\$0.1</b>	<b>\$31.3</b>	<b>\$3.9</b>	<b>\$30.1</b>	<b>-\$1.2</b>
<b>Other</b>	<b>\$312.4</b>	<b>\$355.1</b>	<b>\$42.7</b>	<b>\$363.8</b>	<b>\$8.8</b>	<b>\$361.5</b>	<b>-\$2.4</b>
<b>Positions</b>		<b>602.7</b>		<b>595.5</b>	<b>-7.2</b>	<b>595.5</b>	<b>0.0</b>

- ✓ Growth has been kept to a minimum in elected officials' budgets. In fact, the Governor's Office will eliminate nine positions in FY 2004. In addition, General Fund resources directed to the Governor's Office in the 2003-2005 biennium will actually be down from the current biennium.
- ✓ General Fund resources budgeted to the State Treasurer's Office in the upcoming biennium, at just \$1.3 million per year, will be down about one-fourth from the 2001-2003 biennium, and four positions will be eliminated in FY 2004.

## Elected Officials



- ✓ Funding of \$2 million is provided to the Attorney General's Office for legal costs associated with efforts to prevent the location of a federal nuclear waste repository at Yucca Mountain.
- ✓ Federal funding of \$2.4 million is budgeted for the Secretary of State for a Statewide voter registration system to be used as a method of increasing voter participation.

# Legislative / Judicial Highlights



## Legislative / Judicial

<b>Legislative / Judicial Budgets</b>							
(millions of \$; positions expressed on a full-time equivalent basis)							
	2001 - 2003 Biennium			2003 - 2005 Biennium			
	FY 2002	FY 2003		FY 2004		FY 2005	
			Change		Change		Change
Legislative	\$21.7	\$26.5	\$4.8	\$24.7	-\$1.8	\$22.7	-\$2.0
General Fund	\$19.2	\$20.3	\$1.1	\$23.6	\$3.3	\$22.4	-\$1.2
Other	\$2.5	\$6.2	\$3.7	\$1.1	-\$5.1	\$0.3	-\$0.8
Positions		n.a.		n.a.		n.a.	
Judicial	\$20.5	\$24.5	\$4.0	\$30.0	\$5.5	\$30.1	\$0.0
General Fund	\$13.5	\$14.7	\$1.2	\$22.4	\$7.7	\$22.5	\$0.1
Other	\$7.0	\$9.8	\$2.8	\$7.6	-\$2.2	\$7.6	\$0.0
Positions		175.5		180.5	5.0	181.5	1.0
<b>Total</b>	<b>\$42.2</b>	<b>\$51.0</b>	<b>\$8.8</b>	<b>\$54.8</b>	<b>\$3.7</b>	<b>\$52.8</b>	<b>-\$2.0</b>
<b>General Fund</b>	<b>\$32.7</b>	<b>\$35.0</b>	<b>\$2.3</b>	<b>\$46.0</b>	<b>\$11.0</b>	<b>\$44.9</b>	<b>-\$1.2</b>
<b>Other</b>	<b>\$9.5</b>	<b>\$16.0</b>	<b>\$6.5</b>	<b>\$8.7</b>	<b>-\$7.3</b>	<b>\$7.9</b>	<b>-\$0.8</b>
<b>Positions</b>		<b>n.a.</b>		<b>n.a.</b>		<b>n.a.</b>	

- ✓ The *Executive Budget* provides funding for payments for active participants in the Judicial Retirement System in accordance with actuarial standards. An additional \$3 million in General Fund resources are provided for initial payments designed to cover the previous system's unfunded actuarial liability.
- ✓ The Drug Court Program serving the 1<sup>st</sup>, 3<sup>rd</sup>, and 9<sup>th</sup> Judicial Districts is receiving \$0.3 million in General Funds for continued operations of treatment programs for the abuse of alcohol and controlled substances.

# Finance & Administration Highlights



## Finance & Administration

<b>Finance &amp; Administration Budgets</b>							
(millions of \$; positions expressed on a full-time equivalent basis)							
	2001 - 2003 Biennium			2003 - 2005 Biennium			
	FY 2002	FY 2003		FY 2004		FY 2005	
			Change		Change		Change
Administration	\$77.6	\$114.5	\$36.9	\$113.0	-\$1.5	\$109.1	-\$3.9
General Fund	\$5.1	\$5.7	\$0.7	\$10.0	\$4.2	\$8.2	-\$1.8
Other	\$72.6	\$108.8	\$36.2	\$103.1	-\$5.7	\$100.9	-\$2.1
Positions		363.0		349.0	-14.0	349.0	0.0
Taxation	\$15.1	\$16.2	\$1.1	\$16.9	\$0.6	\$17.4	\$0.6
General Fund	\$13.7	\$14.6	\$0.9	\$16.1	\$1.5	\$16.7	\$0.6
Other	\$1.4	\$1.7	\$0.2	\$0.8	-\$0.9	\$0.8	\$0.0
Positions		224.0		229.0	5.0	229.0	0.0
Information Technology	\$27.9	\$38.5	\$10.6	\$42.4	\$4.0	\$41.9	-\$0.6
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$27.9	\$38.5	\$10.6	\$42.4	\$4.0	\$41.9	-\$0.6
Positions		215.5		196.5	-19.0	196.5	0.0
Personnel	\$8.2	\$10.8	\$2.6	\$11.9	\$1.1	\$12.1	\$0.2
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$8.2	\$10.8	\$2.6	\$11.9	\$1.1	\$12.1	\$0.2
Positions		83.5		86.0	2.5	86.0	0.0
<b>Total</b>	<b>\$128.8</b>	<b>\$180.1</b>	<b>\$51.2</b>	<b>\$184.3</b>	<b>\$4.2</b>	<b>\$180.6</b>	<b>-\$3.7</b>
<b>General Fund</b>	<b>\$18.8</b>	<b>\$20.3</b>	<b>\$1.5</b>	<b>\$26.1</b>	<b>\$5.8</b>	<b>\$24.9</b>	<b>-\$1.2</b>
<b>Other</b>	<b>\$110.1</b>	<b>\$159.8</b>	<b>\$49.7</b>	<b>\$158.2</b>	<b>-\$1.6</b>	<b>\$155.7</b>	<b>-\$2.5</b>
<b>Positions</b>		<b>886.0</b>		<b>860.5</b>	<b>-25.5</b>	<b>860.5</b>	<b>0.0</b>

