

**MINUTES OF THE
BUDGET SUBCOMMITTEE
OF THE LEGISLATIVE COMMISSION**

**Seventy-second Session
January 23, 2003**

The Budget Subcommittee of the Legislative Commission was called to order by Chairman William J. Raggio, at 8:30 a.m., on Thursday, January 23, 2003, in Room 4100 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

SENATE COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chairman
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Sandra J. Tiffany
Senator Bob Coffin
Senator Bernice Mathews

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Mr. Morse Arberry Jr., Chairman
Mrs. Vonne S. Chowning
Mr. Richard D. Perkins
Mr. David R. Parks
Ms. Sheila Leslie
Ms. Kathyryn A. McClain
Mr. John W. Marvel
Mr. Lynn C. Hettrick
Ms. Dawn Gibbons
Mr. Bob Beers
Mr. Walter Andonov
Mr. Joshua Griffin

SENATE COMMITTEE MEMBERS ABSENT:

Senator Raymond D. Rawson, Vice Chairman (Excused)

ASSEMBLY COMMITTEE MEMBERS ABSENT:

Ms. Christina R. Giunchigliani, Vice Chairman (Excused)
Mr. David E. Goldwater (Excused)

STAFF MEMBERS PRESENT:

Gary L. Ghiggeri, Senate Fiscal Analyst
Mark W. Stevens, Assembly Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Steven J. Abba, Principal Deputy Fiscal Analyst
Julie Walker, Committee Secretary

OTHERS PRESENT:

Dr. Jane A. Nichols, Chancellor, University and Community College System of Nevada
Mr. Daniel Miles, Vice Chancellor for Finance and Administration, University and Community College System of Nevada
Dr. John Lilley, President, University of Nevada, Reno
Dr. Carol C. Harter, President, University of Nevada, Las Vegas
Mr. Anthony B. Flores, Vice President, Finance, University of Nevada, Las Vegas
Dr. Kerry D. Romesburg, President, Nevada State College
Mr. James Manning, Budget Division, Department of Administration
Dr. James T. Richardson, Lobbyist, Nevada Faculty Alliance
Mr. Greg MacRenaris, Concerned Citizen

SENATOR RAGGIO:

This morning we will hear a budget overview of the University and Community College System of Nevada. This afternoon we will hear the Division of Mental Health, Developmental Services and Division of Aging Services.

DR. JANE A. NICHOLS, CHANCELLOR, UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA:

I will present the exhibit you have in front of you, *University and Community College System of Nevada, Nevada State Legislature Seventy Second Session, Joint Budget Hearing, January 23, 2003, University and Community College System of Nevada Budget Presentation* ([Exhibit C](#). Original is on file in the Research Library.). The page numbers will correspond to the slides. I have a supplemental booklet to handout, *2003-2005 Biennial Budget Request* ([Exhibit D](#). Original is on file in the Research Library.). I will not be referring to [Exhibit D](#) in my presentation.

A 13-member Board of Regents is charged with higher education in Nevada; four are new. We also have presidents at each institution, including two universities, the Desert Research Institute (DRI), our four community colleges, and the state college.

The master plan is different from strategic plans we introduced 2 years ago. It is focused and sets six particular goals. The first goal is a prosperous economy; the second, a quality education; and the third goal is to provide opportunity to people of all backgrounds and of all socio-economic conditions. We have taken new steps to establish financial assistance for students and ways to build recruitment and retention within our institutions. Goal 4 is accessible education, to make classes available to Nevadans where and when needed. The old traditional way of offering classes 8 to 5, Monday through Friday, no longer works.

Our fifth goal is to intertwine education from preschool through college, P-16 Education. The quality of K-12 is dependent upon higher education and the quality of higher education is dependent upon K-12.

Educational level impacts Nevadans' quality of life, goal 6, on a day-to-day basis. Mission differentiation means we make plans for each institution for what it does best. There should be no duplications of programs where they are not needed. The kinds of skills students need for success should be clarified, as should admission standards, and how the roles of the community colleges relate to the state college and the universities. We are looking for efficiencies such as our transfer policy. If a student starts at the community college and goes on to get a bachelor's degree in the same number of credits in the same amount of time with no hassles, that is an efficiency.

We are looking at key partnerships, for example, with the business community. Truckee Meadows Community College (TMCC) recently announced a partnership with Volvo for a North American regional training center. That is the kind of partnership and investment we must have from business. We must have partnerships with K-12, with the federal government, through grants with employers, with the State of Nevada, and certainly with our students. We are emphasizing collaboration, not competition. In many states competition is the norm. In Nevada, we are going to go for collaboration. The institutions are going to work together and they are going to put together programs that will benefit the students.

For example, the University of Nevada, Las Vegas (UNLV) is offering upper level teacher education classes at the Cheyenne Campus of the Community College of Southern Nevada (CCSN). That is the kind of collaboration we need. To be accountable, we are going to be preparing public report cards to show how we are doing and how our institutions are doing. We are establishing those performance measures now, and you will see that on a regular basis coming from higher education.

SENATOR RAGGIO:

How are those public report cards going to be prepared?

DR. NICHOLS:

I have a slide later on to go into detail on that. The process includes some accountability measures built into the master plan. As you look at the goals, page 3, ([Exhibit C](#)), you will see the system and the institutions held accountable for measures and goals. An example would be a goal of ensuring that our retention and graduation rates for minority groups are as high as our retention and graduation rate for the majority groups.

SENATOR RAGGIO:

Who is going to do the evaluation for these public report cards?

DR. NICHOLS:

The evaluation data will go to the Board of Regents once the measures are finished.

SENATOR RAGGIO:

I was particularly interested in one of the goals of P-16 education. Several years ago Nevada was the lowest ranking state for high school students going on to higher education. It was 37 percent, whereas in many states it is as high as 66, 67, or 68 percent. Now with the Millennium Scholarship available we are still seeing that low percentage on a statewide basis. The last presentation before the Legislative Committee on Education indicated it was much higher in northern Nevada than it was in the south, so I think that has to be a very important goal. What is the status of the discussions about admission requirements and grade levels between the university and the community colleges?

DR. NICHOLS:

The board passed policy in the fall that would move the admission standards at the university up to a 2.75 grade point average (GPA) in 2006 and to a 3.0 GPA in 2008. That was done in such a way so students entering the ninth grade would know what requirements needed to be met. This policy is a good one for the universities because data shows that students below those grade point averages were more likely to have difficulty. If those students go to the community college their success rate is high. It is important to direct students to the place where they can be most successful.

SENATOR RAGGIO:

Is that policy in place now so that those entering ninth grade are going to know that higher grades are necessary to get into our university system?

DR. NICHOLS:

Yes.

SENATOR RAGGIO:

How do we compare with other western universities in that effort? Is that something that is being done throughout the country?

DR. NICHOLS:

Most western universities have these levels of admission standards or higher. If students qualify for admission in Nevada, they are admitted. In Arizona and California only a certain number of students are accepted.

SENATOR RAGGIO:

As a result, we are spending an inordinate amount of money to provide remedial courses for entering college students.

DR. NICHOLS:

Support for higher education in tough fiscal times is the theme of my presentation. With no new revenue generated in the State of Nevada, there will be no funding for higher education. The question is, what kind of Nevada do we want for our children?

From 1993 to 1999 undergraduate enrollment at public institutions grew nationally by 1 percent. In Nevada, enrollment grew by 36 percent. We are the fastest growing state and system of higher education in the country.

Over the 11-year period, system-wide growth was 41 percent as illustrated on page 6 of my handout. The community colleges grew by 53 percent, and the universities by 28 percent. On page 7, you will see the workload measure in higher education represented by the annual average full-time equivalent (FTE). That is calculated by taking the number of student credit hours and dividing it by a set number for undergraduates, for masters, and for doctoral students. This creates an artificial measure of a full-time student. If you look at our growth over the same period, you will see a similar pattern of a 49-percent increase system-wide, 86-percent increase at the community college level, and 26 percent at the universities. We have many part-time students. We have the highest percentage of part-time students of any state in higher education.

SENATOR RAGGIO:

What is the definition of part-time?

DR. NICHOLS:

It is less than 12 credit hours at the undergraduate level. We require the Millennium Scholarship students at the universities to be full-time, but at the community colleges students can take as few as 6 credits and get the Millennium Scholarship. There is a pattern at the community colleges of students being full-time. The importance of this cannot be underestimated because all the data in higher education shows that students who go full time are likely to finish a degree within a reasonable period of time.

On page 9 of my handout, you see a striking characteristic of Nevada students. At the universities 53 percent of the students are traditional 18-22-year-olds. You also see a lot of older students enrolled because they did not go to college until they were older. They are now 28 to 32 and are coming back to our community colleges. Many of them transfer to the university and get bachelor's degrees. Many get a credential at the community college that will enhance the likelihood of an adequate lifestyle.

Page 10 indicates the fall head count enrollment. You can see the pressures of the growth in population and the associated needs in southern Nevada.

SENATOR RAGGIO:

For some of those who are new to this committee, would you explain the difference between head count and FTE?

DR. NICHOLS:

If a student takes 3 credits, that student counts as 1 student and 1 head count. All of the courses produced by student credit hours are added, then divided by 15 credits per semester for an undergraduate student. Then we divide all student credit hours by that number which produces one full-time student equivalent. It might be 5 students taking 5 courses, so 5 head count, but 1 FTE. Full-time enrollment is the workload measure for us.

There has been an impact from population decline in many of the rural areas, including Great Basin College (GBC). This has not happened at the Elko campus, but primarily at the outlying campuses in Ely and Winnemucca, places that have been hit hard by shifts in the mining industry, and other

economic factors. Great Basin College is taking aggressive steps to stabilize and grow its enrollment. To achieve this end, dormitories were built to facilitate a residential campus at GBC. There are selected baccalaureate degrees for those rural students who have been unable to come to Reno or to Las Vegas.

