



STATE OF NEVADA

2017-2019 Executive Budget Overview

January 24, 2017

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Agenda

- ▶ Economic Overview
- ▶ Revenue Overview
- ▶ General Fund Projected Balance
- ▶ Rainy Day Fund Projected Balance
- ▶ Statutory Spending Limit
- ▶ Planning Framework
- ▶ Budget Overview
- ▶ Significant Budget Items

Economic Overview

- ▶ National Economy
 - U.S. economy added more than 15 million jobs since low point of recession
 - Economic growth is modest but steady
 - Wage growth is improving
 - Consumer confidence has risen to pre-financial crisis levels
 - Housing market is gradually improving

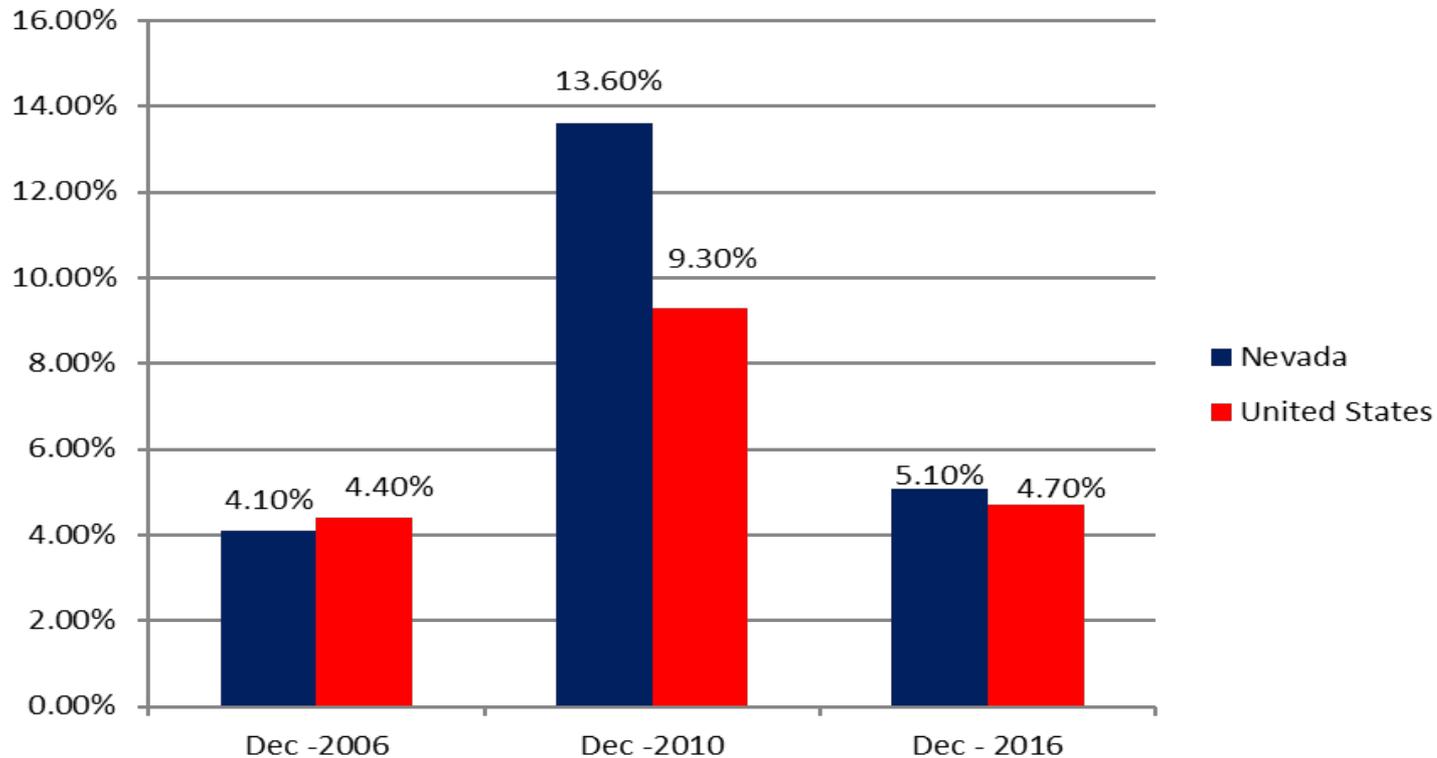
Economic Overview

▶ Nevada Economy

- Employment
 - All of the jobs lost during the recession recovered
 - In 2016, 32,500 jobs added
 - Record high employment at over 1.3 million jobs
 - Lowest jobless rate in nine years
- Population
 - 2016 population growth (1.95%) is second-strongest in the nation
- Visitor Volume
 - 2016 should exceed last year's record of 42.3 million
- Personal Income
 - Up 4.5% (3rd quarter 2016 compared to 3rd quarter 2015)
- Housing
 - Housing prices – 3rd quarter 2016 up 7.7% compared to same period in 2015

Economic Overview

- ▶ What a difference 2010 versus 2016 (Unemployment)

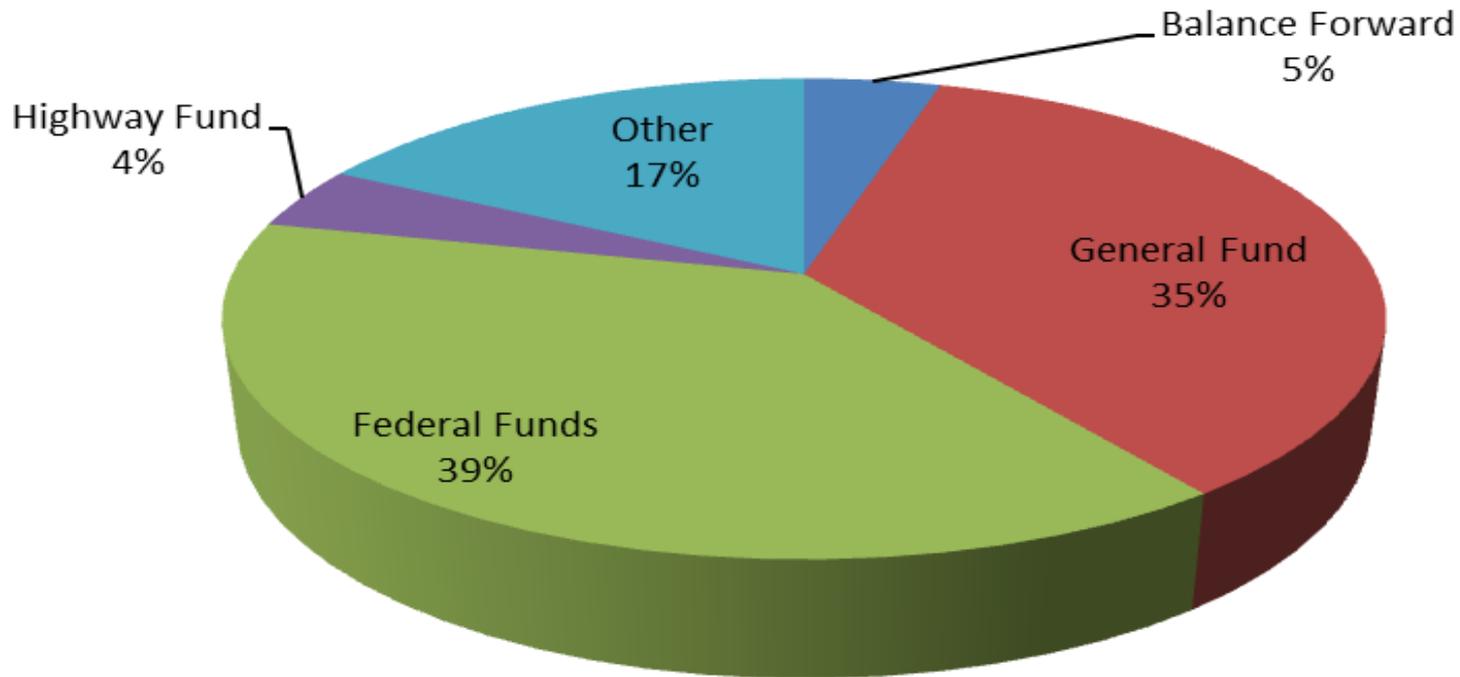


Revenue Overview

| Revenue Sources | | | | |
|--------------------------------|-------------------------|--|-------------------------|-------------------------|
| | Legislature Approved** | | Governor Recommended | |
| | 2015-2017 Biennium | | 2017-2019 Biennium | |
| Source | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
| Balance Forward | \$539,256,214 | \$471,801,295 | \$547,288,534 | \$514,409,972 |
| General Fund | \$3,558,057,616 | \$3,738,711,497 | \$4,143,724,085 | \$4,117,028,013 |
| Federal Fund | \$3,983,540,717 | \$3,971,211,924 | \$4,475,245,614 | \$4,578,793,544 |
| Highway Fund | \$463,026,909 | \$467,747,865 | \$497,203,741 | \$483,916,544 |
| Other* | \$1,825,191,655 | \$1,921,112,689 | \$2,079,681,851 | \$1,943,366,776 |
| Total | \$10,369,073,111 | \$10,570,585,270 | \$11,743,143,825 | \$11,637,514,849 |
| Dollar Change | 1,343,847,947 | 201,512,159 | 1,172,558,555 | -105,628,976 |
| Percentage Change | 14.9% | 1.9% | 11.1% | -0.9% |
| Biennium Total | | \$20,939,658,381 | | \$23,380,658,674 |
| Dollar Change | | \$3,169,756,637 | | \$2,441,000,293 |
| Percentage Change | | 17.8% | | 11.7% |
| *Net of Inter-Agency Transfers | | **Source: Legislative Appropriations Report, Nov. 2015 | | |