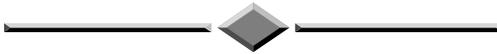
- ✓ A new Department of Administration responsibility concerns budgetary oversight of major State information technology projects. All told, various projects requiring \$4.8 million in General Fund resources are budgeted for in the 2003-2005 biennium.
- ✓ With the IFS development and roll-out phase complete, the Department of Administration is provided with funding for two positions and associated costs for system oversight and coordination responsibilities. On-going system and maintenance costs, previously supported by the development budget, are being apportioned to the Departments of Administration and Personnel and to the State Controller's Office.
- ✓ All told, the Department of Administration budget calls for a net decline of 14 positions in FY 2004, nine of which are in the Printing Division.

## Finance & Administration



- ✓ In an effort to streamline operations and reduce costs, the Department of Information Technology is reducing staff by 19 positions in FY 2004.
- ✓ The *Executive Budget* recommends that a portion of the resources budgeted to remain in the General Fund balance in FY 2004 and FY 2005 be made available to the Department of Taxation. The Department will require considerable information technology investment and incur additional operating costs as various revenue adjustments are brought on-line. These costs are estimated at \$12.5 million in FY 2004 and \$20 million in FY 2005.

# Education Highlights

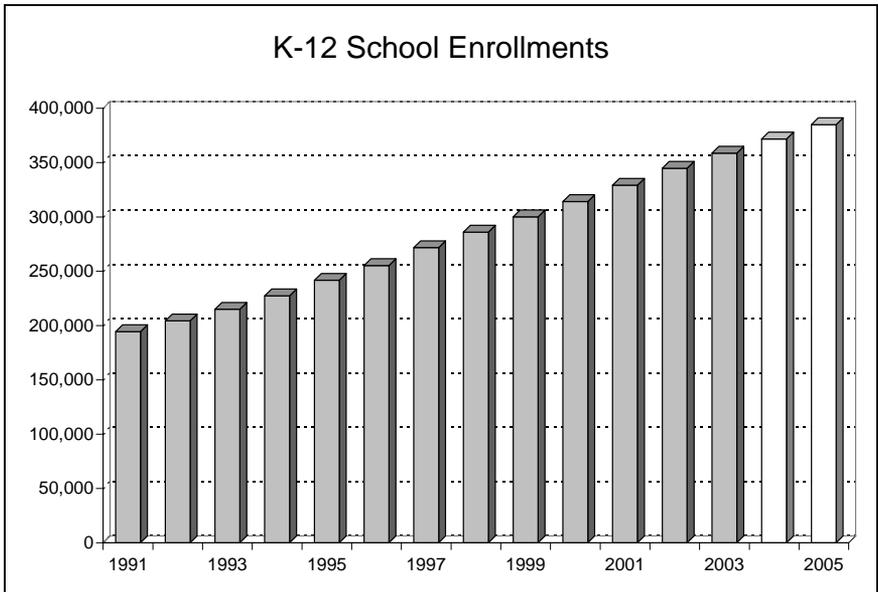


## Education

<b>Education Budgets</b>							
(millions of \$; positions expressed on a full-time equivalent basis)							
	2001 - 2003 Biennium			2003 - 2005 Biennium			
	FY 2002	FY 2003		FY 2004		FY 2005	
			Change		Change		Change
K-12 Education	\$946.3	\$997.7	\$51.5	\$1,173.5	\$175.8	\$1,220.5	\$47.0
General Fund	\$644.9	\$610.4	-\$34.5	\$842.8	\$232.4	\$879.2	\$36.4
Other	\$301.4	\$387.3	\$85.9	\$330.7	-\$56.6	\$341.2	\$10.6
Positions		136.0		137.5	1.5	137.5	0.0
University System	\$499.7	\$534.2	\$34.5	\$618.2	\$84.0	\$646.5	\$28.3
General Fund	\$345.6	\$370.6	\$25.0	\$435.5	\$64.9	\$455.3	\$19.8
Other	\$154.1	\$163.6	\$9.5	\$182.8	\$19.1	\$191.3	\$8.5
Positions		n.a.		n.a.		n.a.	
Cultural Affairs	\$16.5	\$16.0	-\$0.6	\$15.9	-\$0.1	\$16.0	\$0.1
General Fund	\$8.4	\$8.4	\$0.0	\$11.7	\$3.3	\$11.3	-\$0.5
Other	\$8.1	\$7.6	-\$0.6	\$4.1	-\$3.4	\$4.7	\$0.6
Positions		164.6		153.7	-10.9	153.7	0.0
W.I.C.H.E.	\$1.5	\$1.8	\$0.3	\$1.8	\$0.0	\$1.8	\$0.0
General Fund	\$0.7	\$1.0	\$0.4	\$1.2	\$0.2	\$1.2	\$0.0
Other	\$0.8	\$0.8	-\$0.1	\$0.6	-\$0.2	\$0.6	\$0.0
Positions		3.0		3.0	0.0	3.0	0.0
<b>Total</b>	<b>\$1,464.1</b>	<b>\$1,549.7</b>	<b>\$85.7</b>	<b>\$1,809.4</b>	<b>\$259.7</b>	<b>\$1,884.7</b>	<b>\$75.3</b>
<b>General Fund</b>	<b>\$999.5</b>	<b>\$990.4</b>	<b>-\$9.1</b>	<b>\$1,291.2</b>	<b>\$300.8</b>	<b>\$1,346.9</b>	<b>\$55.7</b>
<b>Other</b>	<b>\$464.5</b>	<b>\$559.3</b>	<b>\$94.8</b>	<b>\$518.1</b>	<b>-\$41.1</b>	<b>\$537.8</b>	<b>\$19.7</b>
<b>Positions</b>		<b>n.a.</b>		<b>n.a.</b>		<b>n.a.</b>	

- ✓ K-12 student enrollments are forecast to increase by approximately 13,000 per year, on average, in the 2003-2005 biennium. As a result, enrollments in FY 2005 will total 385,000, a 60% increase from just ten years ago. Enrollments are also climbing relative to the population as a whole. In FY 1995, there were 153 students per 1,000 residents. By FY 2005, that figure will be 157.6.
- ✓ The basic per student guarantee within the Distributive School Account is budgeted to increase over the FY 2003-FY 2005 period, rising from \$3,987 to \$4,291, a 7.6% gain.