SENATOR RAGGIO:

Is that also the reason for decline at the satellite campuses of Western Nevada Community College (WNCC)?

DR. NICHOLS:

Yes. There has been an impact from the satellite campus enrollment at WNCC.

If you look at the annual average and the workload measure for enrollment, together with the number of courses the students are taking, you will see growth of 138 percent at CCSN.

ASSEMBLYWOMAN CHOWNING:

TMCC and WNCC are not that far apart from each other. Do you think courses taught at Truckee Meadows such as the auto repairs and other hands-on classes are attracting the students?

DR. NICHOLS:

Truckee Meadows serves the Reno area almost exclusively. It does not have the rural component or rural mission that WNCC has. The presidents of these two colleges are working together to get students into the programs they need. Each institution has distinctive characteristics that each area needs. WNCC serves the Douglas community in a way that meets some particular manufacturing needs in that area.

Within the enrollment growth there are things to be pointed out. Page 12 ([Exhibit C](#)) reviews minority enrollment gains. We are aware of the importance of being more successful in recruitment, retention, and graduation of minority students. One-third of students enrolled in our institutions are minority students. Last year 30 percent of all Nevada high school graduates were minority. Last fall 31 percent of our undergraduate enrollment was minority.

ASSEMBLYWOMAN LESLIE:

I would like to see those numbers broken down by institution and by minorities.

DR. NICHOLS:

We will get that information to you.

SENATOR MATHEWS:

How many degrees were issued to minorities?

DR. NICHOLS:

The total number of degrees granted to minorities was 572 out of the 5427. On page 13, we examine the growth in distance education. Distance education is not less expensive. The only thing that saves the State money is the fact that we build fewer buildings. Distance education is an access issue, getting classes and degrees to students in rural areas and even students in urban areas who cannot get to the campus. The number of distance education courses increased by 189 percent statewide from 1997 to 2001.

The unduplicated headcount in distance education courses increased by 275 percent. The full-time Equivalent (FTE) increased by an even larger number, which means more students are taking more courses online. As a percentage of the total, FTE is now up to 4.2 percent, approaching 5 percent. We now offer complete degree programs in selected area through distance education. However, we still have to provide student services, good information, financial service, and everything we offer to campus students to the students in distance education. We have to be full service for accreditation purposes.

On page 14, you will see most of the students live in urban areas. Every county in Nevada has

students who are gaining access to education because of distance education courses.

ASSEMBLYWOMAN GIBBONS:

During an economic downturn is it traditional for the college enrollment to increase?

DR. NICHOLS:

National figures show that when there is an economic downturn more people come back to school. We have not seen a dramatic change in the trend lines for Nevada of students entering higher education in this last year. On page 15, you will see we are losing ground, because the population growth in Nevada over this period of time was 62 percent and the growth of our number of students enrolled was 41 percent.

ASSEMBLYMAN BEERS:

Is there any attempt to identify the percentage of our new residents over 60 years of age in the increase in population?

DR. NICHOLS:

Yes.

ASSEMBLYMAN BEERS:

Does that 62 percent include the population over 65?

DR. NICHOLS:

Yes.

ASSEMBLYMAN BEERS:

Would you be looking to enhance their career marketability at this point?

DR. NICHOLS:

No, but it depends upon the proportion of the population that falls outside the normal college ages of 18 to 65. You will see the same trend tracking the 18 to 65 population enrollment.

Getting students to go to college varies by county and area of the state. We are seeing a statewide increase in high school students going to college.

ASSEMBLYWOMAN CHOWNING:

Could you provide the Nevada minority numbers getting the Millennium Scholarships?

DR. NICHOLS:

We will be glad to give you that breakdown. A study being done by the treasurer's office and the Millennium Scholarship office shows that if the scholarship had not been available, 37 percent of the millennium scholars would have left the state to go to college. We enrolled 59 percent of the millennium scholars in the fall of 2000 and 68 percent in the fall of 2001.

SENATOR CEGAVSKE:

Do you have numbers by school district of the Millennium Scholarship students that have required remediation? Do math and English require the most remediation?

DR. NICHOLS:

I can get that for you.

SENATOR CEGAVSKE:

I would like totals for students that are not getting the scholarships. I would like to look at the test material so students can be helped before they get into the college system. Have we been able to allow the school to analyze and look at the tests with poor scores?

DR. NICHOLS:

Strong efforts have been made to share information and solve problems. The Board of Regents has done a major study of remedial education, including what needs to be done.

SENATOR CEGAVSKE:

I would like the date we started keeping track of the remediation and its cost. Could I have that presented to us?

DR. NICHOLS:

Yes. Looking at page 20, we know that some millennium scholars end up in remedial education, but there are many reasons for that. Students who did not take a math course as a senior in high school are more likely to do poorly. Despite that fact, the retention rate for Millennium scholars at the university level from fall to spring from 2000 to 2001 was 89 percent. We had an 81 percent continuation rate for the millennium scholars and a 66 percent continuation rate for the non-millennium comparable group.

Page 21 shows the students will pay an increased share of costs. We have set our fees based on the Western Interstate Commission for Higher Education (WICHE) median. The students supported this with the caveat that one-half of the fee increase be set aside for need-based financial assistance. Nevada is in the 48th position in the United States in the rate of college students from low income families. The Legislature and the Millennium Scholarship bill mandated that we look at ways to fund need-based financial aid.

On page 22 is a list of economic benefits of higher education. On page 24 we see an enormous growth in Nevada in sponsored research, research that is funded by the federal government. It is competitive and establishes the foundation on which most states have built their economic base. We had an 86-percent growth from the period 1994 to 2002, and there has been steady growth at every institution.

There has been a shortage of teachers for at least 10 years. We must produce more teachers for Nevada to meet the State's needs. Under the No Child Left Behind Act, we will see more pressure to educate teachers and make sure their professional development is in place. We must make sure teachers' aides are certified, a requirement of the No Child Left Behind Act.

The need for engineering and technology graduates is just as great. In September of last year, the Aspen Institute predicted a critical shortage of workers aged 25 to 54 over the next 20 years. This will have a tremendous impact on our workforce in Nevada.

Page 26 indicates we have a nationwide nursing shortage. This shows the number of nurses per 100,000 people and Nevada is at the bottom with 520 per 100,000 people. On page 27 you will see the nursing plan that you asked us to put together.

SENATOR RAGGIO:

This chart was in 2000. Is there any update to this?

DR. NICHOLS:

It is the most recent that we could get from the U.S. Department of Health and Human Services.

ASSEMBLYMAN ARBERRY:

You mentioned that after all the training and money spent to get and keep people, they leave. Could you tell us why?

DR. NICHOLS:

The retention rate pattern in Clark County School District of those who come in from out of state is getting better, but the retention rate for our Nevada students is much higher than the retention rate from those who move here from other places.

It is difficult to know how to solve the nursing problem because we have a shortage of nursing faculty nationwide. We have a shortage of clinical sites for them. We have an aging work force and a growing elderly population. Support for 12-month-program funding is necessary. Because we cannot run the program we lose the opportunity for clinical sites in the hospitals during the summer months. The hospitals have worked with us and we have a plan to educate nurses the full year. Not only will this shorten the amount of time to a degree, but it will also give us many more clinical sites that we so desperately need if we can run the program for 12 months.

It is critical that we have the loan program for nurses. If they stay in Nevada, the loans then become scholarships and do not have to be repaid. We also need an 8-to-1 clinical ratio in the community colleges for nursing programs. That is part of our proposal on the new taxonomy for the formula. Truckee Meadows Community College (TMCC) had 27 applicants and only enough money for 8 scholarships. Nineteen students were turned away because of lack of scholarships.

SENATOR MATHEWS:
What is the ratio now?

DR. NICHOLS:
The funding ratio is 14 to 1 at the community colleges.

SENATOR MATHEWS:
Is the special ratio within the health, science, and nursing programs?

DR. NICHOLS:
When the new formula was created, the clinical ratio for the community colleges was lost and they went with the high-cost ratio, which gave them only 14 to 1. They lost the 8-to-1 ratio for nursing.

ASSEMBLYWOMAN LESLIE:
Is the loan program that was funded last time through Mrs. Freeman's bill in the Governor's budget to be continued?

DR. NICHOLS:
That is not in the Governor's budget.

ASSEMBLYWOMAN LESLIE:
Are there any cost-effective options?

DR. NICHOLS:
We will try to make suggestions for this biennium to bring the cost down. We need money for scholarships and year-around funding.

ASSEMBLYWOMAN LESLIE:
Does scholarship have the same meaning as loan?

DR. NICHOLS:
It is a loan, and it becomes a scholarship if the recipient stays and works in Nevada. Repayment of the loan is not required if they stay here to work.

SENATOR MATHEWS:
Did the community college nursing program get an infusion of funds from WICHE for that program?

DR. NICHOLS:
The WICHE program has created a program to send Nevadans out of state to get their doctorates.

SENATOR MATHEWS:
They were to help nursing programs, and I understand the university programs have already received that money.

DR. NICHOLS:

I will check. Last session the loan program was turned over to us instead of WICHE. I believe it is the same program.

ASSEMBLYMAN PERKINS:

Certainly \$12 million will accomplish this. Considering the shortage of nurses and teachers, has there been an internal analysis to see where you might retask some of the current resources that may not be as high a priority in our state?

DR. NICHOLS:

We have been in the process under our master plan and discontinued some programs. However, we are limited in terms of a quick response. This nursing money, as presently constructed, is startup and it goes away when the formula picks up the FTE, a 3-year lag.

ASSEMBLYMAN PERKINS:

I appreciate that. We have to find a way to retask the resources that we do have for the most crucial needs in the state.

SENATOR RAGGIO:

We all recognize the difficulty in the forthcoming 120-day session of even realizing the necessary revenue, let alone enhancements to the budget. I think it is imperative that you reestablish priorities within your own system.