Revenue Overview

2017-2019 Biennium Revenue Sources

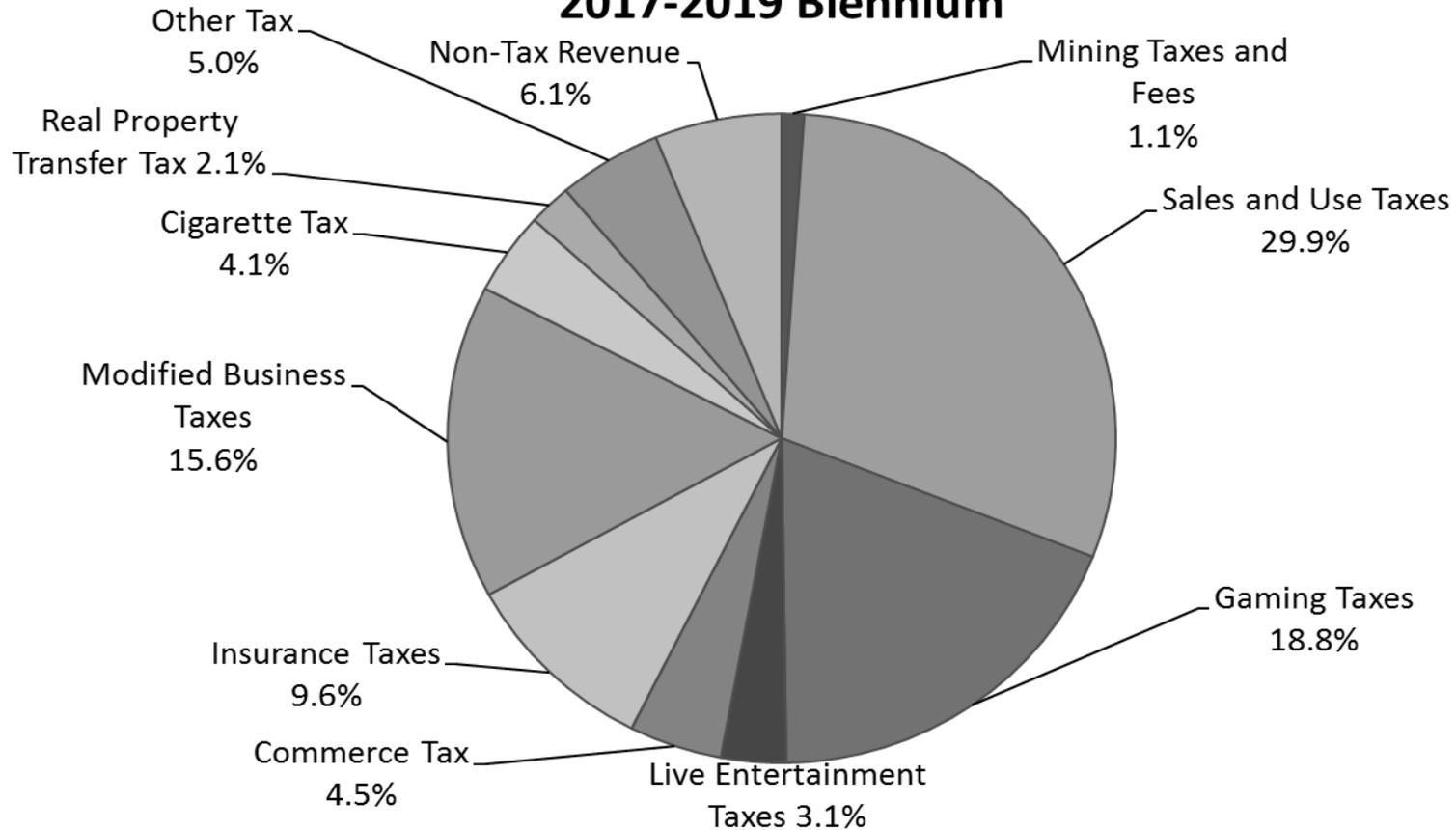


Revenue Overview

| General Fund Revenue by Source | | | | |
|--|---------------------------|----------------------------|---|------------------|
| SOURCE (MILLIONS) | 2015-2017 Biennium | | 2017-2019 Biennium Governor Recommends | |
| | FY 2016 Actual | FY 2017 EF Forecast | FY 2018 | FY 2019 |
| Mining Taxes & Fees | \$34.7 | \$13.6 | \$45.0 | \$44.0 |
| Sales & Use Tax | \$1,077.0 | \$1,140.0 | \$1,201.5 | \$1,262.2 |
| Gaming Taxes (Before Tax Credits) | \$733.4 | \$756.3 | \$762.9 | \$790.5 |
| Live Entertainment Taxes | \$128.5 | \$123.8 | \$127.5 | \$131.4 |
| Commerce Tax | \$143.5 | \$194.4 | \$181.2 | \$189.9 |
| Transportation Connection Tax | \$11.9 | \$21.0 | \$16.8 | \$22.2 |
| Insurance Premium Tax (Before Tax Credits) | \$336.2 | \$375.0 | \$388.7 | \$401.7 |
| Modified Business Tax - Non financial (Before Tax Credits) | \$517.1 | \$547.1 | \$577.1 | \$607.5 |
| Modified Business Tax - Financial (Before Tax Credits) | \$27.2 | \$28.2 | \$29.8 | \$31.4 |
| Modified Business Tax - Mining (Before Tax Credits) | \$21.9 | \$22.1 | \$22.1 | \$22.0 |
| Cigarette Tax | \$153.0 | \$173.3 | \$170.4 | \$167.5 |
| Real Property Transfer Tax | \$75.8 | \$81.0 | \$84.9 | \$87.6 |
| Other Taxes | \$234.6 | \$204.5 | \$187.2 | \$189.1 |
| Licenses | \$131.9 | \$132.4 | \$133.9 | \$135.3 |
| Fees & Fines | \$59.2 | \$60.8 | \$62.2 | \$63.4 |
| Use of Money & Property | \$1.5 | \$2.5 | \$3.5 | \$4.2 |
| Other Revenue | \$61.4 | \$50.8 | \$51.5 | \$52.7 |
| TOTAL GENERAL FUND REVENUE (Before Tax Credits) | \$3,749.1 | \$3,927.0 | \$4,046.3 | \$4,202.8 |
| Tax Credits | -\$55.2 | -\$157.8 | -\$152.7 | -\$171.9 |
| TOTAL GENERAL FUND REVENUE (After Tax Credits) | \$3,693.8 | \$3,769.2 | \$3,893.6 | \$4,030.9 |