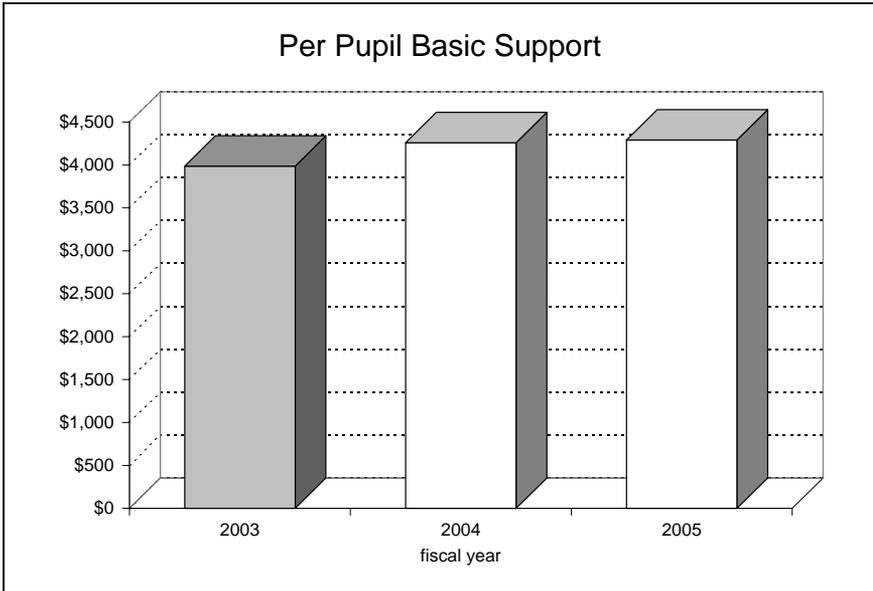
## Education



- ✓ The *Executive Budget* provides General Fund resources for several initiatives put forth in the *iNVEST* proposal.
- Funding of \$37.8 million, or \$50 per student, is provided for the purchase of up-to-date textbooks, classroom supplies, and equipment necessary to provide an effective education for Nevada's students.
  - Over \$24 million in resources are provided to implement a full-day kindergarten program, beginning with "at-risk" schools.
  - Over \$33 million is budgeted to fund high-impact/special-needs pay enhancements for teachers. This recommendation is designed to enable Nevada schools to offer a competitive wage package to teachers in disciplines where shortages currently exist, such as math, special education, ESL, and school psychologists. Resources are provided for a \$3,000 stipend in those areas. Additionally, teachers at schools designated as "at-risk" would receive an annual \$2,000 stipend for remaining at such a school.

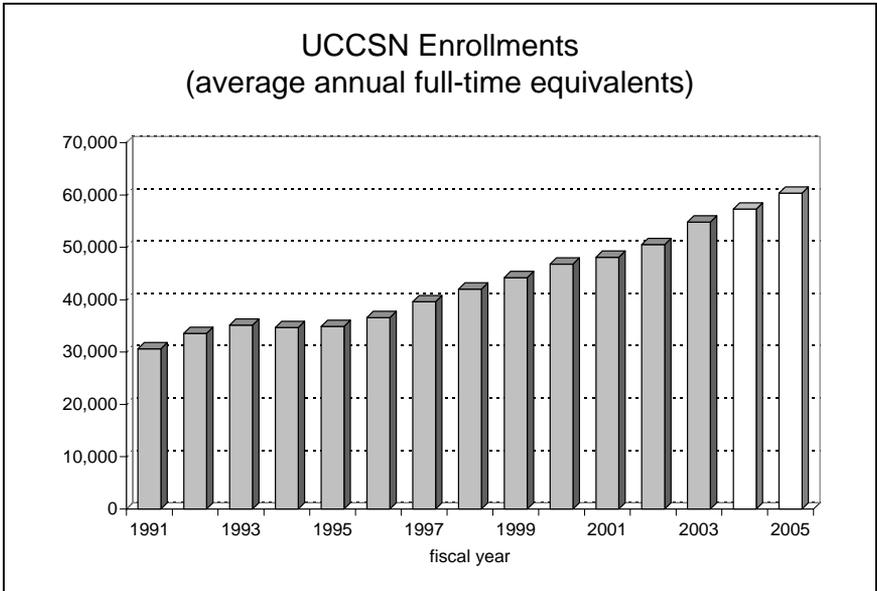
## Education

- In order to attract high-quality educational personnel to the State, funding is provided to continue a \$2,000 signing bonus for all new and qualified teachers hired in Nevada public schools. These resources total \$10 million.



- ✓ The 2003 – 2005 *Executive Budget* includes resources to provide for a 2% cost of living pay increase in FY 2004 for all public employees in local school districts.
- ✓ UCCSN enrollments, expressed on a full-time equivalent basis, will continue to expand in the next biennium. By FY 2005, enrollment is expected to total nearly 60,400. That represents a gain of more than 5,500, or 10%, from FY 2003.

## Education



- ✓ The *Executive Budget* utilizes University System funding formulas developed by the Committee to Study the Funding of Higher Education in Nevada. The primary focus of the Committee was to address the equitable distribution of funds within the System, with the understanding that it would be unlikely for the State to fully fund the amount recommended in the new formulas. In the 2003-2005 biennium, these formulas are funded at 86%, up from the current level of 79%. This results in additional funding for UCCSN of nearly \$80 million over the course of the biennium relative to the current funding formula.
  