DR. NICHOLS:

On pages 29 and 30 are examples of efforts to reduce expenses. Almost all registration is done online. We are trying to provide the best services and in the most cost-effective way we can. We have found that increasing the number of classes the faculty teach results in the best efficiencies. A forthcoming report shows an increase in faculty productivity, with faculty teaching more students this year than in the past.

Space utilization is shown on page 31. This year we asked each campus to design an enrollment management plan to use the space 7 days-a-week, days and evenings. It is hard to get students to come to class at some times, but we will change that and utilize our space optimally.

We have problems with research space. When you get to the capital budget, you will see some remedies. On page 32 and 33 ([Exhibit C](#)) we have shown data that will indicate our progress. A national report card for states, called 2002 Measuring Up, shows higher education performance. It follows the 2000 Measuring Up report card.

SENATOR RAGGIO:

What organization prepares this?

DR. NICHOLS:

It is prepared by the National Center for Public Policy and Higher Education, a Patrick Callan program.

SENATOR RAGGIO:

Is this a think tank?

DR. NICHOLS:

Yes. It gives the states some measure of how they are doing.

SENATOR RAGGIO:

How is it funded?

DR. NICHOLS:

It is funded with grant money from the Pugh Charitable Trust and several other foundations. The grades compare Nevada with the top states in the country. That includes both public and private institutions, Sierra Nevada College will drive some of our scores since that is our only private institution. The main point emphasizes K-16. These grades are built as much on what is happening in K-12 as they are on what is happening in higher education. It defines how well our students are preparing themselves for college, whether high school freshmen are going on to college, and how much financial assistance we have for low income students.

SENATOR RAGGIO:

Are these for universities or the whole system?

DR. NICHOLS:

This is the whole system, both public and private. Everything in higher education in Nevada is part of this grade. It also looks at the benefits.

ASSEMBLYMAN BEERS:

Did 60 percent of the states in any one category get an F, or is this a standard A through F grading system? It would be helpful to see percentile scores here.

DR. NICHOLS:

No. Do you mean percentiles of how many states in each grade?

ASSEMBLYMAN BEERS:

I mean percentiles of 50 states. Where do we rank as a state at what portion of what grade.

DR. NICHOLS:

We will get that to you.

SENATOR COFFIN:

I will disclose that my wife is an assistant professor at UNLV, and many students tell her they cannot get that last class they need to graduate in 4 years, because there are not enough teachers or funding. What is the real target?

DR. NICHOLS:

There is a pattern across the Western States. The study in 2002 changed a part of this grade to be a 6-year completion from the time of entrance. Across the West four years is not the norm, it is 5 to 6 years.

There is an estimated cost of \$2.4 million for high school graduates to be in remedial courses. The P-16 council has been created to cut down on remediation and remove obstacles for students. We are producing a brochure to help sixth through eighth graders avoid remedial courses, funded with grant money.

Page 37 will be discussed by Dan Miles with the actual figures. The one point I will make is that the increases for us in the Governor's Budget are solely for enrollment growth. That is what we emphasize.

SENATOR RAGGIO:

It also funds the university and community college system at a higher level percentage of the formula. You were cut back to 79 percent of the formula and this budget is 86 percent or 87 percent.

DR. NICHOLS:

The Governor's recommendation is a funding of 86 percent of the formula. The whole formula is built upon a definition using national standards of what we need to educate that many students.

We need 100 percent of the formula. The better we are funded, the more courses can be provided, and the shorter the period of time will be needed to complete a degree. The formula was designed to

address what is known as an equity issue. Was the southern part of the State getting as much money as the northern part of the State, and were community colleges getting their fair share compared to the universities? The formula was designed to work only if it is funded at an adequate level. The equity adjustments have not happened yet because we have not had the formula funded at that level.

At the last Legislature, you gave us a letter of intent to look at the taxonomy. The taxonomy on page 39 ([Exhibit C](#)) is the course classification system that tries to define cost of particular disciplines, and it is actually high, medium, low, and clinical. We discovered there were some inequities in that course classification system. English 101 at the universities might be medium and it might be low at the community college. We revised the taxonomy so it stays within the original mandate we were given to not create a new formula that generated more than 5 percent of the old formula. We request the new taxonomy be adopted.

SENATOR RAGGIO:

We agreed there should be the expectation it would be cost neutral. You request in excess of \$4 million over the biennium for one of your special consideration items. I think someone is going to have to take a second look at taxonomy to make it more cost neutral. I know there is a reluctance to lower any item, but that was our expectation and it was not heeded.

DR. NICHOLS:

We worked hard to make it cost neutral.

SENATOR RAGGIO:

You worked hard, but if you start with cost neutral you can work harder. I am not being light about this. We expect you to put it together so that it will be cost-neutral.

DR. NICHOLS:

It could be cost-neutral if you give us the same funding but run the formula with the new taxonomy. It will reallocate dollars across institutions.

SENATOR RAGGIO:

We spent a lot of time with everybody's input to change the formula. The formula is in place with the understanding that it was not going to be fully funded for some period of time. An integral part of that formula report says "consistent with the State's funding capability". As we go into the *Executive Budget*, are all of the budgets in accordance with the new formula?

DR. NICHOLS:

Yes.

SENATOR RAGGIO:

Is the Governor's budget at 86 percent? The institutions are funded in accordance with the formula with one exception, that being Great Basin College (GBC). Let us discuss that now so it will not be a problem throughout this session.

DAN MILES, VICE CHANCELLOR FOR FINANCE AND ADMINISTRATION, UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA:

We ran all budgets using the formula as approved by the formula study committee with the exception of two accounts. The differences are in the enrollment area. Nevada State College (NSC) did not have a 3-year rolling weighted average enrollment, so we asked for 750 FTEs and 1000 FTEs. Because GBC had a 1-year decline in its enrollment, they acted on a provision in the funding study which provided that under special circumstances some other enrollment numbers could be requested. We asked GBC to calculate a realistic figure to represent what their enrollments would be. The result was those two institutions did not follow the formula approved by the study committee. When we get to the Governor's recommendation there is a further change in Nevada State College.

SENATOR COFFIN:

What about the underfunding problem? How many of these campuses are underfunded per student?

DR. NICHOLS:

The concept of being underfunded is not a question that can be answered. The formula is designed to define what every campus needs to serve its students. If the formula is funded over time it takes care of that underfunding. That is why we created it. A lot of the funding is provided by the estate tax. Some institutions are more vulnerable than others if their funding is not there when the estate tax is gone.

SENATOR COFFIN:

The Governor has not put that in the budget. Is that the reason why there is underfunding?

DR. NICHOLS:

You are definitely going to see some problems for institutions that have a large portion of their budget coming out of estate taxes. The State of Nevada has a compact with us to fund this formula at the level that can be afforded across the system. No campus is going to be disproportionately negatively impacted.

SENATOR COFFIN:

The growth areas seem to continue to fall, and the biennial budget shows a lack of money being allocated to the institutions with enrollment growth.

DR. NICHOLS:

The money will be there if the Governor's budget is funded. We have a history of complexity within our institutions. For example, in the formula there is an equity pool to raise the State funding of faculty salaries at UNLV.

We fund a great portion of our capital expenses, unlike other parts of the State government. Only 44 percent of our capital costs in the last biennium were funded by the State of Nevada. All of the bill draft requests (BDRs) the regents have submitted have fiscal implications. Page 47 shows a request to approve sale of revenue bonds. The exact dollar amount may be adjusted as we go through the session.

We also have a BDR for scholarship funds for teaching students. We also have a request to permit us to carry forward 50 percent of our unexpended General Fund appropriations at the end of the year. That is a real incentive for prudent management of our resources.

MR. MILES:

Page 49 of our handout displays the enrollments that are embedded in the formula calculations of the budget for Fiscal Year (FY 2004) and for FY 2005. These are the requested enrollment numbers based on the weighted 3-year average as required under the formula. The weighted 3-year average is the last 3 years of actual enrollment. They are weighted 50 percent, 30 percent, and 10 percent, starting with the most recent year and going back 3 years. That develops the growth curve going forward for each of our institutions.

SENATOR RAGGIO:

Is that true with the exception of NSC and GBC?

MR. MILES:

Correct. The formula suggests you use the most recent 3-year weighted average. We already have the fall enrollments for this year and in April we will have the spring enrollments with a new annual average FTE. We would ask that those be considered in the formula using the most recent 3 years. The actual enrollment increases we saw last fall are fairly high in some of our institutions. The University of Nevada, Reno went up 8 percent last fall, UNLV 9.5 percent, CCSN 8.3 percent, and TMCC 8.9 percent. Some of the others were at a lower percentage. I have pointed out the differences on the enrollments for NSC and GBC within our requested budget.

SENATOR RAGGIO:

The budget has an increase of 9.4 percent above the 2003 budget enrollment, and an additional 6.1 percent increase in FY 2005.

MR. MILES:

We show 6 percent in 2004, which is 6 percent over the revised 2003 enrollments.

SENATOR RAGGIO:

Is this sheet for FY 2003 going to be revised?

MR. MILES:

It will be revised when we get the new enrollments for 2003.

SENATOR RAGGIO:

Right now we are dealing with these numbers.

MR. MILES:

Correct. The 2003 year would be inserted and the 2000 year would go away in the formula calculation. The board has raised student fees about 7 or 8 percent at the university level each year of the biennium, and about 4.5 percent at the community college going forward.

On page 50, the actual per-credit fee is for FY2003, 2004, and 2005. Under our new policy the board sets the basic fees and each of these other types of fees are calculated automatically from that.

SENATOR RAGGIO:

Do you have details?

MR. MILES:

A portion of these fees go into the State budget and a portion are reserved at the campus level for specific purposes. On page 51 ([Exhibit C](#)), there is a chart that shows the portions of the fees held at the university level and for what purposes those are held.