Revenue Overview

General Fund Revenue by Source 2017-2019 Biennium



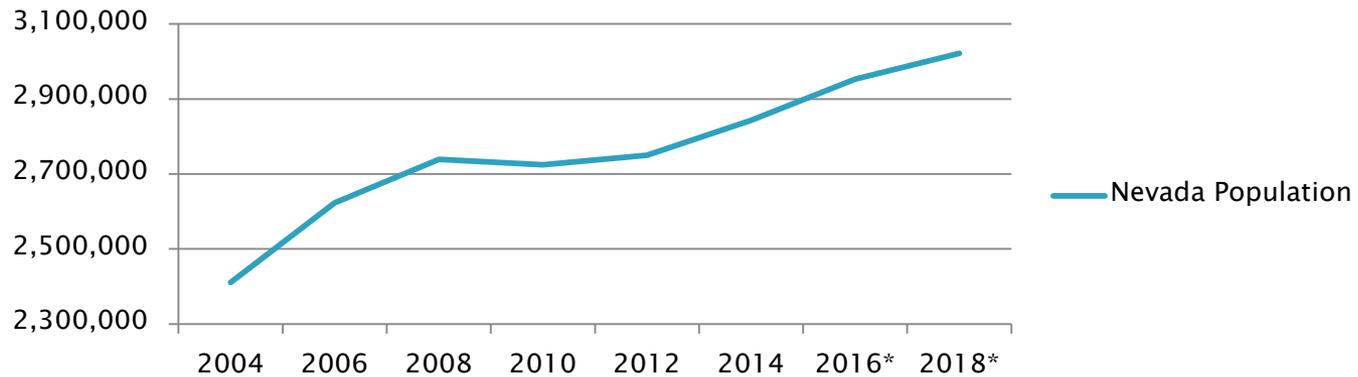
Revenue Overview

- ▶ Extension of Sunset Revenues and New Revenues

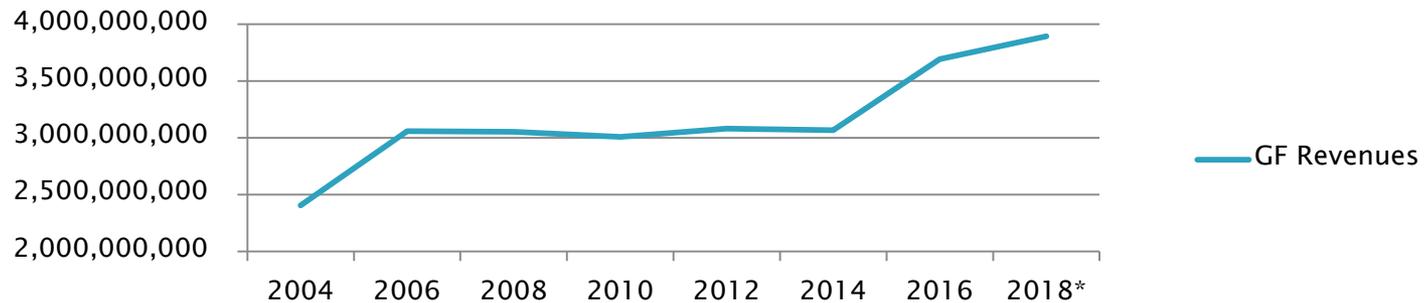
| Sunsets (in millions) | FY 2018 | FY 2019 |
|--------------------------------------|-------------|-------------|
| Governmental Services Tax (GST) | 19.3 | 19.5 |
| | | |
| New Revenue (in millions) | | |
| Recreational Marijuana Wholesale 15% | 12.7 | 17.1 |
| Recreational Marijuana Retail 10% | 29.5 | 39.8 |
| Recreational Marijuana Fees | 4.4 | 1.2 |
| Total | 65.9 | 77.6 |

Revenue Overview

Nevada Population



GF Revenues



General Fund Balance

Statement of Projected Unappropriated General Fund Balance - Fiscal Years 2015-2017

| | FY 2016 Actual | Legislature Approved | Fiscal Year 2017 | |
|--|---------------------------|---------------------------|---------------------------|------------------------|
| | | | Projected | Difference |
| Unappropriated Balance - July 1 | \$ 241,750,375 | \$ 251,820,486 | \$ 418,534,861 | \$ 166,714,375 |
| Revenues | | | | |
| General Fund Revenues | 3,749,082,146 | 3,767,090,825 | 3,844,473,035 | 77,382,210 |
| Tax Credit Programs | (55,239,359) | (76,638,000) | (75,272,591) | 1,365,409 |
| Restricted Revenues | 9,108,094 | 9,116,926 | 9,086,504 | (30,422) |
| Reversions | 84,711,575 | 40,000,000 | 85,500,000 | 45,500,000 |
| Total Resources | \$ 4,029,412,831 | \$ 3,991,390,237 | \$ 4,282,321,809 | \$ 290,931,572 |
| Appropriations / Transfers: | | | | |
| Operating Appropriations | (3,558,057,616) | (3,738,711,497) | (3,738,711,497) | - |
| Operating Transfers Between Fiscal Years | (8,945,243) | - | 11,216,167 | 11,216,167 |
| One-Shot Appropriations - 2015 Legislature | (16,593,446) | (100,000) | (100,000) | - |
| Restoration of Fund Balances | (13,600,000) | - | - | - |
| Expense Adjustment - 29th Special Session | (1,500,000) | - | - | - |
| Supplemental Appropriations | - | - | (40,616,875) | (40,616,875) |
| Other Adjustments | (4,008,770) | - | 1,000,000 | 1,000,000 |
| Cost of 2017 Legislature | - | (20,000,000) | (20,000,000) | - |
| Restricted Transfers | (9,108,094) | (9,116,926) | (9,086,504) | 30,422 |
| Transfers to Rainy Day Fund | - | - | (63,935,955) | (63,935,955) |
| Transfers to Disaster Relief Account | - | - | (2,000,000) | (2,000,000) |
| Year-End Adjustments to Fund Balance | 935,199 | - | - | - |
| Total Uses | \$ (3,610,877,970) | \$ (3,767,928,423) | \$ (3,862,234,664) | \$ (94,306,241) |
| Unappropriated Balance - June 30 | \$ 418,534,861 | \$ 223,461,814 | \$ 420,087,145 | \$ 196,625,331 |
| 5% Minimum Ending Fund Balance | \$ 178,625,581 | \$ 186,935,575 | \$ 189,360,610 | |
| Balance Over/(Under) 5% Minimum | \$ 239,909,280 | \$ 36,526,239 | \$ 230,726,535 | \$ 196,625,331 |

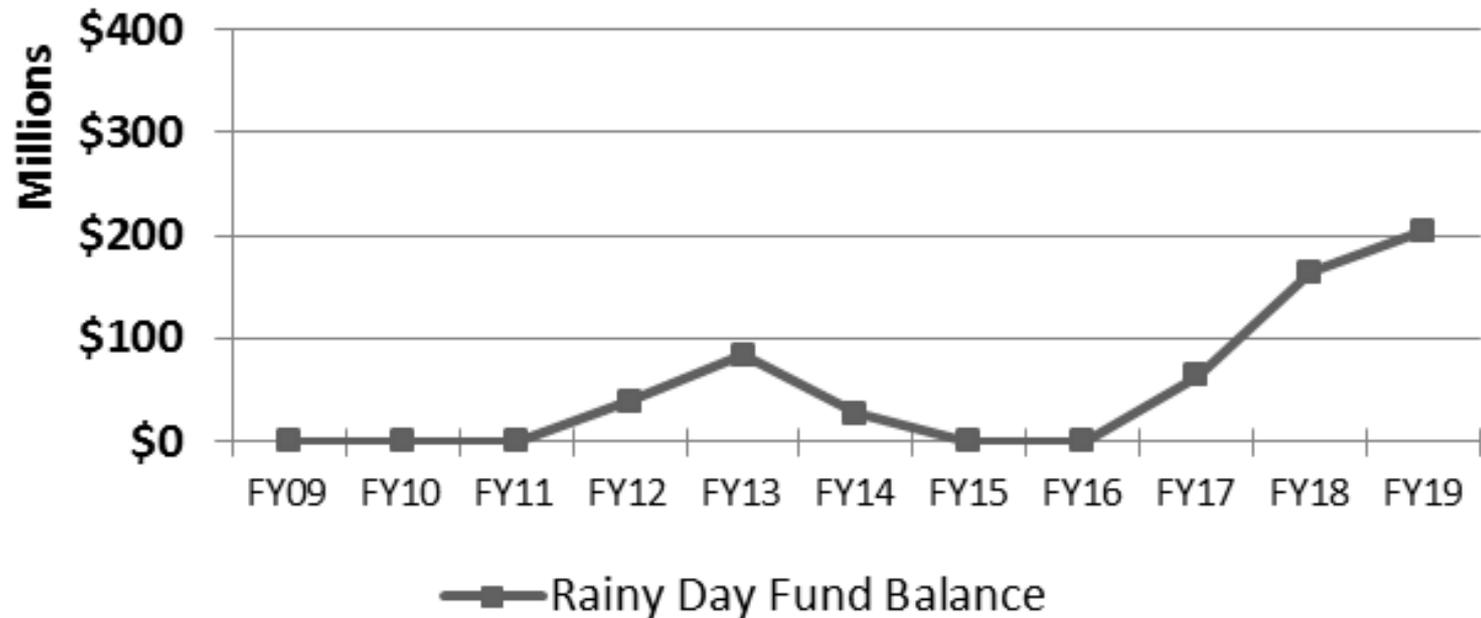
General Fund Balance

Governor's Executive Budget

| | FY 2018 | FY 2019 |
|---|---------------------------|---------------------------|
| Unappropriated Balance - July 1 | \$ 420,087,145 | \$ 235,976,091 |
| Revenues | | |
| Economic Forum Gross Revenues - December 2016 | 3,938,817,663 | 4,090,998,451 |
| Extension of GST - 25% of Total | 19,272,000 | 19,483,500 |
| Excess Court Assessment Fees not allocated to Statutorily Required Programs | 1,718,911 | 1,687,419 |
| Restricted Revenues | 16,054,957 | 15,930,693 |
| Reversions | 50,000,000 | 50,000,000 |
| Economic Forum Approved amounts for Tax Credit Programs | (63,750,500) | (78,787,000) |
| Tax Credit Program - Film Production | (2,500,000) | (2,500,000) |
| Total Resources | \$ 4,379,700,176 | \$ 4,332,789,154 |
| Appropriations / Transfers: | | |
| Operating Appropriations | (3,893,559,321) | (4,036,661,496) |
| One-Shot Appropriations - 2017 Legislature | (79,155,479) | - |
| Restoration of Fund Balances | (7,500,000) | - |
| One-time Appropriation for 2017 CIP | (44,525,830) | - |
| UNR Engineering Building Debt Service Payments | - | (2,127,000) |
| Cost of 2019 Legislature | - | (20,000,000) |
| Restricted Transfers | (16,054,957) | (15,930,693) |
| Transfers to Rainy Day Fund | (100,928,498) | (40,308,824) |
| Transfers to Disaster Relief Account | (2,000,000) | (2,000,000) |
| Total Uses | \$ (4,143,724,085) | \$ (4,117,028,013) |
| Unappropriated Balance - June 30 | \$ 235,976,091 | \$ 215,761,141 |
| 5% Minimum Ending Fund Balance | \$ 201,237,032 | \$ 202,939,425 |
| Balance Over/(Under) 5% Minimum | \$ 34,739,060 | \$ 12,821,716 |