- ✓ As a result of the economic slump in Nevada's tourism sector, Division of Tourism transfers to the various tourism-related programs of the Department of Cultural Affairs have been eliminated or reduced over the upcoming biennium. All told, over \$4 million in lost or reduced transfers must be replaced with General Fund resources.

# Commerce & Industry Highlights



## Commerce & Industry

<b>Commerce &amp; Industry Budgets</b>							
(millions of \$; positions expressed on a full-time equivalent basis)							
	2001 - 2003 Biennium			2003 - 2005 Biennium			
	FY 2002	FY 2003		FY 2004		FY 2005	
			Change		Change		Change
Agriculture	\$8.6	\$10.0	\$1.4	\$10.9	\$1.0	\$10.7	-\$0.2
General Fund	\$3.4	\$3.3	-\$0.1	\$3.7	\$0.5	\$3.8	\$0.0
Other	\$5.2	\$6.7	\$1.5	\$7.2	\$0.5	\$6.9	-\$0.2
Positions		103.5		99.5	-4.0	99.5	0.0
Business and Industry	\$57.4	\$81.2	\$23.8	\$89.2	\$7.9	\$91.7	\$2.6
General Fund	\$8.8	\$8.9	\$0.0	\$7.9	-\$1.0	\$7.6	-\$0.3
Other	\$48.6	\$72.4	\$23.8	\$81.3	\$8.9	\$84.1	\$2.8
Positions		585.0		594.1	9.1	594.1	0.0
Econ. Dvlpmnt. & Tour.	\$23.4	\$27.6	\$4.2	\$24.2	-\$3.4	\$25.4	\$1.2
General Fund	\$3.8	\$3.7	-\$0.1	\$4.0	\$0.3	\$4.0	\$0.0
Other	\$19.7	\$23.9	\$4.3	\$20.2	-\$3.7	\$21.4	\$1.2
Positions		70.0		70.0	0.0	70.0	0.0
Gaming Control Board	\$38.0	\$39.7	\$1.6	\$46.1	\$6.4	\$46.2	\$0.1
General Fund	\$24.7	\$23.7	-\$1.1	\$28.2	\$4.5	\$28.3	\$0.1
Other	\$13.3	\$16.0	\$2.7	\$17.9	\$2.0	\$18.0	\$0.0
Positions		432.5		435.0	2.5	435.0	0.0
Minerals	\$0.9	\$1.1	\$0.2	\$1.1	\$0.0	\$1.0	-\$0.1
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$0.9	\$1.1	\$0.2	\$1.1	\$0.0	\$1.0	-\$0.1
Positions		9.0		9.0	0.0	9.0	0.0
Public Utilities Comm.	\$10.6	\$15.7	\$5.0	\$16.2	\$0.6	\$15.7	-\$0.5
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$10.6	\$15.7	\$5.0	\$16.2	\$0.6	\$15.7	-\$0.5
Positions		87.0		88.0	1.0	88.0	0.0
<b>Total</b>	<b>\$139.0</b>	<b>\$175.2</b>	<b>\$36.3</b>	<b>\$187.7</b>	<b>\$12.5</b>	<b>\$190.8</b>	<b>\$3.1</b>
<b>General Fund</b>	<b>\$40.7</b>	<b>\$39.5</b>	<b>-\$1.2</b>	<b>\$43.7</b>	<b>\$4.2</b>	<b>\$43.6</b>	<b>-\$0.1</b>
<b>Other</b>	<b>\$98.3</b>	<b>\$135.7</b>	<b>\$37.5</b>	<b>\$144.0</b>	<b>\$8.2</b>	<b>\$147.2</b>	<b>\$3.3</b>
<b>Positions</b>		<b>1,287.0</b>		<b>1,295.6</b>	<b>8.6</b>	<b>1,295.6</b>	<b>0.0</b>

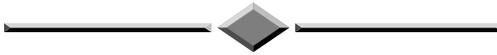
- ✓ An automated integrated licensing system is being developed for the Real Estate Division within the Department of Business and Industry. Once implemented, the new system will allow the Division to more efficiently manage their various licensing programs. Budgetary oversight of the development-phase of the \$1 million system is the responsibility of the Department of Administration.
- ✓ The Financial Institutions Division within the Department of Business and Industry will operate on a self-funded basis beginning in FY 2004.

## Commerce & Industry



- ✓ Resources totaling \$1.4 million, of which \$0.2 million are General Funds, are budgeted to the Gaming Control Board to allow for proper regulatory oversight to ensure the integrity and credibility of cashless wagering systems, which are gaining market share.
- ✓ The Gaming Control Board is required to issue gaming work permits to residents of Las Vegas and Laughlin beginning in 2004. Funding of over \$3.1 million, roughly half of which is General Funds, is required for personnel, facilities, and equipment required for the Board to issue the permits.