SENATOR RAGGIO:

I think we need a clear understanding of what the fee increases will do, and what the respective fees will be in both the community colleges and the universities for both graduates and undergraduates.

MR. MILES:

Those numbers are on page 50.

SENATOR RAGGIO:

Are you showing the non-resident increase as well?

MR. MILES:

A non-resident student pays a non-resident tuition in addition to registration fees. A part-time student's tuition is broken down so he does not pay the full out-of-state tuition, but it would be based upon the registration fees paid. One hundred ten percent out-of-state tuition is paid; that is, 110 percent of your registration fees is controlled by the number of credits taken.

SENATOR RAGGIO:

Is the "good neighbor tuition plan" still in effect during this next biennium?

MR. MILES:

Yes, it is.

SENATOR RAGGIO:

Please explain that again.

MR. MILES:

These are non-residents who live in communities adjacent to Las Vegas, Reno, and other areas. They pay a reduced tuition.

SENATOR RAGGIO:

They do not pay a non-resident tuition fee, but do they pay augmented credit hours?

MR. MILES:

They pay the registration fee, and in addition they would pay their good neighbor tuition, which is a reduced rate. It is not the full out-of-state tuition.

SENATOR RAGGIO:

In 2004 the "good neighbor" university undergraduates will pay an augmented \$93.50 per credit hour, is that right?

DR. NICHOLS:

They would pay \$178.50, \$85 plus the \$93.50.

SENATOR RAGGIO:

Is that in lieu of the non-resident tuition?

DR. NICHOLS:

Yes.

SENATOR RAGGIO:

How are these fees going to be used?

MR. MILES:

On page 51 we outline the portions of these fees that have historically been held at the institutional level for specific purposes.

The General Improvement category has to be spent on programs to benefit students, such as tutoring, child care, and extension of library hours. The new category has a policy that all increases in fees should be dedicated to student access. That has never been implemented in the past, but this time the board went with a higher fee increase.

SENATOR RAGGIO:

Does "student access" mean direct support for the operation of the university?

DR. NICHOLS:

Those are need-based scholarships for students, but there is no extra money in our budget. They allow more students to go to college than would be able to otherwise.

SENATOR RAGGIO:

At the end of 2005, \$21.25 of student fees is earmarked for what purpose?

MR. MILES:

That is a total of the first three columns as we go across page 51. Out of that, capital improvements in 2004 get \$12 per credit hour at UNR.

SENATOR RAGGIO:

What will you use the \$12 and the \$14 for in each respective year?

MR. MILES:

A portion goes into the capital improvement fee fund that accumulates in this account, from which the campus can request the Board of Regents to allocate for specific projects on the campus. Portions are also reserved to retire the bonds for the Fire Science Academy and the debt on the new library.

SENATOR RAGGIO:

Four dollars of the credit is dedicated to the Fire Science Academy debt, is that correct?

DR. JOHN LILLEY, PRESIDENT, UNIVERSITY OF NEVADA, RENO:

Yes.

SENATOR RAGGIO:

In 2005, is \$2 of the credit directed to the library bond fund?

DR. LILLEY:

I do not have that sheet with me. My colleagues say yes.

SENATOR RAGGIO:

We need to understand that. Is the \$2 credit beginning in the second year going to be sufficient to service the debt for the library construction?

DR. LILLEY:

That is correct. It goes into a pool structured in such a fashion that the library is completely protected.

SENATOR RAGGIO:

We want to make sure that is the case, because the total cost was in the neighborhood of \$66 million; \$22 million was an appropriation from the State, \$22 million was contemplated from private funds, and \$22 million was to be received from student fees. Will this accommodate the purpose?

DR. LILLEY:

Absolutely. It is the university's top priority.

SENATOR RAGGIO:

What about the capital improvement fees at UNLV? Those total \$10 and \$12 respectively. Where do those funds go?

DR. CAROL C. HARTER, PRESIDENT, UNIVERSITY OF NEVADA, LAS VEGAS:

Much of that new money will be used for a series of campus-based capital projects. We bonded about \$30 million, \$6 of which you supplied to us in the last biennium and the rest of which we took on as new capital debt. There are also several laboratory and other facility renovations.

SENATOR RAGGIO:

For what purpose are the fee increases or total fees for capital improvement earmarked or designated? These are undergraduate fees of \$10 and \$12, respectively, in 2004 and 2005.

ANTHONY B. FLORES, VICE PRESIDENT, FINANCE, UNIVERSITY OF NEVADA, LAS VEGAS:

The amount of our debt-service payment for the Shadow Lane campus exceeds \$1 million. Of that amount \$611,000 comes out of the dental practices. The remainder comes from our capital improvement fees. The \$400,000 in capital improvement fees would be divided by our credit hours, which are 453,000, so we are at \$1 per credit hour applied to that debt service-payment.

SENATOR RAGGIO:

What specific projects will be funded under the capital improvement fund?

MR. FLORES:

The campus needs are discussed and deliberated by the president's cabinet. Included in that list would be lab renovations and infrastructure needs. Once that list is compiled, we look at money available, cost of all the projects, and how many of our priorities can be satisfied.

SENATOR RAGGIO:

Are they specifically earmarked for any particular projects such as those now at UNR?

MR. FLORES:

The Shadow Lane campus is specifically earmarked to be covered in part by the capital improvement fees; the others are not.

DR. HARTER:

We can provide you with a list.

SENATOR MATHEWS:

I was under the impression we bought the Shadow Lane campus in the 2001 session.

DR. HARTER:

You provided \$2 million in capital and \$1 million in planning for total facilities for the dental school.

SENATOR MATHEWS:

Was this for upgrades?

DR. HARTER:

We had to borrow \$30 million in order to buy and renovate it, so \$24 million is the university's funding toward that.

SENATOR RAGGIO:

Is there is an additional \$4 per credit, not included in this chart, for technology?

MR. MILES:

It is not in that fee and not within the fees the board routinely approves. That fee was set up 6 years ago.

SENATOR RAGGIO:

We sometimes hear you lack funds for technology, but this brings in \$6.6 million in 2004 and just under \$7 million in 2005. How will that money be used?

DR. NICHOLS:

That fee was added in a session in which we did not get money for technology. The students stepped forward and offered to do this.

SENATOR RAGGIO:

I am not asking for you to justify it. Is it there and are you going to collect it?

DR. NICHOLS:

Yes.

SENATOR RAGGIO:

Will this money be used for technology?

DR. NICHOLS:

The students help plan where the greatest needs are. It has to be used for direct student benefits such as computer labs or technology. The students have a vote in their technology needs, and the \$4 is a compact the students are willing to pay so they can vote for the most beneficial technology needs. It generally goes into laboratories and equipment.

SENATOR RAGGIO:

We should keep the nomenclature in mind because that is really what the original intent was, to replace money you did not have for technology. That should be the priority.

MR. MILES:

Our request to the Governor ([Exhibit C](#)) shows all agencies were limited to existing programs, and anything else to be considered was separate. That is the base budget with the adjustments that are allowed under the rules of budgeting, and the maintenance items, which include enrollment growth movement. We requested 87-percent growth. This budget included conversion of the major portion from the estate tax to state funds. You can see our request was a 24.7 percent increase over the biennium.

SENATOR RAGGIO:

Perhaps we can capsulize that. The request submitted was a total of \$1.284 billion. That represented a 25.1 percent increase over what was approved in the last session.

MR. MILES:

My calculation was 24.7 percent. You may have reduced it for the budget reduction.

SENATOR RAGGIO:

When you break that down, your request was for \$1.110 billion in the adjusted base and \$171 million plus in the maintenance decision. The Governor has recommended \$1.260 billion in this budget. That is an increase of \$238 million, a 23.2 percent increase over what we approved. Of that, just under \$900 million is General Fund appropriations. That is a 24.2 percent increase. The balance of something slightly in excess of \$370 million is student fees, usage of the estate tax, and any other revenues. That is the picture that we have here of your budget requests together with what is in the *Executive Budget*.

MR. MILES:

I want to explain what was in the adjusted base and what was in the maintenance area. The adjusted base includes the normal things seen there. Vacancy savings are removed because the budget division is going to come back and install new vacancy savings. It includes merit pay, and in our request, includes formula corrections for CCSN. At the suggestion of the budget division we included the DRI cloud-seeding program. We also received energy overruns from the Interim Finance Committee during FY 2002, and the correction for the School of Medicine medical malpractice insurance this year.

Under the maintenance heading the normal items are adjustments for new space coming online during the biennium. We included maintenance dollars for growth at system computing services because those impacts are driven by enrollment and faculty growth on our campuses. We requested maintenance funding for the business centers, north and south. We requested library acquisition funding for the law library, and to set up a library function for NSC, as well as funds for cooperative extension. The major portion of the increase is enrollment growth. The 87-percent level of funding was chosen because that pulled all of our institutions out of the "hold harmless" situation, when your new budget provides you with no funds greater than your current level budget adjusted for items such as merit raises for classified employees. Page 53 displays a revenue breakdown, and the next few pages are narratives on each of the adjustments.

SENATOR RAGGIO:

Page 59 presents items for special consideration that are not in the *Executive Budget*. During the course of the session you will have time to talk about these. We are not going to be able to fund the *Executive Budget* without looking at additional requests. We should stick to the Governor's budget unless there is some clear omission of high priority.

DR. NICHOLS:

We need a one-shot appropriation for equipment for the dental school to continue the program.

SENATOR RAGGIO:

Why was that not included in the *Executive Budget*?

DR. NICHOLS:

I do not know.

SENATOR RAGGIO:

Let us get into what the budget does provide.

MR. MILES:

Page 67 indicates the revenue. In 2004 we requested a budget of \$632 million. The Governor's recommendation is \$618 million, or \$14 million less. For the year 2005 we requested \$651 million. The Governor's budget is \$646 million, or \$5.2 million less. The Governor's recommendation is a total budget increase of 24.2 percent.