Rainy Day Fund

Rainy Day Fund Ending Balance



Spending Limit

General Fund Spending Limit for the 2017-2019 Biennium

Base Expenditures (1975-1977 Biennium) \$388,993,276

2016 Population Adjustment:

| | |
|---|------------------|
| July 1974 population | 596,747 |
| July 2016 population | 2,953,373 |
| Percent Change | 394.9% |
| Base Expenditures Adjusted for Population | \$ 1,925,174,402 |

2016 Inflation Adjustment:

| | |
|--------------------------------|--------|
| July 1974 Consumer Price Index | 49.4 |
| July 2016 Consumer Price Index | 240.6 |
| Percent Change | 387.1% |

Allowable Expenditures Adjusted for Population and Inflation \$ 9,377,543,764

2017-2019 Executive Budget Appropriations / Transfers \$ 8,059,317,166

Balance Below Spending Cap \$ 1,318,226,598

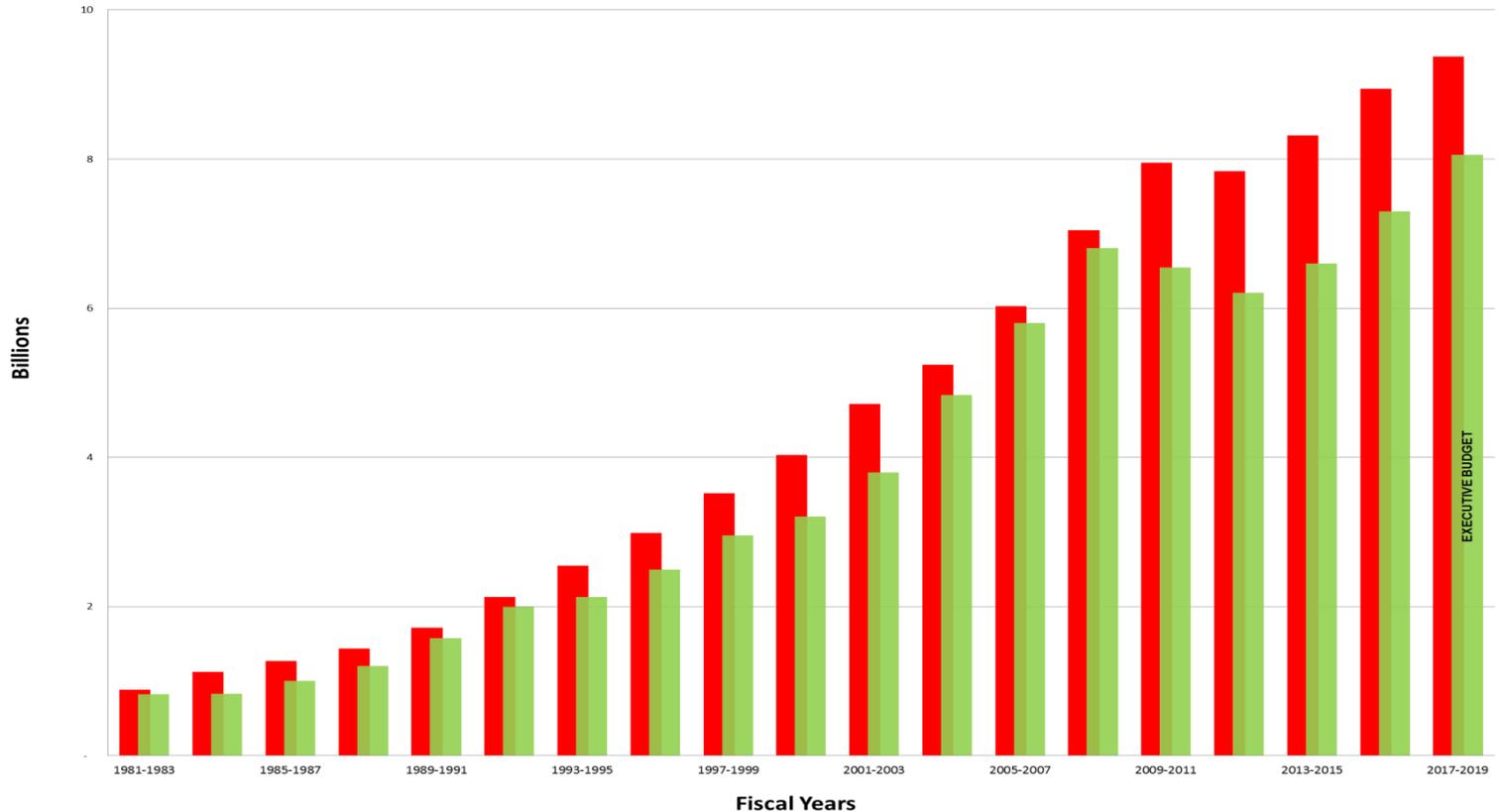
Spending Limit Calculation

| | FY 18 | FY 19 | Biennium |
|--|----------------------|----------------------|----------------------|
| Total General Fund Expenditures | 4,143,724,085 | 4,117,028,013 | 8,260,752,098 |
| Less: | | | |
| Construction - Capital Improvement Program | (33,059,672) | | (33,059,672) |
| Construction - Deferred Maintenance for HECC/SHECC | (11,466,158) | | (11,466,158) |
| Construction - Deferred Maintenance | (3,229,553) | (1,898,264) | (5,127,817) |
| Lease Purchase Payments (a) | (4,877,227) | (5,666,756) | (10,543,983) |
| Rainy Day Transfer: | | | - |
| 40% of Ending Fund Balance in Excess of 7% | (61,992,917) | - | (61,992,917) |
| 1% of Projected Revenues | (38,935,581) | (40,308,824) | (79,244,405) |
| Total Subject to Spending Limit | <u>3,990,162,977</u> | <u>4,069,154,169</u> | <u>8,059,317,146</u> |

| | | | |
|-------------------------------|------------------|------------------|-------------------|
| (a) | | | |
| Summit View | 1,337,624 | - | 1,337,624 |
| Casa Grande | 1,466,863 | 1,466,863 | 2,933,726 |
| Nevada State College | 1,564,341 | 1,564,341 | 3,128,682 |
| UNR Engineering Building | - | 2,127,000 | 2,127,000 |
| Bryan Building | 508,399 | 508,552 | 1,016,951 |
| Total Lease-Purchase Payments | <u>4,877,227</u> | <u>5,666,756</u> | <u>10,543,983</u> |

Spending Limit History

*Legislatively Approved Operating Appropriations Compared to the Spending Cap**



*For all prior biennia and the current 2015-2017 biennium, the lighter green (color) or grey (black & white) column to the right represents the actual Legislatively approved appropriations as reported in the Legislative Counsel Bureau's Appropriations Report while the darker red (color) or black (black & white) column to the left reflects the statutory expenditure cap. For the 2017-2019 biennium Executive Budget, the lighter green (color) or grey (black & white) column reflects the actual calculations required by NRS 353.213.