# Human Services Highlights



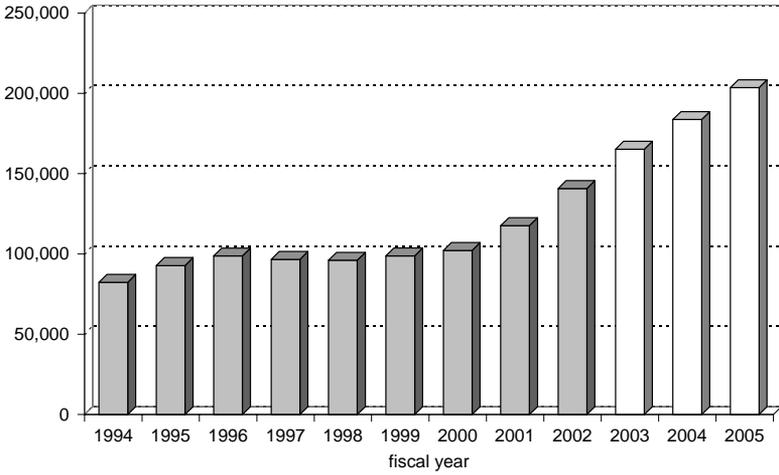
## Human Services

<b>Human Services Budgets</b>							
(millions of \$; positions expressed on a full-time equivalent basis)							
	2001 - 2003 Biennium			2003 - 2005 Biennium			
	FY 2002	FY 2003		FY 2004		FY 2005	
		Change		Change		Change	
Human Resources	\$1,564.8	\$1,755.2	\$190.4	\$1,874.1	\$119.0	\$2,006.9	\$132.8
General Fund	\$496.8	\$539.7	\$42.9	\$649.3	\$109.7	\$704.9	\$55.6
Other	\$1,068.0	\$1,215.5	\$147.5	\$1,224.8	\$9.3	\$1,302.0	\$77.2
Positions		4,168.5		4,338.1	169.6	4,450.9	112.8
Empl., Training, & Reh.	\$95.1	\$131.1	\$35.9	\$138.9	\$7.8	\$126.0	-\$12.9
General Fund	\$4.8	\$4.8	-\$0.1	\$4.8	\$0.0	\$5.1	\$0.3
Other	\$90.3	\$126.3	\$36.0	\$134.1	\$7.8	\$120.9	-\$13.2
Positions		834.6		850.6	16.0	859.6	9.0
<b>Total</b>	<b>\$1,659.9</b>	<b>\$1,886.2</b>	<b>\$226.3</b>	<b>\$2,013.0</b>	<b>\$126.8</b>	<b>\$2,132.9</b>	<b>\$119.9</b>
General Fund	<b>\$501.6</b>	<b>\$544.4</b>	<b>\$42.8</b>	<b>\$654.1</b>	<b>\$109.6</b>	<b>\$710.0</b>	<b>\$55.9</b>
Other	<b>\$1,158.3</b>	<b>\$1,341.8</b>	<b>\$183.5</b>	<b>\$1,358.9</b>	<b>\$17.1</b>	<b>\$1,422.9</b>	<b>\$64.0</b>
Positions		<b>5,003.1</b>		<b>5,188.6</b>	<b>185.6</b>	<b>5,310.4</b>	<b>121.8</b>

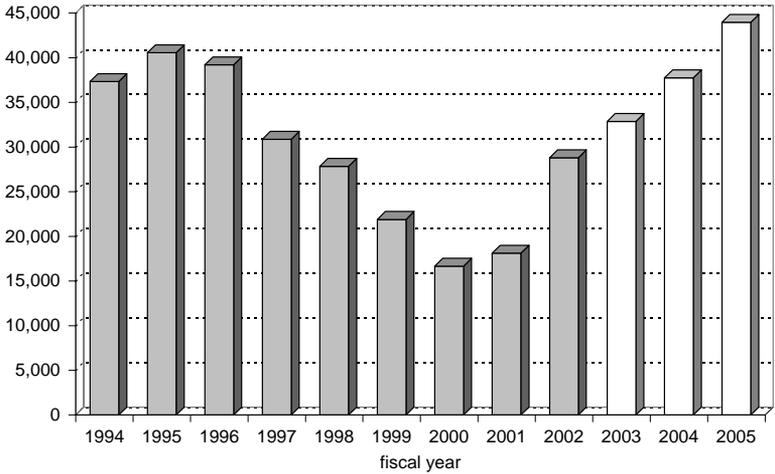
- ✓ The State administers a number of human service programs, each serving a defined population. The largest such program is Medicaid. By FY 2005, Medicaid caseloads are expected to total over 200,000, more than double their level from as recently as FY 1999. Increases of 18,000-20,000 per year are expected in the 2003-2005 biennium. TANF recipients are also forecast to continue rising at a pronounced clip. Annual caseload gains of 5,000-6,000 are expected.
- ✓ Both Medicaid and TANF recipients are increasing faster than the rate of population growth in Nevada. In FY 2000, its most recent low point, the number of Medicaid recipients per 1,000 residents has increased from 49 to an estimated 72 in FY 2003. TANF recipients have increased from 8 per 1,000 residents to 14 over the same period. Both Medicaid and TANF recipients are expected to continue rising relative to the population as a whole.
- ✓ The Senior Rx Program currently has 7,500 enrollees. The *Executive Budget* is providing General Funding totaling \$5 million to increase enrollments to 12,000 by the end of the 2003-2005 biennium. The enrollment of those currently on the Program's waiting list will be facilitated first. Revised income-based eligibility rules will also expand participation.

## Human Services

### Medicaid Recipients



### AFDC / TANF Grant Recipients

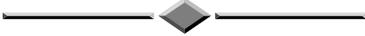


## Human Services



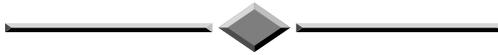
- ✓ General Funds totaling \$5.8 million, along with \$11.6 million of other funds, are being budgeted to accommodate increases in Nevada Check Up enrollments. All told, FY 2005 enrollments, at a monthly average of 32,650, are expected to be more than 8,500 greater than in FY 2002.
- ✓ General Funds totaling \$4.3 million, in combination with \$6.4 million in other resources, are being utilized to provide for caseload increases resulting from the recommended elimination of the CHAP asset tests. All told, 518 additional children will become Medicaid eligible in FY 2004 and another 2,139 in the following year as a result of the asset test elimination.
- ✓ Funding is provided for 90 additional disability waiver slots to address the projected waiting list for services at a cost of \$2.1 million. A similar amount of non-General Fund resources are also being provided. SB 174 directed funds to satisfy 70 waiver slots, thereby accommodating all 160 projected to be on the waiting list.
- ✓ The 2003 – 2005 *Executive Budget* is recommending the creation of a Mental Health Crisis Team to provide services to mentally ill clients in emergency rooms, allowing for rapid triage of these individuals. General Funds of \$0.6 million are provided.
- ✓ Additional General Fund resources of \$0.6 million are being provided to support the efforts of the Mental Health Court in Washoe County. The Court diverts severely mentally ill individuals from repeated incarcerations or hospitalizations and offers treatment alternatives, lessening the reliance of these individuals on State services.
- ✓ In order to meet the varied needs and choices of Medicaid recipients wishing to remain in the community, but who need group care or an assisted living environment to do so, resources of \$0.5 million are provided to expand group care waiver services.