On page 68, the Governor's budget recommended a different approach for NSC. In the revenue, you can see the estate tax the Governor has proposed is almost \$47 million in the first year and \$45.6 million in the second year, approximately \$93 million.

SENATOR RAGGIO:

The plan spends the estate tax funds. It will not have an impact this biennium, but if we are going to keep the level of funding even in the next biennium we are going to have a \$90 million dollar General Fund hole. We must be aware of that. Unfortunately, it is a situation where the estate tax recapture in Nevada is gone and there will be very little left at the end of 2005. We are looking at a zero balance at that point in time.

ASSEMBLYMAN PERKINS:

Our projections indicate we will not be able to achieve \$93 million in estate taxes this biennium. We will run out before the end of the biennium.

SENATOR RAGGIO:

We are going to have to change the law, specifically Nevada Revised Statutes (NRS) 375A.705, the section that allowed the university system to spend the money in the estate tax account, but they had to keep a principal that was sufficient to return \$2.5 million per year. If we follow the *Executive Budget*, we will have to amend that statute.

MR. MILES:

I understand the Department of Administration will submit a BDR.

SENATOR RAGGIO:

The Governor addressed the fact there is no specific funding in the University and Community College System for cost-of-living increases.

MR. MILES:

That is correct.

SENATOR RAGGIO:

This budget does include a 2.5 percent merit pool for professional employees in each year of the biennium and excludes positions that are at or above assistant deans. All other professional people are eligible for 2.5 percent merit pool. That is in the budget.

MR. MILES:

That is correct.

SENATOR RAGGIO:

The budget also accommodates the merit step increases that otherwise would occur for classified employees.

MR. MILES:

That is correct. Page 68 of the handout shows you what the total budgets would be for all of those

areas compared to the current budget in 2003.

It shows the request in 2004, the Governor's recommendation in 2004, the request in 2005, the Governor's recommendation in 2005, and the difference in that year. If you look at NSC, our request based upon 750 FTE in the first year, \$7.9 million, has been reduced in the Governor's budget to \$3.2 million, which is a combination of student fees and General Fund. Our request for 1000 FTE in 2005 was reduced to \$4.6 million.

SENATOR RAGGIO:

I think that recognizes the fact the enrollment has been very limited. What are the student FTEs at NSC now?

DR. KERRY D. ROMESBURG, PRESIDENT, NEVADA STATE COLLEGE:

In the fall we had 118 FTEs and in the spring 170-175 FTEs. Annualizing it, only 130-135.

SENATOR RAGGIO:

Of this amount from the Governor's budget, how much is based on FTEs?

DR. ROMESBURG:

It is based on about 300 FTEs for the next year.

SENATOR RAGGIO:

How about 2005?

DR. ROMESBURG:

I do not know what that number is based on.

SENATOR RAGGIO:

It would be based on \$4.6 million.

DR. ROMESBURG:

It must be 500 FTEs. I do not believe there will be a problem reaching those numbers.

MR. MILES:

On page 69 is a summarization of the major differences between our request and the Governor's budget. The Governor's budget includes vacancy savings. That reduced our budget by \$19.1 million dollars. What it excluded was the cloud seeding program, which we had included in the base.

SENATOR RAGGIO:

I think we allowed the DRI to come into interim finance if it was necessary or appropriate. I do not foresee that it would not be authorized. Is the Governor recommending a 1-percent increase for professional positions and 3 percent for classified in the formula funding account?

MR. MILES:

Yes.

SENATOR RAGGIO:

What happens in the non-formula account?

MR. MILES:

It will be treated the same.

SENATOR RAGGIO:

I think they have been at 2 percent and 3 percent for classified.

SENATOR RAGGIO:

The reduction is probably in the non-formula accounts so they are the same as the formula accounts.

That is what is happening in the vacancy savings area. That totals about \$6.3 million in the first year and \$6.4 million in the second year.

MR. MILES:

I did not calculate that number. Moving along, in the adjusted base we had asked for an additional \$800,000 for Experimental Program for the Stimulation of Competitive Research (EPSCOR) in order to match the new requirements under those federal grant programs. The Governor took that out of the base but moved it to a maintenance item funded with estate tax revenues.

SENATOR RAGGIO:

What is the amount recommended in the budget for EPSCOR?

MR. MILES:

The recommendation is \$5.06 million dollars over the biennium, about \$2.53 million each year of the biennium.

SENATOR RAGGIO:

For the benefit of some who may not be familiar with it, can you tell us about EPSCOR and what it generates otherwise?

DR. NICHOLS:

EPSCOR is a federal program that identifies states that do not get their fair share of federal research dollars. The EPSCOR program identifies special grants to build research in those states. It comes through The National Science Foundation, the National Health Institute, and all of the federal programs that fund research. Under those programs we have received dollars each year that allow us to build research areas. Because of the EPSCOR funding we were able to generate an additional \$8 million last year.

Those programs graduate and become self-sustaining. The Bridge Research Program at UNR started out with EPSCOR dollars, which enabled it to attract excellent researchers to build competitive capacity. It is now a national center and it does not receive EPSCOR dollars. The seed money the State puts into EPSCOR generates millions of dollars beyond federal funding for research.

SENATOR RAGGIO:

Does this budget include \$800,000 of estate tax money?

MR. MILES:

It includes what was being spent before plus the \$800,000 dollar increase we requested. The Governor's budget under maintenance items is formula funding at the 86 percent level. It includes inflationary adjustments, which are mainly insurance and tort liability adjustments, and enrollment increases in the dental school over the next 2 years.

SENATOR RAGGIO:

Will it accommodate 53 new positions for the dental school over the biennium?

MR. MILES:

I do not have that number.

SENATOR RAGGIO:

The breakdown is 24 positions in 2004 and 29 additional in 2005. That is in the instruction function, which is critical to its operations as we understand it.

MR. MILES:

Included under estate tax are maintenance items we requested for system computing services. These are important items we need for our central and administrative computing to keep abreast of growth. Part of it is for the student information system.

SENATOR RAGGIO:

I would like to clarify one item on the dental school. The student fee and tuition revenue sources that were to support the dental school enrollment were apparently omitted in the Governor's budget. If you make the corrections the estate tax revenues needed to support that enrollment would be reduced from the recommended amount of \$5.27 million to \$3 million for the biennium.

MR. MILES:

That is correct. The Governor recommended \$93 million and that number will be reduced with the adjustments. The next item was fringe benefit adjustments added by the budget office. This reflects increases in group medical costs and the retired employees group medical. It also includes change in the Public Employees Retirement System (PERS) rate, the rate for those positions we have PERS.

SENATOR RAGGIO:

Did the Governor's recommendation on the fringe benefits include the system's self-supporting budgets in the retired employees group insurance assessment?

JAMES MANNING, BUDGET DIVISION, DEPARTMENT OF ADMINISTRATION:

We did incorporate self-supporting budgets in our calculations when we were calculating our rates for the PERS assessment and the Retired Employees Group Insurance (REGI) assessment.

MR. MILES:

Just to confirm that, we were informed by the budget office they will be assessing our self-supporting budgets for REGI in the coming biennium. Those budgets are not within the State system, so they cannot get to them directly. They will have to bill us. The next item is the salary increase for librarians. There is a statewide occupational study that will affect these librarians.

SENATOR RAGGIO:

That is about \$52,000. Was that the occupational study that was done?

MR. MILES:

Right. Animal Welfare Act included this as a mandate from the federal government to meet its requirements. This portion of our request has been recommended by the Governor. In addition, there are changes in federal requirements on water testing that will affect the Nevada State Laboratory, which is now a part of UCCSN, in tests for radon, uranium, and radium. This money will enhance the laboratory so that it can meet those kinds of requirements.

The Governor's recommendation excluded our request for maintenance funding at the business centers north and south, and we felt these were legitimate maintenance items because of the growth we have encountered at all of our institutions.

SENATOR RAGGIO:

What is the current funding?

MR. MILES:

Business center north is almost \$2 million, and business center south is at about \$1,654,000, in the current year.

SENATOR RAGGIO:

There is funding, but are you saying the request for growth has not been included in the Governor's recommendation?

MR. MILES:

Yes. We had asked for library acquisition costs for both the law library, about \$200,000 over the biennium to keep their library abreast of American Bar Association (ABA) requirements, and about \$1.8 million to start up a library operation for NSC. Those two items have not been included.

SENATOR RAGGIO:

What is in the budget for libraries in all the other institutions?

DR. NICHOLS:

Within our formula we have a part that generates money for libraries. The difference is we do not have a similar kind of funding source for the professional schools for library books, or a formula for it.

SENATOR RAGGIO:

An essential part of the formula would be funding libraries in the university college system.

DR. NICHOLS:

Right. The difference with NSC is that the formula is set up to provide ongoing updating of libraries.

MR. MILES:

The next item is the cooperative extension educator. Mineral County has opted into cooperative extension. They are the only county that has not been a part of cooperative extension. Normally an extension agent would be placed in that county when it opts in. That was what this request was for, and it was not included in the Governor's recommendation.

SENATOR RAGGIO:

Can the county be served without that extension educator being located in the county? It is \$160,000 for a position. I would assume they have access to services.

DR. LILLEY:

Cooperative extension is funded in part by the federal government, county government, and state government. Mineral County has been a single county that had not been a part of the cooperative extension service. They have chosen to spend their county dollars and thus will invoke the federal dollars we need in that tri-part match to have the State dollars to go with them.

MR. MILES:

The next item that was excluded by the Governor for NSC is a baseline for financial aid. We had requested \$125,000 each year to create a baseline. Financial aid in the budget is not formula-enrollment driven. It is a line item, so there is no opportunity to increase it without a baseline.