Planning Framework

- ▶ Vision: Nevada's best days are yet to come
- ▶ Mission: To create a new Nevada while honoring and enhancing 150 years of success
- ▶ Values: Action
Collaboration
Inclusiveness
Integrity
Leadership
Optimism
Service

Planning Framework

- ▶ Four Over-Arching Strategic Priorities
 - Vibrant and Sustainable Economy
 - Educated and Healthy Citizenry
 - Safe and Livable Communities
 - Efficient and Responsive State Government

Planning Framework

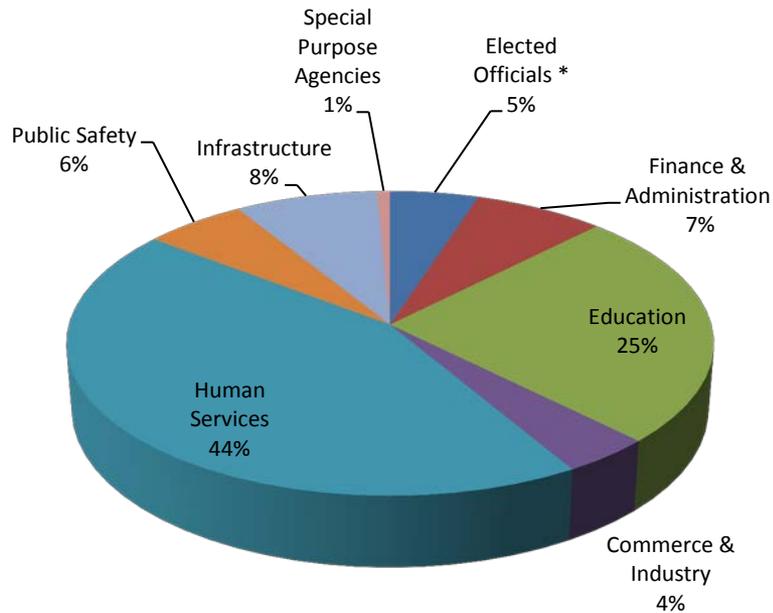
- ▶ Eight Essential Core Functions of Government
 - Business Development and Services
 - Infrastructure and Communications
 - Education and Workforce Development
 - Health Services
 - Human Services
 - Public Safety
 - Resource Management
 - State Support Services

Planning Framework

- ▶ How Framework is Organized
 - Strategic Priority – One of the Four Organizing Principals
 - Core Function – Statutory Responsibility
 - Goal – Broad Statements of Desired Result
 - Objective – Measurable Indicators of Progress
 - Activity – Pre-Defined Service or Function
 - Performance Measures – Measurement of Effectiveness and Efficiency of Activity

Total Spending by Function

2017-2019 - All Funds



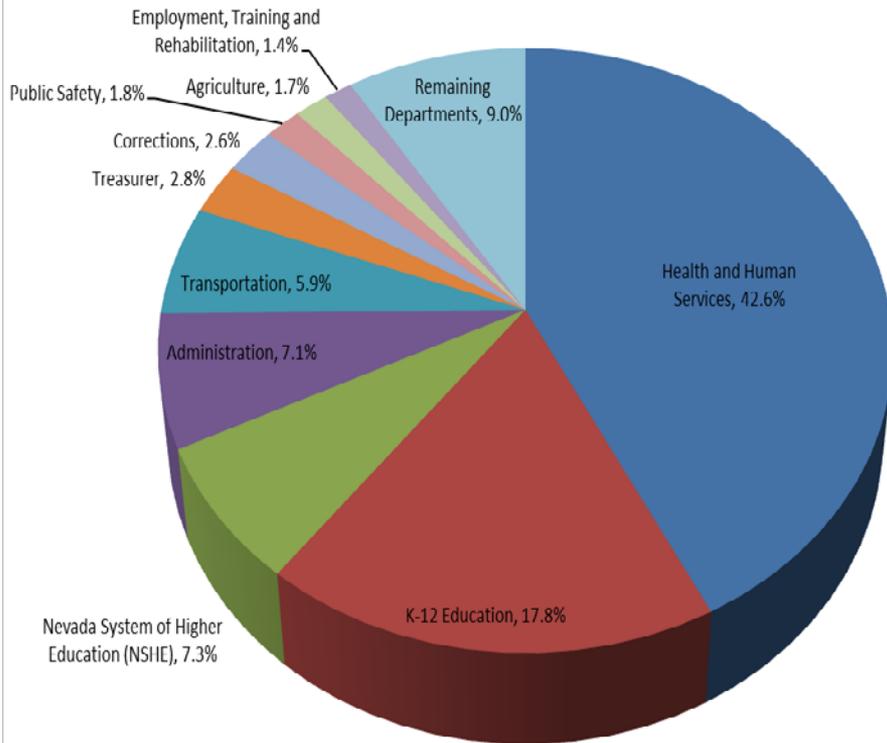
2015 - 2017 All Funds

| | |
|--------------------------|-------------------------|
| Elected Officials* | \$1,304,073,595 |
| Finance & Administration | \$1,925,157,572 |
| Education | \$6,580,585,122 |
| Commerce & Industry | \$1,049,469,155 |
| Human Services | \$11,489,352,333 |
| Public Safety | \$1,506,913,493 |
| Infrastructure | \$2,101,088,481 |
| Special Purpose Agencies | \$188,321,470 |
| Total | \$26,144,961,221 |

*includes Legislative and Judicial

Total Spending by Department

Percentage of Statewide Spending (All Funding Types)

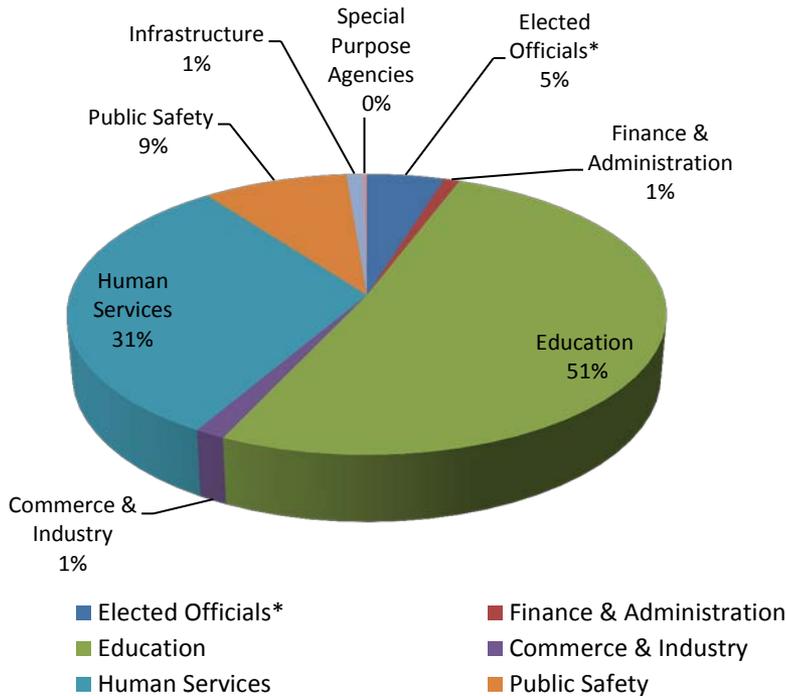


2017-2019 BIENNIAL BUDGET
TOP TEN DEPARTMENTS
(ALL FUNDING TYPES)

| DEPARTMENT | AMOUNT | % |
|--|------------------|--------|
| Health and Human Services | \$11,127,255,057 | 42.6% |
| K-12 Education | \$4,653,145,494 | 17.8% |
| Nevada System of Higher Education (NSHE) | \$1,896,981,255 | 7.3% |
| Administration | \$1,845,278,531 | 7.1% |
| Transportation | \$1,551,866,012 | 5.9% |
| Treasurer | \$738,969,395 | 2.8% |
| Corrections | \$688,380,821 | 2.6% |
| Public Safety | \$462,922,242 | 1.8% |
| Agriculture | \$451,692,178 | 1.7% |
| Employment, Training and Rehabilitation | \$362,097,276 | 1.4% |
| Remaining Departments | \$2,366,372,960 | 9.0% |
| Total | \$26,144,961,221 | 100.0% |

General Fund by Function

2017-2019 General Funds



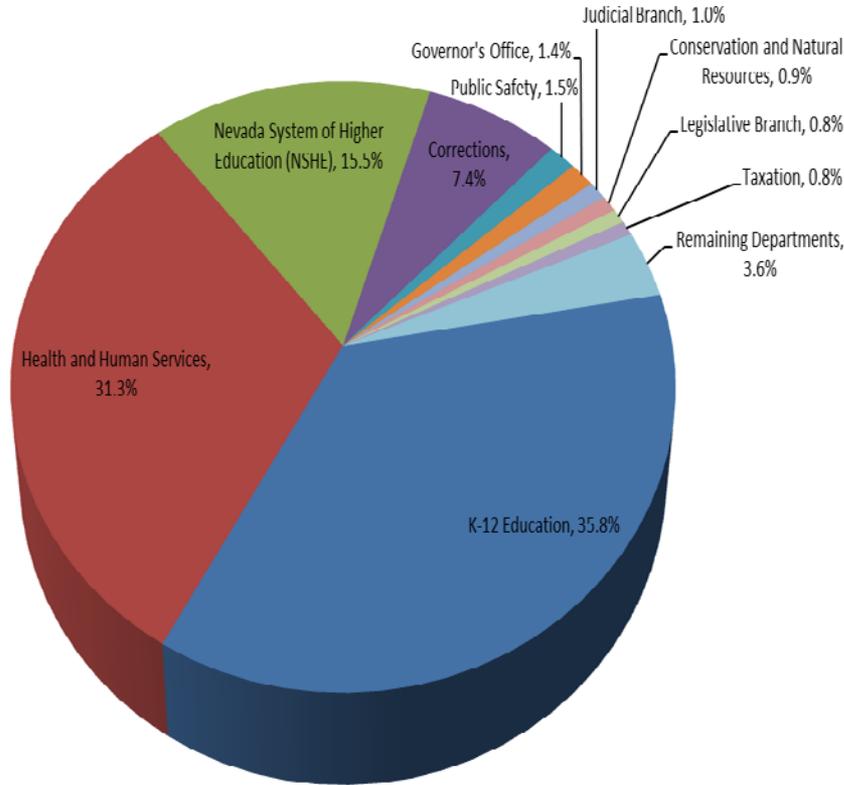
2015 - 2017 General Funds

| | |
|--------------------------|------------------------|
| Elected Officials* | \$379,190,343 |
| Finance & Administration | \$75,064,714 |
| Education | \$4,062,839,245 |
| Commerce & Industry | \$114,296,474 |
| Human Services | \$2,491,982,693 |
| Public Safety | \$707,815,283 |
| Infrastructure | \$79,255,789 |
| Special Purpose Agencies | \$19,776,276 |
| Total | \$7,930,220,817 |