## Human Services



- ✓ The 2003 – 2005 *Executive Budget* includes various provider rate increases.
  - Providers working within the Home and Community Based Waiver for Developmental Services last received a 3% increase in October 2001. A second, 1.7%, increase scheduled for FY 2003 was eliminated due to budgetary constraints. These providers are budgeted for a 7% increase beginning on January 1, 2004 and an additional 8% increase on July 1<sup>st</sup> of that year.
  - The last increase for providers of physical, respiratory, occupational, speech, and audiology therapies was 2.4% in January 1998. Resources to fund an 11.5% increase on January 1, 2004, followed by an additional 3.7% increase on the following July 1<sup>st</sup> are provided for.
- ✓ The transfer of Child Welfare Services to Clark and Washoe Counties, scheduled for the current biennium, has been delayed for Clark County. The transfer of these services will begin in October 2003 and will be continued in phases during the remainder of the 2003-2005 biennium. As a result, 154 State positions scheduled to transfer to Clark County will remain with the State, and will instead transfer over the course of the next biennium.
- ✓ The *Executive Budget* proposes to re-open the Summit View Center, closed since December 2001, as a State-managed juvenile facility beginning in FY 2004, generating substantial savings to the General Fund—approximately \$2.4 million in FY 2004 and \$1.5 million the following year. All told, 84 positions are necessary to operate the facility.

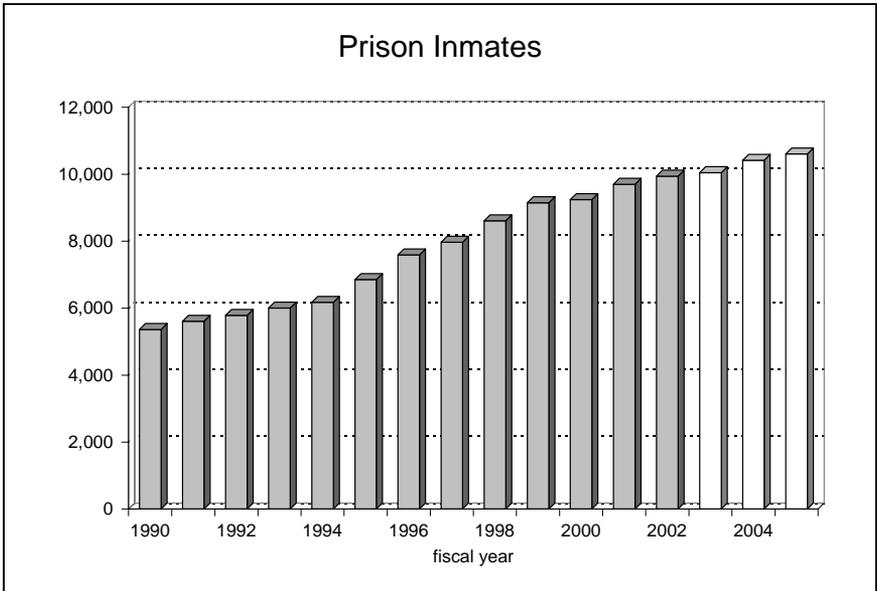
# Public Safety Highlights



## Public Safety

<b>Public Safety Budgets</b>							
(millions of \$; positions expressed on a full-time equivalent basis)							
	2001 - 2003 Biennium			2003 - 2005 Biennium			
	FY 2002	FY 2003		FY 2004		FY 2005	
			Change		Change		Change
Corrections	\$198.1	\$209.5	\$11.4	\$213.1	\$3.6	\$217.6	\$4.5
General Fund	\$173.3	\$171.7	-\$1.7	\$184.0	\$12.3	\$188.6	\$4.6
Other	\$24.7	\$37.8	\$13.1	\$29.1	-\$8.7	\$29.0	-\$0.1
Positions		2,466.2		2,361.7	-104.5	2,361.7	0.0
Motor Vehicles	\$70.9	\$84.5	\$13.6	\$110.6	\$26.1	\$118.0	\$7.4
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$70.9	\$84.5	\$13.6	\$110.6	\$26.1	\$118.0	\$7.4
Positions		1,049.7		1,255.7	206.0	1,255.7	0.0
Public Safety	\$129.6	\$146.5	\$16.9	\$144.9	-\$1.6	\$145.4	\$0.6
General Fund	\$37.0	\$35.7	-\$1.3	\$40.1	\$4.4	\$41.0	\$0.9
Other	\$92.6	\$110.8	\$18.2	\$104.7	-\$6.0	\$104.4	-\$0.3
Positions		1,390.1		1,352.5	-37.5	1,359.5	7.0
POST	\$1.9	\$2.4	\$0.5	\$2.4	\$0.0	\$2.3	-\$0.1
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$1.9	\$2.4	\$0.5	\$2.4	\$0.0	\$2.3	-\$0.1
Positions		16.0		17.0	1.0	17.0	0.0
<b>Total</b>	<b>\$400.5</b>	<b>\$442.8</b>	<b>\$42.4</b>	<b>\$471.0</b>	<b>\$28.2</b>	<b>\$483.3</b>	<b>\$12.4</b>
General Fund	<b>\$210.4</b>	<b>\$207.4</b>	<b>-\$3.0</b>	<b>\$224.1</b>	<b>\$16.8</b>	<b>\$229.6</b>	<b>\$5.5</b>
Other	<b>\$190.1</b>	<b>\$235.5</b>	<b>\$45.4</b>	<b>\$246.8</b>	<b>\$11.4</b>	<b>\$253.7</b>	<b>\$6.9</b>
Positions		<b>4,922.0</b>		<b>4,986.9</b>	<b>64.9</b>	<b>4,993.9</b>	<b>7.0</b>

- ✓ Nevada's prison population will continue to increase. By FY 2005, there is expected to be approximately 10,600 inmates, up by over 550 from FY 2003. There are signs that inmate growth is slowing. Between FY 1990 and FY 1995, gains averaged 5% per year. During the FY 1995-FY 2000 period, growth came in at an average annual clip of 6.2%. It is expected that growth will average just 2.8% annually between FY 2000 and FY 2005.
- ✓ The Department of Corrections proposes to utilize the new 200-bed Casa Grande facility in Southern Nevada in October 2003. The facility is designed to facilitate re-entry into the general community and provide extensive job training, core education leading to a high school diploma or GED, and substance abuse counseling under contract. The population will increase to 436 inmates in November 2004.