The last item excluded was adjustment to the merit calculation for professional positions. There is a small enhancement for the direct student loan program, and that brought the cost level up to the actual 2003 experience level. All other unfunded priorities we have talked about were excluded from the Governor's recommended budget.

SENATOR CEGAVSKE:

Since you brought up NSC, why not look at cutting the current budget instead of cutting the projected budget?

DR. NICHOLS:

We did cut 25 percent from this year to next year. That was the recommendation of the Governor, not our recommendation. There will be a decrease in funding next year to NSC from what they are funded for this year. The State General Fund portion was reduced 25 percent for building that budget.

SENATOR CEGAVSKE:

Why not bring it down to meet what the actual is?

DR. NICHOLS:

We did. All of our campuses are funded on the budgeted enrollment based on past experience.

SENATOR CEGAVSKE:

We have had past experience, and it has been lower than every projection.

DR. NICHOLS:

Right. Based upon the enrollment this year and comments Dr. Romesburg made, we believe that the funding, without any history, is now more realistic.

MR. MILES:

On page 82, the schedule displays recent history of the estate tax and where the funds are being expended. We requested all ongoing programs in the estate tax be transferred to state funding, and we complied with the statute. This would indicate only \$2.5 million per year could be spent out of the account if it is below the threshold that earns \$2.5 million. The Governor added \$800,000, or \$400,000 each year over the biennium under the EPSCOR grants. The Governor's recommendation is a total of \$92.6 million that will be adjusted downward for the dental school student fees.

Page 82 ([Exhibit C](#)) shows the integral parts of our system and institutional budgets. In many cases these costs and items would normally be funded through the formula, but for one reason or another their genesis has been in the estate tax funding area.

SENATOR RAGGIO:

Why is the adjustment we made in the CCSN formula still necessary?

MR. MILES:

It was an adjustment in their formula calculation. We submitted it as a part of their adjusted base, but because it had been funded with estate tax in this year, the Budget Division withdrew the funding support from State funds and put it back in the estate tax.

SENATOR RAGGIO:

The committee would note that most of these items are very important. We will have to look for other sources of revenue to fund them if they are going to continue beyond the next biennium because the estate tax money very possibly will not be there.

Let us now go over the major capital improvements that have been recommended in the Governor's budget.

MR. MILES:

On page 89, UCCSN Capital Improvements of our handout, we have set up a schedule that shows on the left side our request in priority order by the Board of Regents, and then what the Governor has recommended in the capital arena.

The Fire Flow Pump Station, item 1, is necessary to get fire flow to the top of the hills so that progress can be made on the campus, both at TMCC and Desert Research Institute (DRI). It is a safety issue.

The next two items are the build-out of the TMCC tech building at the Redfield Campus, which was funded in the past, but not the fixtures, furnishings and equipment (FFE); and the Telecommunications Building on CCSN's Cheyenne campus. We need the FFE on that.

We had also requested the fixtures and furnishings for the first building at NSC, but the Governor has not recommended that project at this time. The next project is the UNLV Science and Engineering Technology Complex, which the Governor has recommended. There is a difference in the total amount of that project, and I believe they have taken the FFE out of it, which would be a requirement in the next biennium.

The next item is the CCSN Health Sciences Building. This was recommended by the Governor last session but was traded out by the legislature for the telecommunications building for CCSN. That building project has been recommended by the Governor. That is as far as the Governor was able to go with our projects with the \$.15 current property tax levy plus the \$.01 additional levy. A request was made for \$130,000 to begin planning for the electrical and industrial building at GBC. The UNLV

student services addition was not recommended by the Governor. We have talked about all of the items on page 104 except the police. UNLV, UNR, and TMCC all have their own police departments. A salary comparison survey was done with the expectation it would result in an occupational recommendation in the budget. It did not. The officers that leave have been going to other government entities within the State of Nevada. We feel we are a training ground.

SENATOR RAGGIO:

Without additional revenues at the State level we cannot match salaries paid by local governments in this State. We note salary increases that are going into effect in some of our counties. We have the same problem. We do not have a cost-of-living increase built in for State workers.

ASSEMBLYWOMAN LESLIE:

On page 105, I am concerned because the nursing capacity item is at the lowest priority on the page.

DR. NICHOLS:

The board did not prioritize the items. The board list really stopped with System Internal Auditors. Staff put it at the bottom, but not as a prioritization.

SENATOR MATHEWS:

I have the same concern. In addition, my earlier request for research on the nursing and WICHE issues has been answered by Mr. Sparks. There are approximately 25 students being funded by WICHE in the State, and they are being funded at both the community colleges and universities.

SENATOR CEGAVSKE:

I have been working with the community colleges and university systems on the nursing program on the West Charleston campus and have been very happy with the administration. We have a pilot program that will integrate Bonanza High School with the community college to get students involved beginning with their junior year.

DR. JAMES T. RICHARDSON, LOBBYIST, NEVADA FACULTY ALLIANCE:

I want to express strong support for the *Executive Budget*. I served on an interim committee that developed the formula. The formulas are extremely important. The level the Governor recommended this year is the same level he recommended last biennium. Then we ran into the economic forum problems, and the higher education system in Nevada absorbed about 40 percent of the cuts that had to be made.

These formulas work best when they are funded at this level. They were designed to address a very serious problem we faced two biennium ago. The current level of funding of those formulas, after the budget cuts, is 79 percent. The problem that lead to the establishment of the interim committee is not addressed at 79 percent. I would urge you to maintain an 86 percent level. I would also point out that the estate tax items cannot be abandoned.

GREG MacRENARIS, CONCERNED CITIZEN:

I am a small-business owner in Reno. The University and Community College System of Nevada's construction policies, protocols, and procedures have not complied with Nevada Revised Statutes. The unfair bidding practices continue at an alarming rate, and as a result the business community of Nevada has been virtually taken out of the formula of fair bidding practices and refuses to be involved in the process.

The State Public Works Board has been eliminated and the university system has not complied with fair bidding policies and proper procedures. UNR placed Siemens Company in control of energy conservation measures without fair bidding nor requests for proposals. These policies have continued from 1996 to the present time and have severely damaged the public trust and wasted valuable tax dollars.

I have all of the information, and eye witness accounts, which any committee can request at any time.

SENATOR RAGGIO:

I am going to ask Mr. Miles to receive that information and give us a response. These are concerns that could affect the operational cost of the system. This meeting is adjourned until this afternoon.

SENATOR RAGGIO:

This afternoon we will hear from the Division of Mental Health and Developmental Services followed by Aging Services. We are in Volume II of the *Executive Budget*.

DR. CARLOS E. BRANDENBURG, ADMINISTRATOR, DIVISION OF MENTAL HEALTH AND DEVELOPMENTAL SERVICES, DEPARTMENT OF HUMAN RESOURCES:

I will be speaking from two exhibits. One is entitled *State of Nevada Division of Mental Health And Developmental Services, 2002 Biennial Report*. ([Exhibit E](#). Original is on file in the Research Library.). On page 18, Table 1, the unduplicated client count and the percentage growth for the division is shown.

The chart on the far right on page 19 shows the type of diagnosis we have and the various service delivery systems. For out-patient services, the primary two diagnoses are mood disorders and schizophrenia. On pages 30 and 31 you will find a listing of our performance indicators with definitions.

The important indicators to look at are those for our community-based services. We are trying to maintain the consumer in the community. Pages 32, 33, and 34 review our accomplishments. Our goal is to have our services and delivery services accredited by national organizations. This year we started our first consumer assistant program and have employed seven of our consumers as State workers. We have expanded our Senior Mental Health Outreach in Reno.

The second handout is *Mental Health Developmental Services Budget Presentation, 2004-05 Biennium* ([Exhibit F](#). Original is on file in the Research Library.) Page 1 is the MHDS organizational chart. An 8-member commission is appointed and serves at the pleasure of the Governor. There are two advisory boards, both north and south.

On page 2 is the chart that Mr. Willden of the Department of Human Resources presented to you yesterday. Page 3 shows a breakdown of the biennial distribution. Page 4 is the actual breakdown distribution of those funds by mental health agency. You can see that 57 percent of the mental health funds are appropriated to Southern Nevada Adult Mental Health Services (SNAMHS).

The budget revenues are presented on page 5 by revenue source. Governor Guinn is recommending a 32-percent increase in mental health funding. The rest of the page is self-explanatory.

The year-end caseload growth is shown on page 6. The trendline is gradually increasing. On pages 7 and 8 is an outline of how we put together our budget for the department to emphasize the strategic plan. Mr. Willden has incorporated the Olmstead Act decision into A.B. No. 513 of the 71st Session. The Olmstead Act decision is a 1999 U.S. Supreme Court decision holding that denial of community placement to individuals whose disabilities cause them to remain in institutional settings is precisely the type of segregation that Congress fought to eliminate in passing the Americans with Disabilities Act. The department's strategic plan and the division's budgets meet the expectations of the Olmstead Act decision by providing the necessary resources to our providers.

On page 9, the SNAMHS Budget Account 3161, maintenance unit M-101 is the inflationary factor.

SENATOR RAGGIO:

Where do those factors come from, and how were they developed?

DR. BRANDENBURG:

They are put together by the Division of Health Care and Finance after consultation with the Center of

Mental Health Services. This inflationary factor is used for the Division of Mental Health and Developmental Services (MHDS), Medicaid, and the prison. These are the figures that the Center for Mental Health Services recommended that we use for inflation for our medications.

SENATOR RAGGIO:

As a result of the Olmstead Act decision, are there some strict requirements that we must meet or face the likelihood of litigation?

DR. BRANDENBURG:

The main thrust of the Olmstead decision is that agencies need to provide community-based services. A person cannot be kept in an institutional setting just because there is a lack of community placement. What you see in our package is funding for those community-based services such as residential support, medication, and the Program for Assertive Community Treatment (PACT). These are the services that provide auxiliary support, which you see in the Olmstead decision.