*includes Legislative and Judicial

General Fund by Department

Percentage of Statewide Spending (General Fund)



2017-2019 BIENNIAL BUDGET
TOP TEN DEPARTMENTS
(GENERAL FUND)

| DEPARTMENT | AMOUNT | % |
|--|------------------------|---------------|
| K-12 Education | \$2,838,931,787 | 35.8% |
| Health and Human Services | \$2,481,767,310 | 31.3% |
| Nevada System of Higher Education (NSHE) | \$1,223,907,458 | 15.5% |
| Corrections | \$589,027,428 | 7.4% |
| Public Safety | \$118,717,749 | 1.5% |
| Governor's Office | \$109,527,170 | 1.4% |
| Judicial Branch | \$80,539,249 | 1.0% |
| Conservation and Natural Resources | \$74,012,176 | 0.9% |
| Legislative Branch | \$65,834,695 | 0.8% |
| Taxation | \$64,345,756 | 0.8% |
| Remaining Departments | \$283,610,039 | 3.6% |
| Total | \$7,930,220,817 | 100.0% |

Significant Budget Items

▶ FTE changes

| Current | Governor's Recommended Budget | | Biennium Change (compared to FY 2017) |
|-----------|-------------------------------|-----------|--|
| | FY 2018 | FY 2019 | |
| FY 2017 | | | |
| 19,207.26 | 19,435.60 | 19,485.87 | 278.61 |
| Change | 228.34 | 50.27 | 1.45% |

State positions - all funding sources. Excludes Higher Education and the Legislative Branch

Significant Budget Items

▶ Workforce Innovation

- Creates a permanent Office in the Office of the Governor
- Converts contract staff in DETR to state employees and transfers employees to new budget account
- Transfers Apprenticeship Council from Labor Commissioner
- Transfers Nevada P20–Workforce Data System (NPWR) from DETR
 - \$500,000 to plan for additional data elements for NPWR
 - \$2.2 million total budget for NPWR

Significant Budget Items

- ▶ **Nevada System of Higher Education**
 - **Formula Funding**
 - Continue formula funding for institutions with growth in the number of weighted student credit hours (\$56.8 million over the biennium).
 - **Career and Technical Education** programs at the 4 community colleges (\$21.4 million over the biennium)
 - **Capacity Building** projects at the 8 institutions (\$10.5 million in the second year of the biennium)
 - **Cloud Seeding** enhancement to increase water content (\$1.4 million over the biennium)
 - **Silver State Opportunity Grant** increases from \$2.5 million to \$5 million per year

Significant Budget Items

- ▶ **Nevada System of Higher Education**
 - **UNLV Medical School** Continuation of build out (\$52 million over the biennium – total investment approaching \$80 million)
 - **UNLV Hotel College** Furniture, fixtures and equipment (\$1.4 million in bond funds)
 - **UNR Engineering Building** \$41.5 million state share financed through a lease–purchase arrangement with the first payments due in FY 2019.

Significant Budget Items

▶ Pre-K Through 12th Grade

◦ DSA

- Funding of the 2% step and column adjustments
- Funding PERS and health benefit rate increases at the same increase as state employees
- Funding projected enrollment growth of 1.05% in FY 2018 and 1.25% in FY 2019
- IP 1 (Room Tax) revenues removed from funding Basic Support to fund supplemental support and Other State programs

◦ Special Education

- Additional supplemental funding (weighted student funding) – (\$30 million increase over the biennium)

Significant Budget Items

- ▶ **Pre-K Through 12th Grade (continued)**
 - **English Language Learners** (\$42 million increase over the biennium)
 - Expansion of ELL program started in the 2013–2015 Budget to an additional 25 schools.
 - **Victory Schools** (\$30 million increase over the biennium)
 - Expansion of funding for 30 additional low performing schools within the poorest zip codes
 - **Gifted and Talented Education** (\$4.3 million additional funding over the biennium)
 - Nearly \$107 million in additional resources for these identified populations

Significant Budget Items

- ▶ **Pre–K Through 12th Grade (continued)**
 - **Nevada Ready 21 Technology Grants**
 - Continues existing funding for 1:1 instructional devices
 - Transfers Wide Area Network funding to OSIT for the Nevada Connect Kids Initiative to better leverage eRate funds
 - **Teach Nevada Scholarship Program** (\$1 million new funding over the biennium)
 - **Teacher Hiring Incentives**
 - Funding of \$2.5 million per year for Special Education
 - Allow use of ZOOM or Victory funds for incentives

Significant Budget Items

- ▶ **Pre-K Through 12th Grade (continued)**
 - **Education Savings Accounts**
 - Creates a new budget account within the Office of the State Treasurer
 - \$60 million in funding over the biennium (\$25 million in FY 18 and \$35 million in FY 19)
 - 3% administrative fees included in the appropriation to:
 - Fund for four new staff and operating costs
 - Payback IFC Contingency and Statutory Contingency allocations made to implement and provide legal defense of the program

Significant Budget Items

▶ State Parks

- \$15 million in new funding for additional parks and upgrades to existing parks
 - New Walker River State Recreation Area
 - New Tule Springs State Park
 - Upgrades for:
 - Preservation at Fort Churchill
 - Operating costs at Van Sickle Bi-State Park (Lake Tahoe)
 - Cabins
 - Campground upgrades, including pull-through sites and Wi-Fi
 - Electrical and water system upgrades

Significant Budget Items

▶ Drought

- \$3.9 million in new funding to address recommendations from the Nevada Drought Forum and Western Governor's Association Initiatives
 - Judicial College education program on water law (\$25k)
 - Department of Agriculture drought monitoring and data collection program (\$1 million over the biennium)
 - Division of Water Resources Drought Resiliency and Water Planning program and related enforcement activities (\$2.1 million over the biennium)
 - Division of Forestry improvements for drought response capabilities (\$800k over the biennium)

Significant Budget Items

▶ Cyber Defense

- \$3.5 million in new funding to:
 - Establish Cyber Defense Center in the Department of Public Safety
 - Four staff
 - Primary focal point for cyber threats and security and conduit between other levels of government and the private sector
 - \$900k over the biennium
 - Enterprise IT Services Division
 - Upgrades to improve data security for state owned information (\$2.6 million over the biennium)
 - General Fund loan for new hardware associated with improved security protocols (\$800k)

Significant Budget Items

▶ State Employees

- 2% Cost of Living Adjustment effective July 1, 2017 and a second 2% COLA effective July 1, 2018
- One Grade increases included for Correctional Officers (E672) and IT Professionals (E671)
- Additional funding of approximately \$34.3 million for employee and retiree health benefits inflation and plan stability
- No PERS increase proposed for 2017–2019 biennium

Significant Budget Items

▶ Health and Human Services

◦ Aging and Disability Services

- **Autism Caseload** – \$3.4 million GF and federal funds over the biennium
 - Increase caseload by 175 children (26%) from FY 2016
 - 25 contractors converted to state employees plus 2 new staff
- **Early Intervention Services** – \$12 million GF Savings
 - Service Model Change to leverage Medicaid funding
 - 65 new FTE to replace service contractors
- **Home Delivered Meals for Homebound Seniors**
 - Additional \$1.5 million over the biennium to support the program
- **Home and Community Based/Frail Elderly Waiver** – \$11.5 million GF and federal funds combined
 - Increase caseload by 247 (12%) over the biennium