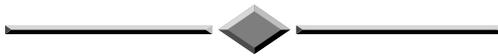
- ✓ The Department of Corrections is reducing staff by 105. Of this amount, 90 are security staff, including 73 correctional officer positions.
- ✓ The Drug Court Program serving the 2<sup>nd</sup> and 8<sup>th</sup> Judicial Districts is receiving nearly \$1.1 million in General Funds for continued operations of treatment programs for the abuse of alcohol and controlled substances.
- ✓ The Department of Motor Vehicles is adding 184 technicians and support staff to fulfill the goal of no more than a one-hour wait for customer services at DMV offices.
- ✓ The Division of Parole and Probation is streamlining operations and eliminating 18 positions.
- ✓ The *Executive Budget* proposes to discontinue criminal investigation services currently provided to major population centers by the Nevada Division of Investigations. As a result, 21 positions will be cut.

## Public Safety



- ✓ With the elimination of the Narcotics Task Force, 18 positions will be cut.
- ✓ All told, \$2.9 million in General Fund resources are being directed to the State Fire Marshal's Office due, in large part, to the increasing number of legislatively-mandated services required from the Office.

# Infrastructure Highlights



## Infrastructure

<b>Infrastructure Budgets</b>							
(millions of \$; positions expressed on a full-time equivalent basis)							
	2001 - 2003 Biennium			2003 - 2005 Biennium			
	FY 2002	FY 2003		FY 2004		FY 2005	
			Change		Change		Change
Con. & Natural Res.	\$95.4	\$135.5	\$40.2	\$140.2	\$4.7	\$130.7	-\$9.5
General Fund	\$22.3	\$21.4	-\$0.9	\$25.1	\$3.8	\$24.7	-\$0.4
Other	\$73.1	\$114.1	\$41.1	\$115.0	\$0.9	\$106.0	-\$9.0
Positions		930.8		955.3	24.5	953.3	-2.0
Transportation	\$368.5	\$699.2	\$330.6	\$619.8	-\$79.3	\$670.3	\$50.4
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$368.5	\$699.2	\$330.6	\$619.8	-\$79.3	\$670.3	\$50.4
Positions		1,676.1		1,718.1	42.0	1,718.1	0.0
Colorado River Comm.	\$162.6	\$344.3	\$181.7	\$401.3	\$57.0	\$439.0	\$37.7
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$162.6	\$344.3	\$181.7	\$401.3	\$57.0	\$439.0	\$37.7
Positions		37.5		42.5	5.0	42.5	0.0
<b>Total</b>	<b>\$626.5</b>	<b>\$1,179.0</b>	<b>\$552.5</b>	<b>\$1,161.3</b>	<b>-\$17.7</b>	<b>\$1,239.9</b>	<b>\$78.6</b>
<b>General Fund</b>	<b>\$22.3</b>	<b>\$21.4</b>	<b>-\$0.9</b>	<b>\$25.1</b>	<b>\$3.8</b>	<b>\$24.7</b>	<b>-\$0.4</b>
<b>Other</b>	<b>\$604.2</b>	<b>\$1,157.6</b>	<b>\$553.4</b>	<b>\$1,136.2</b>	<b>-\$21.4</b>	<b>\$1,215.3</b>	<b>\$79.1</b>
<b>Positions</b>		<b>2,644.4</b>		<b>2,715.9</b>	<b>71.5</b>	<b>2,713.9</b>	<b>-2.0</b>

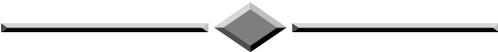
- ✓ The Department of Transportation's 42 new positions, funded entirely with non-General Funds, budgeted for in the 2003-2005 biennium are primarily in the area of highway maintenance. They are necessary in light of continued growth in the State and the impacts on Nevada roads and highways.
- ✓ The Department of Conservation and Natural Resources is budgeted for 24 additional positions in FY 2004. All but three are supported by non-General Fund resources, such as fees, federal grants, pollution control monies, and cost allocation funds.
- ✓ As a result of the economic slump in Nevada's tourism sector, Division of Tourism transfers to the various tourism-related programs of the Department of Conservation and Natural Resources have been eliminated or reduced over the upcoming biennium. All told, over \$2.6 million in lost or reduced transfers must be replaced with General Fund resources.

## Infrastructure



- ✓ The Colorado River Commission's budget increase (all non-General Funds) is the result of a variety of factors.
  - The Commission expects to complete the plan development for the Lower Colorado River Multi-Species Program.
  - CRC will be involved in the development of contract renewals for hydropower from the Parker-Davis project.
  - The Commission will continue to construct, operate, and maintain critical electrical infrastructure projects supporting the new water treatment and transmission facilities being constructed by the Southern Nevada Water Authority.