SENATOR TIFFANY:

Does building a 150-bed hospital in Clark County contradict the Olmstead Act?

DR. BRANDENBURG:

No, because you still must have a core service. The bulk of our resources in the division is spent in the community. Over 70 percent of the funds the division receives are for community-based services. At the same time, core hospital services are needed. Nevada ranks 49th in the country in terms of expenditure for hospital services.

SENATOR TIFFANY:

Because of the Olmstead Act other states are not building more hospital facilities, they are building community-based centers. I disagree with you that it does not contradict the Olmstead Act.

DR. BRANDENBURG:

The other states, mainly the Eastern states, have historically placed a great deal of resources in their hospitals. That is the reason they are stepping down. Nevada historically has not placed a great deal of resources in hospitals.

SENATOR TIFFANY:

One of the states I talked to was Oregon, and that is not on the East Coast.

DR. BRANDENBURG:

Did you take a look at Oregon's number of beds compared to the number of beds we have?

SENATOR TIFFANY:

What are the population parallels? I just want to point out to the committee that building hospitals to comply with the Olmstead Act is not the trend.

DR. BRANDENBURG:

At the same time, other states are not facing the pressure that we are facing from the emergency rooms because we do not have sufficient beds to place our clients in the hospital. I believe we are meeting the intent of the Olmstead Act. At the same time, we are meeting the intent of having those necessary core services in our community for psychiatric beds.

SENATOR RAGGIO:

Do we need a hospital of the size contemplated here, or could one be built and later expanded, if necessary, to save some money?

DR. BRANDENBURG:

That is exactly what we are doing. We still need to add beds beyond the 107 we currently have.

ASSEMBLYWOMAN CHOWNING:

What are the future plans for getting more beds in southern Nevada and working with law enforcement agencies there?

DR. BRANDENBURG:

That is why we have proposed the 150-bed hospital in Clark County. We have a tremendous shortage of acute psychiatric beds for the population. We met with the chief executive officers of the hospitals, and as of today I have 29 severely mentally ill individuals in the 11 emergency rooms in Las Vegas unable to come to the West Charleston hospital because I do not have the psychiatric beds or space available. I need to provide that service.

ASSEMBLYWOMAN CHOWNING:

We need a mental health court in southern Nevada. It is counterproductive to the Olmstead Act to have people in jail cells rather than being treated.

ASSEMBLYWOMAN LESLIE:

When specific budget items are going to address the Olmstead Act, it would be helpful to have something in writing to identify the connection. Do we have an Olmstead Act plan for the State of Nevada?

DR. BRANDENBURG:

Mr. Willden's intention was to use A.B. No. 513 of the 71st Session. I have shown you where the Olmstead Act would fit into the various strategic plans on pages 7 and 8.

ASSEMBLYWOMAN LESLIE:

When you opened the Dini-Townsend Inpatient Facility did you decrease some hospital beds and put that money into the community?

DR. BRANDENBURG:

Yes, we did.

ASSEMBLYWOMAN LESLIE:

The reason we are not doing that in southern Nevada is because it is so underfunded for the growing population that it is not possible.

DR. BRANDENBURG:

The unmet need I have in Clark County is trying to get the severely mentally ill into our West Charleston hospital and not having the space available for them.

The M-200 package is a demographic caseload growth for the medication clinic. On page 13 you will see a graph of that caseload growth in southern Nevada. What we are asking for in the M-200 package is to fund that tremendous growth in the medication clinics. To control costs, we buy in bulk. The division also does a psycho-economic study which will be elaborated on later. We have been aggressively pursuing drug samples and scholarships to reduce the cost of medications. In FY 2002 Rural Clinics received over \$652,000 in sample and scholarship medications, which is about 82 percent of their total pharmacy costs. This means only 18 percent of State General Fund dollars finance the medication costs for Rural Clinics.

SENATOR RAGGIO:

What pharmaceutical companies are most helpful in this area?

DR. BRANDENBURG:

All of them.

SENATOR RAGGIO:

We would like to see a list of these companies for the last biennium and what they have contributed to our system.

SENATOR MATHEWS:

Are we involved with the medical school in terms of outreach, particularly in the southern part of the State? It seems that would be a logical place for them to be a partner in this.

DR. BRANDENBURG:

The partnership with the medical school is mainly with Rural Clinics. Most of our psychiatrists who provide services in rural Nevada are under contract with us from the medical school. The bulk of the psychiatric resources we have are coming from the medical school. The other relationship we currently have is with the psychiatric residency program in the north. Our relationship with the medical school is mainly in the north and in rural Nevada trying to expand it to the south.

SENATOR MATHEWS:

The medical school in the south has an outreach program for homeless and mentally ill. Can we tie this in with what you are doing in the State in terms of what is happening with the State's mentally ill?

DR. BRANDENBURG:

Since I am not aware of the program, I will be more than happy to see if there is a possibility of answering your question by speaking to Dr. McFarland.

The other use of sample medications is with the Southern Nevada Mental Health Services (SNAMHS) and Northern Nevada Adult Mental Health Services (NNAMHS). We save about \$20,000 a month using sample medications in those clinics.

M-201 is the caseload growth for residential support that provides housing for people in the community. Our average daily cost in the hospital is \$389 a day, which is \$11,670 a month, \$495 a month for a group home, and \$573 a month for a supported living arrangement (SLA).

E-350 is a provider rate increase. This is a result of A.B. No.513 of the 71st Session, which directed the Department of Human Resources to develop a strategic plan for provider rates. The Governor's budget shows a 7-percent increase effective January 1, 2004, and an 8-percent increase in 2005 for our providers.

E-451 and E-452 increase our observation beds. E-451 increases the number of beds from 10 to 16; E-452 from 16 to 26 beds. That is our maximum capacity. E-453 recommends adding a second PACT program. This is an effective program which keeps our most severely and persistently mentally ill clients out of the hospital.

E-600 recommends restoring the funds that were used for the residential program. The Governor asked the division and the State for a 3 percent cut. Our 3 percent cut was \$2.8 million. E-600 restores those cuts. We recommend these funds be used for supported living arrangements because they are more cost-effective than the residential treatment programs.

E-805 recommends reclassifying the pharmacist positions to the medical pay schedule in order to create a salary structure that will allow for competitive hiring of pharmacists.

ASSEMBLYWOMAN LESLIE:

It seems we have a mid-term expansion and a long-term expansion. The budget cuts reduced the 88 beds you had at SNAMHS and now you are asking for 78 beds in the mid-term plan. Will we increase the hospital beds by 10?

DR. BRANDENBURG:

The legislature gave us authority for 88 beds. Seventy-eight beds were acute beds, 10 beds were observation beds. I had them in three separate locations in southern Nevada, 60 beds in the hospital, 18 beds in Building 3-A, and 10 observation beds. There was a lot of pressure from the emergency room and I knew I would have to increase the observation beds. With existing resources we went from 10 to 20 observation beds, and acute beds were reduced to 60.

ASSEMBLYWOMAN LESLIE:

You had 88 beds and you moved use of the beds around within the 88 beds. What will be the total for the mid-term?

DR. BRANDENBURG:

It will be 103. It is important to realize that, with existing resources, we currently have 68 acute beds plus 20 observation beds for a total of 88 beds. For every ten persons that go into my observation room I can deflect six away from the hospital.

ASSEMBLYWOMAN LESLIE:

The mobile response team, a new service, is going to get people out of emergency rooms and have a place to put them if we go up to 103 beds.

DR. BRANDENBURG:

E-458 allows us to provide 24-hours-a-day, 7-days-a-week emergency service and triage in Clark County. Right now if people wait too long at the emergency rooms, they walk away.

ASSEMBLYWOMAN LESLIE:

I notice there is long-term planning to renovate the old hospital building for a forensic facility.

DR. BRANDENBURG:

That is not correct. The Governor's capital improvement projects (CIP) include funding to design and build a forensic facility in Clark County. We have done an analysis on Building 3 and it is not feasible to turn it into a forensic facility because we lose beds. We are contemplating either building a forensic facility in Clark County or expanding the Lakes Crossing Center (LCC) facility in the north based on which would be the most economic project.

ASSEMBLYWOMAN LESLIE:

What would happen to Building 3?

DR. BRANDENBURG:

It may be possible to bring long-term Alzheimers dementia patients from out of state and have a contractor provide services to them.

ASSEMBLYWOMAN LESLIE:

Would the money in the budget be for that?

DR. BRANDENBURG:

No. The money is strictly for design and development for a forensic facility.

E-351 is funding to assist with the Judge Breen Mental Health Court. We are ready to help southern Nevada develop a mental health court by using existing resources and coming back to the Legislature once that court is established, just as we did in the north. To clarify the success of the mental health court in the north, I will review some cases with you taken from my written presentation on page 5 ([Exhibit G](#)).

ASSEMBLYWOMAN LESLIE:

I work in my professional capacity at the Washoe County District Court as a specialty courts coordinator, and I did the case study Dr. Brandenburg just discussed. I will stay out of the mental health discussion for that reason. You have eliminated security for the campus from the NNAMHS budget. Is that correct?

DR. BRANDENBURG:

Yes, it is. Security is tighter now that we have the Dini-Townsend Inpatient Facility and we can control the entry and exit points of that hospital.

Page 20 of my second handout, Budget Account 3164, is the Mental Health Information System. The

major issue here is the conversion of our existing Management Information System (MIS). We are asking for overtime for our staff to bring in the software upgrade over two bienniums.

On page 22 of the booklet you will see the administration budget. Please pay special attention to *M-501 HIPAA-Health Insurance Portability*. This deals with hiring a division-wide privacy officer to oversee our HIPAA complaints.