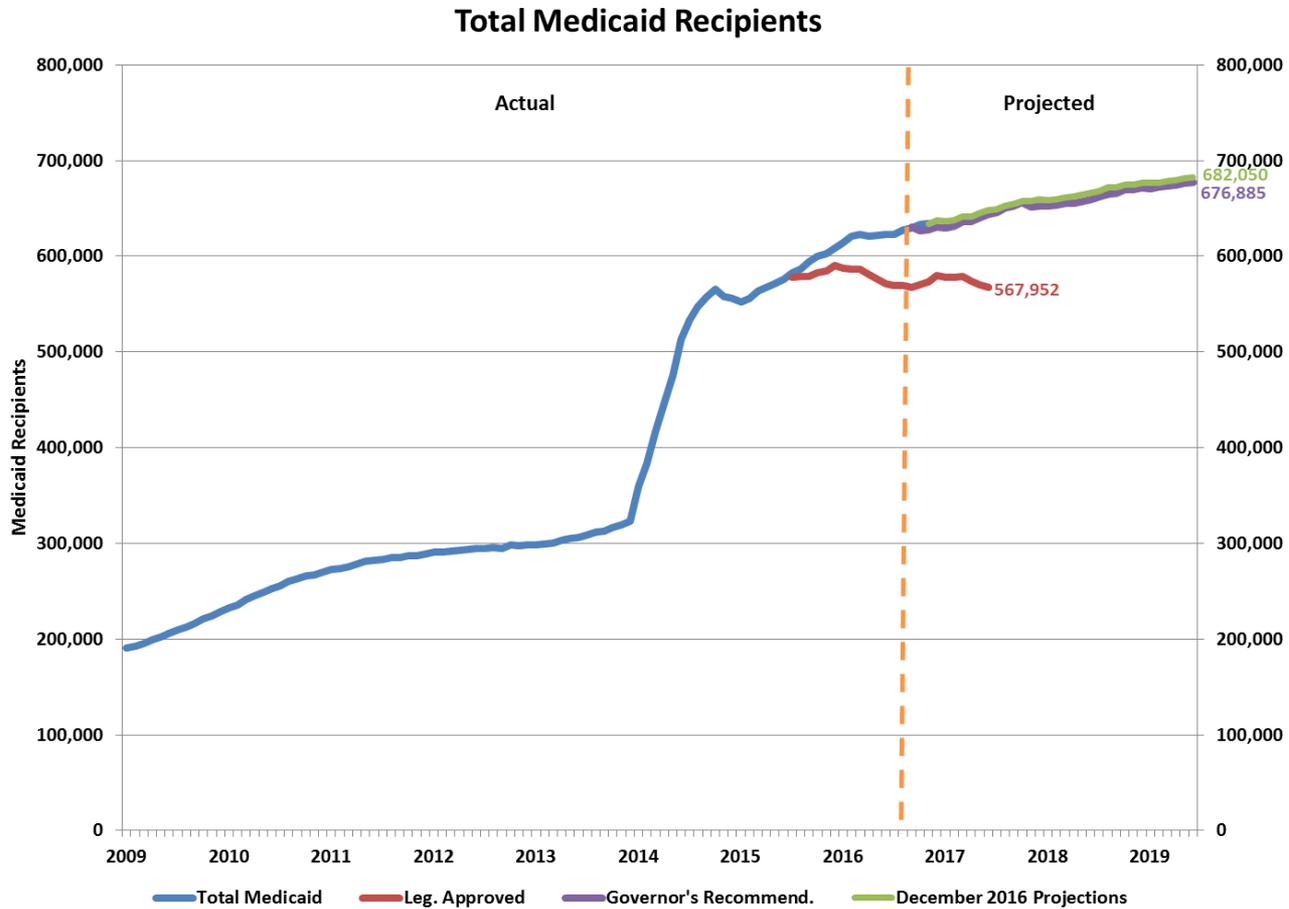
Significant Budget Items

▶ Health and Human Services

◦ Health Care Finance and Policy

- \$72.7 million in GF included for Medical Inflation
- \$172.9 million in GF included for caseload growth and adjustments to FMAP
 - FMAP for newly eligible decreased to 95% effective 1/1/17
 - Decreases 1% per year until 1/1/2019 and 3% until 1/1/2020 (to 90%)
 - FMAP for traditional population – 65.57% in FFY2018; 65.50% in FFY2019
- Total Medicaid enrollment increased an estimated 22,619 between June 2016 and June 2017. Projected caseload increases 2.19% in FY2018 and 2.41% in FY2019.

Significant Budget Items



Significant Budget Items

Summary of Medicaid Medical Spending by Funding Source

| | General Fund | Federal | County | Funds Treated Like General Fund | Other | Total |
|-------|---------------|-----------------|--------------|---------------------------------|-------------|-----------------|
| FY 12 | \$532,830,840 | \$1,008,553,756 | \$30,776,986 | \$180,570,570 | \$2,369,961 | \$1,755,102,113 |
| FY 13 | \$543,617,285 | \$1,157,801,091 | \$27,845,095 | \$155,866,241 | \$1,990,091 | \$1,887,119,803 |
| FY 14 | \$549,024,282 | \$1,493,246,340 | \$26,027,510 | \$118,940,020 | \$1,623,365 | \$2,188,861,517 |
| FY 15 | \$598,090,666 | \$2,373,947,145 | \$29,792,291 | \$174,602,760 | \$3,633,123 | \$3,180,065,985 |
| FY 16 | \$556,174,144 | \$2,642,985,519 | \$25,775,483 | \$196,284,157 | \$4,249,006 | \$3,425,468,309 |
| FY 17 | \$623,248,921 | \$2,885,099,848 | \$31,636,921 | \$220,948,571 | \$4,010,935 | \$3,764,945,196 |
| FY 18 | \$687,056,122 | \$2,907,798,958 | \$27,767,686 | \$199,256,976 | \$4,741,901 | \$3,826,621,643 |
| FY 19 | \$749,363,222 | \$3,045,854,445 | \$28,254,974 | \$202,343,928 | \$4,764,825 | \$4,030,581,394 |

Note: Funds Treated Like General Funds column includes Intergovernmental Transfers (IGT), Provider Tax, Cost Containment Fees and Fines.

Share of Spending by Funding Source

| | General Fund | Federal | County | Funds Treated Like General Fund | Other |
|-------|--------------|---------|--------|---------------------------------|-------|
| FY 12 | 30.3% | 57.5% | 1.8% | 10.3% | 0.1% |
| FY 13 | 28.8% | 61.3% | 1.5% | 8.3% | 0.1% |
| FY 14 | 25.1% | 68.2% | 1.2% | 5.4% | 0.1% |
| FY 15 | 18.8% | 74.7% | 0.9% | 5.5% | 0.1% |
| FY 16 | 16.2% | 77.2% | 0.8% | 5.7% | 0.1% |
| FY 17 | 16.6% | 76.6% | 0.8% | 5.9% | 0.1% |
| FY 18 | 18.0% | 76.0% | 0.7% | 5.2% | 0.1% |
| FY 19 | 18.6% | 75.6% | 0.7% | 5.0% | 0.1% |

Significant Budget Items

- ▶ **Health and Human Services**
 - **Health Care Finance and Policy**
 - **Plan Savings** – \$60 million GF over the biennium
 - Retroactive claiming supplemental payments to hospitals
 - Automation of Medicaid/Medicare buy-in process
 - Implementation of asset verification system
 - Prior authorization and limiting certain medical services
 - **Rate increases** – \$8.6 million GF over the biennium (additional approximately \$25.4 million in federal funds)
 - Skilled Nursing Facilities
 - Adult day health care
 - Assisted living services
 - Pediatric surgeons

Significant Budget Items

- ▶ **Health and Human Services**
 - **Public and Behavioral Health**
 - **Forensic Inpatient Caseload**
 - 55 new staff at Rawson Neal/Stein Hospitals to manage growth of 31 (66%) patients over the biennium – \$9.2 million in GF over biennium
 - **Managed Care Organization staff services**
 - \$22.7 million in GF over the biennium based on CMS ruling that Nevada no longer eligible for safety net payments from the MCOs

Significant Budget Items

▶ Health and Human Services

◦ Welfare and Supportive Services

- Caseload Increases
- Assistance to Aged & Blind caseload projected increases of 5.5% per year – \$2.4 million GF over the biennium
- Child Assistance and Development increase of approximately 1,700 (26%) from FY 2016 to FY 2019 – \$29.8 million in federal funds over the biennium

Significant Budget Items

▶ Health and Human Services

◦ Child and Family Services

• Juvenile Justice Reform

- \$1.5 million in GF over the biennium to standardize risk and needs assessments to reduce recidivism and improve outcomes for youth in the system
- Separate BDR to make policy changes related to juvenile justice

• County Child Welfare

- \$5.5 million over the biennium to support increase adoption subsidy caseload in Clark and Washoe Counties

• Desert Willow Treatment Center

- Relocates a 10 bed acute unit and 10 bed residential treatment unit for youth in Rawson-Neal Hospital
- Eliminates 53 FTE
- Saves \$3.2 million in GF
- Facility will be repurposed

Significant Budget Items

▶ Department of Corrections

- Forecast need for 700 additional beds over the biennium
 - Work with P&P for more timely release of inmates
 - Remodel Building 8 at Southern Desert to add 200 beds
 - Purchase up to 200 out-of-state beds – \$12.4 million in GF over the biennium
- \$1.8 million in funding over the biennium to purchase 71 body cameras, 312 stationary cameras and related storage capacity for inmate and employee safety
- \$2.2 million in funding over the biennium to replace an outdated telephone system which has reached the end of its useful life