# Special Purpose Highlights



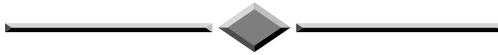
## Special Purpose



<b>Special Purpose Budgets</b>							
(millions of \$; positions expressed on a full-time equivalent basis)							
	2001 - 2003 Biennium			2003 - 2005 Biennium			
	FY 2002	FY 2003		FY 2004		FY 2005	
			Change		Change		Change
Office of the Military	\$5.7	\$5.8	\$0.1	\$6.6	\$0.7	\$6.7	\$0.1
General Fund	\$2.0	\$2.1	\$0.1	\$2.2	\$0.1	\$2.2	\$0.0
Other	\$3.7	\$3.7	\$0.0	\$4.4	\$0.7	\$4.4	\$0.1
Positions		75.5		73.5	-2.0	73.5	0.0
Veterans Affairs	\$3.0	\$11.7	\$8.7	\$12.8	\$1.1	\$13.2	\$0.4
General Fund	\$4.8	\$4.3	-\$0.5	\$4.3	\$0.0	\$4.7	\$0.4
Other	-\$1.8	\$7.4	\$9.2	\$8.5	\$1.1	\$8.5	\$0.0
Positions		230.0		231.0	1.0	231.0	0.0
PERS	\$8.8	\$6.4	-\$2.3	\$8.2	\$1.8	\$8.2	\$0.0
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$8.8	\$6.4	-\$2.3	\$8.2	\$1.8	\$8.2	\$0.0
Positions		59.0		62.0	3.0	62.0	0.0
Pub. Emp. Health Prog.	\$169.6	\$210.5	\$41.0	\$230.1	\$19.5	\$264.3	\$34.2
General Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other	\$169.6	\$210.5	\$41.0	\$230.1	\$19.5	\$264.3	\$34.2
Positions		26.0		32.0	6.0	32.0	0.0
<b>Total</b>	<b>\$187.1</b>	<b>\$234.5</b>	<b>\$47.4</b>	<b>\$257.6</b>	<b>\$23.1</b>	<b>\$292.4</b>	<b>\$34.7</b>
<b>General Fund</b>	<b>\$6.9</b>	<b>\$6.5</b>	<b>-\$0.4</b>	<b>\$6.5</b>	<b>\$0.0</b>	<b>\$6.9</b>	<b>\$0.5</b>
<b>Other</b>	<b>\$180.2</b>	<b>\$228.0</b>	<b>\$47.9</b>	<b>\$251.1</b>	<b>\$23.1</b>	<b>\$285.4</b>	<b>\$34.3</b>
<b>Positions</b>		<b>390.5</b>		<b>398.5</b>	<b>8.0</b>	<b>398.5</b>	<b>0.0</b>

- ✓ The increase in the Public Employees Benefit Program budget is being driven by expectations for continued strong healthcare inflation. Underlying the budget is average claims expense increases expected to approach 15%. This equates to a total increase of nearly \$75 million for the 2003-2005 biennium relative to the current biennium.
- ✓ Of the six additional positions in the Public Employees Benefit Program, one will function in the role currently performed by Program consultants and five permanent staff will be funded in lieu of temporary staff.

# Future Challenges



## Future Challenges

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The 2003 – 2005 *Executive Budget* spells out my comprehensive revenue and spending plan for the upcoming biennium. To date, we have simply not had adequate resources available to provide much-needed services that our citizens deserve. Year after year, we struggle to adequately provide for thousands of new students in our school systems, citizens requiring various welfare-type services, and our elderly residents, to name a few examples. My plan for the upcoming biennium represents the first stage of a long-range strategy that is designed to ensure that Nevada has the means necessary to meet the needs of our growing and evolving State and its citizens.

I like to think of my plan for the 2003-2005 biennium as a “bridge”. It is designed to help us navigate through these very difficult times, but also to lay the groundwork for a more stable future. This bridge puts Nevada on a path towards a fiscal system that embodies three basic goals: a broader tax base, greater fairness, and a short- and long-term solution to our well-publicized funding deficiencies, quantified most recently by the Governor’s Task Force on Tax Policy.

These goals are evident in my plan for the 2003-2005 biennium. All of those who have benefited from Nevada’s solid economic performance over the years are being asked to be a part of the solution. Perhaps the most important part of this bridge is the inclusion of the business community in the solution. As we broaden the tax base, those who profit from doing business here will be asked to contribute to our long-range solution. In this way, Nevada’s economic well-being will no longer depend to such a large degree upon the health of gaming and tourism.

The Task Force recommendation that has generated the most debate is the gross receipts tax. I support the Task Force’s recommendation. While there is no perfect tax system, I believe that this is the best vehicle through which to involve the business community in Nevada’s efforts to establish a revenue structure which will allow us to better keep pace with our needs, and move forward from there.

Implementing an efficient system of administering such a tax, however, will take time--a reasonable estimate is 18-24 months. That puts us at FY 2006 as a start date for a 0.25% gross receipts tax and a similar increase in the percentage fee tax on gaming revenue. Initial collections are expected to total over \$220 million annually.

## Future Challenges

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We simply cannot wait that long. Our needs cannot wait. By then, there will be up to 27,000 additional students enrolled in our K-12 system. That is why I recommend raising the business license tax from \$25 per quarter to \$75 and expanding the tax base to encompass all of the for-profit private sector. Once the gross receipts tax is in place, I recommend that the business license tax be reduced to \$35 per quarter.

Under my plan, by FY 2006, we will have a tax system in place that should be productive enough to allow us to keep pace with our State's basic needs. Taken as a whole, when examining the make-up of this plan, it is very similar to that proposed by the Tax Policy Task Force.

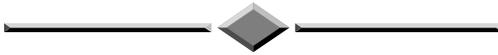
Keep in mind, that the Task Force was not required to go beyond that. They presented a plan that will allow us to better and more efficiently address our needs well into the future. But don't we want to do more than that? I am disheartened when I read of Nevada's low scores on so many rankings of educational barometers and human service measures. We need to move beyond the status quo.

I recommend we carefully review the transaction taxes recommended by the Task Force beginning in FY 2008 that will allow us to enhance the various programs administered by the State. In the 2003 – 2005 *Executive Budget*, just 3% of our General Fund spending is for program enhancements. Given where we are starting from, this leaves considerable room for improvement. This 7.3% transaction tax on a variety of professional, business, and discretionary services will generate over \$900 million annually.

My Administration has had to make some very difficult decisions over the past 15 months to address the State's fiscal crisis. While improvement is likely once the nation enters into a real recovery and the many uncertainties holding the economy back are resolved, this does not mean our budgetary shortfalls will end. Nevada has much ground to attain, and it will take longer than the next biennium. However, with the proposals contained in my *Executive Budget*, I think that we have a solid beginning.

*Kenny C. Guinn*  
Governor

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