Significant Budget Items

▶ Department of Public Safety

◦ Training Division

- Funding to support Southern Nevada Training Academy
- Increase from 2 academies per year to 4
- Six new FTE
- \$1.8 million over the biennium; approximately \$800k GF

◦ Highway Patrol

- \$1.0 million in funding over the biennium to fund on-going communication and storage costs associated with body cameras

Significant Budget Items

▶ Department of Public Safety

◦ Parole and Probation

- 31 new non-sworn staff for projected caseload growth – \$3.7 million over the biennium (\$1.1 million GF)
- Implementation of new supervision ratios using risk based approach and 12 existing sworn positions
- Addition of 2 positions for post-conviction investigations for projected caseload growth
- Implement Day Reporting Center to focus on intervention and reducing recidivism – \$2.7 million GF over the biennium and eight new staff

Significant Budget Items

▶ Department of Public Safety

◦ Parole and Probation

- Six new case workers to be stationed in prison facilities to improve and expedite the release process of inmates eligible for parole – \$850k over the biennium with ability to get additional funding if caseload warrants
- Create State-funded house arrest program – \$1.1 million over the biennium
- Addition of \$230k over the biennium to increase the Transitional Housing Fund to support the release plans of qualifying inmates
- Addition of 8 new staff to supervise additional paroled offenders under the new programs – \$1.2 million over the biennium

Significant Budget Items

- ▶ **Department of Business and Industry**
 - Consolidation of Housing and Manufactured Housing Divisions and programs for efficiencies in use of personnel and addition of a Housing Advocate position
- ▶ **Department of Veterans Services**
 - Addition of 2 Veterans Services Officers to assist veterans with accessing assistance programs
 - Funding to front the federal share of the Northern Nevada Veterans Home – approximately \$33.1 million plus additional bond funding for building cost inflation
 - Funding facility management and operations to open the home in FY 2019 – \$7.6 million in GF over the biennium
 - Needed until facility is certified and can bill for services; Medicaid, Medicare and private insurance billings in subsequent years will reduce GF

Significant Budget Items

▶ **Governor's Office of Economic Development**

- \$3.5 million in FY 2018 and \$4.5 million in FY 2019 for the Workforce Innovations for a New Nevada (WINN) account to provide for workforce development projects
- \$6.0 million in FY 2018 and \$6.5 million in FY 2019 for the Knowledge Fund to spur research and its commercialization
- \$500k per year to the Catalyst Fund to support efforts to attract new businesses to Nevada

▶ **Department of Administration**

- Elimination of 2 FTE and pre-employment written tests for classified positions – saves \$332k over the biennium

Significant Budget Items

- ▶ **Department of Taxation – Recreational Marijuana**
 - Regulation and Taxation of Marijuana Act approved by voters in November 2016 – Department responsible for licensing and regulating recreational/adult use
 - Regulations must be complete by end of 2017 – expected to be complete by summer
 - Act provides for fees to be paid by establishments and a 15% wholesale tax on product
 - Revenue from fees/taxes used by Department for costs and by local entities to enforce implementation – balance to DSA
 - Governor’s Recommended budget includes an additional 10% retail excise tax – budgetary BDR to be submitted
 - Revenue to DSA, net of DHHS, Taxation and local government costs – \$99.2 million over the biennium

Significant Budget Items

- ▶ **Department of Taxation – Recreational Marijuana**
 - New budget account for Department oversight
 - 16 FTE including a new Deputy Director – approximately \$1.9 million per year
 - \$5 million per year reserved for local government enforcement grant program
 - Department has submitted request for an IFC Contingency Fund loan to hire first 4 FTE, establish operating funds, develop regulations and modify tax system for collection of taxes and fees related to the act
 - \$887,491 for use in FY 2017
 - Intent is to repay loan with fees/taxes after collections begin

Significant Budget Items

▶ State Treasurer

- Continuation of existing basic College Kick Start Program
 - BDR submitted to recoup funds not claimed by 3rd grade
- Governor's Recommended budget proposes \$5.0 million of Endowment Account funds be transferred to the Guinn Millennium Scholarship Program – BDR to be submitted

▶ State Controller

- Debt Collection Office transferred to Governor's Finance Office;
- Assistant Controller position created to oversee debt collection efforts eliminated
- Training Facility to be closed and Training Officer eliminated – savings of approximately \$300k over the biennium

Significant Budget Items

▶ Other Projects

- Nevada Shared Radio System Replacement
 - NDOT is the lead agency
 - Budget of approximately \$29.2 million from all sources
- Special Appropriations – \$14.4 million over the biennium
 - Holocaust Education – \$100k per year
 - Civil Air Patrol – \$25k
 - Nevada Volunteers – \$150k per year
 - Graduate Medical Education Grants – \$10 million
 - Food security initiative grant matching funds – \$275k
 - Supplemental funding for P&P prison re-entry program – \$700k
 - Loans to EITS for hardware – \$2.8 million for Cyber Security and “Bigger Pipes” initiatives

Significant Budget Items

▶ Capital Improvement Projects

- 92 Proposed construction, maintenance and planning projects totaling \$344.5 million (\$216.2 from State funding sources)
- **Northern Nevada Veterans Home** – provides \$33.1 million in cash to front federal share and \$3.0 million in bond funds for inflation
- **UNR Engineering College** (as mentioned under NSHE above) – \$41.5 million using lease–purchase funding with \$41.5 million provided by UNR
- **DMV building in Reno** – \$42.0 million to replace existing Galletti Way facility (Split between Highway Fund and Pollution Control Fund)

Significant Budget Items

▶ Capital Improvement Projects

- **Military** – \$37.1 million to build the National Guard Readiness Center in North Las Vegas (\$2.9 million GF)
- **Corrections**
 - \$6.7 million to remodel Building 8 at SDCC
 - \$11.3 million for ADA retrofits at NNCC
- **Tourism and Cultural Affairs**
 - \$4.5 million for the Stewart Indian School Cultural and Welcome Centers
 - \$1.2 million for roof replacement and seismic stabilization of the Old Gym on the Stewart Indian School campus

Significant Budget Items

▶ IT Projects

- **Secretary of State** – continuation of eSOS system replacement (\$6.3 million GF over the biennium)
- **Health Care Finance & Policy** – phase two of MMIS (\$3.3 million GF, \$20.5 million federal over biennium)
- **Gaming Control Board** – phase three of Alpha Migration Project system replacement (\$2.2 million GF over biennium)
- **Department of Motor Vehicles** – System Modernization phase two (\$36.2 million HF and \$13.4 million in technology fees)
- **Statewide** – phase one of replacement of financial and human resources system with ERP (\$15.0 million GF over the biennium)
- **Department of Public Safety** – Continue modernization of the Nevada Criminal Justice Information System (\$6.3 million over the biennium from reserves)

Significant Budget Items

▶ IT Projects

- **Division of Welfare and Supportive Services**
 - Modernization of Child Support Enforcement IT system (\$9.3 million GF, \$20.1 million federal over the biennium)
 - Modernize Access Nevada public facing web application (\$1.0 million GF, \$9.0 million federal over the biennium)
 - Case Management System for “No Wrong Door” approach to serving clientele (\$408k GF, \$3.5 million federal over the biennium)
 - Master Client Index to develop unique identifier over all databases (\$127k GF, \$1.2 million federal over the biennium)
- **Department of Health and Human Services** – Implement integrated medication management system for the department (\$1.7 million GF over the biennium)

Significant Budget Items

▶ IT Projects

- **Department of Employment Training and Rehabilitation** – Update Vocational Rehabilitation Client Information System for compliance with federal and state reporting requirements (\$593k GF, \$2.2 million federal over the biennium)
- **Department of Administration**
 - Implement an eProcurement System (BDR submitted to allow for charging fees to participating vendors)
 - Implement statewide Grants Management System (\$424k GF)
- **Department of Corrections**
 - Implement an Electronic Medical Records system department wide (\$2.3 million GF over the biennium)
 - Continue transition of NOTIS to internal Offender Management System (\$1.3 million GF over the biennium)
 - Implement system wide Workforce Scheduling and Communications System (\$637k GF over the biennium)

Significant Budget Items

▶ Other One-Shot Items

- **Guinn Millennium Scholarship Program** – \$20 million to fund projected shortfall in the 2017–2019 biennium
- **Nevada Highway Patrol** – \$8.9 million for replacement of vehicles and motorcycles
- **NSHE** – \$11.5 million to fund the Higher Education and Special Higher Education Capital Construction funds (plus \$3.5 million from Slot Tax for total of \$15 million over the biennium)
- **Statewide** – \$5.1 million over the biennium for deferred maintenance and maintenance projects in various budget accounts for agencies managed facilities

Significant Budget Items

- ▶ **Statewide Decision Units**
 - EITS Cost Pools and Rate Methodology Changes (M106)
 - AG Cost Allocation Change to Place GF in Paying Agency Accounts (M107)