Lake's Crossing Center (LCC), account 3645, appears on page 24. We do not anticipate any growth in the 48 beds. In fact, on page 26 you will see the graph for the facility's census. We must think about a forensic facility or add on to LCC, and that is why you see the design and development CIP component of forensic beds.

The other decision unit is E-279. I am transferring a .75 FTE psychologist from central office, Budget Account 3168. Also, LCC requests a .25 FTE psychologist. This psychologist must be in compliance with NRS 213.1214, the evaluation of the sexual offender panel.

On pages 27 and 28 ([Exhibit F](#)) you will find Rural Clinics. The major issues here are M-356 and E-358.

SENATOR RAGGIO:

I would like to go back to the service provider rates. There is a 7 percent increase in 2004 and an additional 8 percent increase in 2005. Is that all General Fund or is there federal funding?

DAVID E. LUKE, PH.D., ASSOCIATE ADMINISTRATOR, DIVISION OF MENTAL HEALTH AND DEVELOPMENTAL SERVICES, DEPARTMENT OF HUMAN RESOURCES:

Yes.

SENATOR RAGGIO:

That is \$1.1 million from the General Fund the first year, and \$5.4 million General Fund in the second year for providers. How are those rates determined?

DR. BRANDENBURG:

Rate studies were done under A.B. No. 513 of the 71st Session. That was a strategic plan specifically to look at the provider rate for Supported Living Arrangements (SLA) and Community Training Center (CTC) providers.

SENATOR RAGGIO:

How do these proposed increases comport with the rate studies?

DR. LUKE:

I co-coordinated that rate study group. The study was conducted by a private consulting firm. The result was an independent model that built a rate based on wages that are paid within our state for equivalent positions, then applied a cost-of-living and administration fee. Their recommendation was a 38-percent rate increase for the supported living providers and a 33-percent rate increase for the CTC providers. This 15-percent rate was proposed for provider organizations as a down payment to correct underpayment over a period of years.

ASSEMBLYWOMAN LESLIE:

In Rural Clinics you are asking for 18.9 new FTEs. How are these positions going to be filled?

DR. BRANDENBURG:

Last session 11.5 FTEs were approved. All but two positions have been filled, and 1.25 is frozen.

ASSEMBLYWOMAN LESLIE:

How many people are left of those 11?

DR. BRANDENBURG:

We have a vacancy rate of 10 staff. The department had a policy of hiring only licensed clinical social workers. When Mr. Willden looked at the national shortage of licensed clinical social workers, he allowed mental health counselors to be hired. As a result, we have greater flexibility.

ASSEMBLYWOMAN LESLIE:

Is there pay differential built into the budget for the rural population?

DR. BRANDENBURG:

It is the same grade.

ASSEMBLYWOMAN LESLIE:

It is not good if we have 11 openings and 10 of the staff leave within 2 years.

DR. BRANDENBURG:

Not all staff can work in the rural frontier areas because they do not understand the rural frontier issues. We are working with WICHE to try to recruit staff. Now that we can bring in mental health counselors, I think we will be able to do a better job of providing those services.

ASSEMBLYWOMAN LESLIE:

I would like to discuss the feasibility study for the new forensic facility in southern Nevada. The budget book shows this budget was submitted for Building 3. Are you going to resubmit a plan for this money if Building 3 is not going to be used?

DR. BRANDENBURG:

I did not know it was for Building 3. I am sure that was not the intention.

SENATOR TIFFANY:

I see you are eliminating five positions in the Clark County Detention Center and the Las Vegas City Jail. How will this affect the interaction of the State and the county in supporting that effort?

DR. BRANDENBURG:

The Department of Psychiatry at the medical school is now the subcontractor to those services at the jail. In the past, Clark County paid 50 percent of the funds for the FTE and the State paid 50 percent. The county has used its 50 percent to contract with the medical school to provide those services, so they are continuing in Clark County. The State is no longer a partner in that arrangement.

SENATOR TIFFANY:

The services have been stepped down if their 50 percent has been matched, but now we are withdrawing our 50 percent.

DR. BRANDENBURG:

I think the qualifications of the employees have changed. We had social workers and psychologists working in the jail. Now the medical school does not have a Ph.D. psychologist, but might have a M.A. or B.A. psychologist.

SENATOR TIFFANY:

Do you have any information on the success of the outreach program with the \$500,000 allocated?

DR. BRANDENBURG:

You are referring to the homeless outreach pilot evaluation project that was funded through \$500,000 of the Maximus fund. That contract was awarded on October 8, 2002, to WestCare in Las Vegas. WestCare has hired four of the six staff identified in the contract. They have experienced some staff turnover, but today they have developed 12 successful contacts and are providing outreach services to those clients. They have recorded 83 pre-contacts. Pre-contacts are contacts with the individual, but the individual has not engaged with the WestCare staff.

SENATOR TIFFANY:

It would be a problem to give them 100 percent of the funding if they are understaffed.

DR. BRANDENBURG:

The contract was developed to pay only for services provided.

SENATOR TIFFANY:

Do the services provide medications, and are the contacts receiving medications?

DR. BRANDENBURG:

I do not know if they are receiving medications, but I will find out for you.

DR. LUKE:

I will present the developmental services portion of the budget, beginning with page 31. The three regional centers are Desert Regional Center (DRC) in Las Vegas; Sierra Regional Center (SRC) in Sparks; Rural Regional Center (RRC) in Carson City, and four other locations; and the Family Preservation Program (FPP) fund. We also administer a food service program for the campus in southern Nevada.

The individuals we serve have an extended need for support as opposed to mental illness. In 1998 we expanded our coverage to serve people with mental retardation and related conditions such as autism, cerebral palsy, or epilepsy.

On page 32, the Governor is recommending a 35.9 percent increase in funding. Forty-two percent of the revenues come from Medicaid or other federal sources.

SENATOR RAGGIO:

Did we have just under 89 new positions in mental health?

DR. BRANDENBURG:

Yes.

DR. LUKE:

On page 33 , we have the year-end caseload growth and trends from 1996.

SENATOR RAGGIO:

Do the numbers in 2004 and 2005 include the related conditions cases?

DR. LUKE:

That is correct. In total we have reduced 42 state-run beds, leaving us with a total of 110 institutional beds. This is a milestone because of all the residential supports we provide; 90 percent are provided in community settings.

Our average time to qualify individuals is now under 2 months. We continue to work on quality assurance. We experienced a federal review of our waiver and did very well. We are planning to use the waiver in our expansions, and this budget contains support of 313 new waiver slots. We are also focusing on family support, which is consistent with the Olmstead Act. One of the pilot programs we have started with the Temporary Assistance for Needy Families (TANF) funds is the fiscal intermediary. We give the families of a handicapped child at home a grant of \$500. The money is not given to the family directly but to a fiscal intermediary who then allows the family to hire the necessary supports they need to keep that child in the home and supported.

ASSEMBLYWOMAN CHOWNING:

How will moving people into supported living arrangements and getting them into job training result in savings in the Medicaid budget?

DR. LUKE:

We have a Medicaid waiver for home- and community-based services. This means that the State applies to the federal government, and instead of using Medicaid to fund people in institutional care,

the funds are used to buy community-based care. Medicaid is saved money because the institutional care is an entitlement under Medicaid regulation. If there is a family member with a handicap who qualifies for institutional care, the family can demand that service, and the cheapest is \$220 to \$450 a day. We buy community-based care for less than 1/2 to 1/3 of that. The same money can be deployed into community care.

On page 34, all the decision units are caseload growth. There are charts that illustrate that by region and statewide. All the decision units have been prepared consistent with A.B. No. 513 of the 71st Session and the Olmstead Act guidelines. The E-450 plan would bring back 14 individuals funded from Medicaid by the State from out-of-state institutions. The result would save the Medicaid budget and reintegrate people into our community. All 14 of the individuals would come back to community living in Nevada.

The only reinstatements in the E-600, E-601, and E-605 budget cuts were the funds from community placements to move those people out. That represents 42 community slots for supported living.

The final program is the Family Preservation Program (FPP) outlined on page 36. The one issue with the plan is it is funded as a block amount of money. No matter how many people show up to qualify, we divide the money up. We had planned on 166 individuals, and now we are running at 234. Instead of the \$310 per month payments, they are down to \$176 a month.

SENATOR RAGGIO:

Does the help from TANF support 112 of the families?

DR. LUKE:

That is correct.

SENATOR RAGGIO:

There is a total of 436. Would this enhancement restore the payment of \$310 average to another 234 families, accommodating a total of 436 families with the TANF?

DR. LUKE:

That is correct.

SENATOR RAGGIO:

Do you have anything on the capital improvements?

DR. BRANDENBURG:

The only CIP is the 150-bed psychiatric hospital for southern Nevada and the design and development of the forensic facility for LCC.

CAROL SALA, ADMINISTRATOR, AGING SERVICES DIVISION, DEPARTMENT OF HUMAN RESOURCES:

All committee members have an *Overview of Budget Presentation to the Money Committees of the 2003 Legislature* ([Exhibit H](#). Original is on file in the Research Library.). This exhibit includes our budget highlights, performance indicators, caseloads, and program fact sheets. I will refer to this exhibit throughout the presentation. Looking at the current biennium, the division incorporated two initiatives into the budget. These initiatives are the Strategic Plan for Senior Services and an analysis of the Elder Protective Services Program. The Strategic Plan for Senior Services includes recommendations for expansion of home and community-based services, less reliance on medical and institutional services, and better integration of services. Recommendations for elder protective services include restructuring the elder rights unit and increasing staff to respond to elder abuse allegations.

CARLA L.WATSON, ADMINISTRATIVE SERVICES OFFICER, AGING SERVICES DIVISION:

On page 3 I will review Budget Account 3140, the Independent Living Grants. These grants enable elders to remain at home and avoid institutional placement. Funding is provided by the tobacco settlement. There are no General Funds in this budget account. Module E-460 and module E-461 are presented under that budget account.

SENATOR RAGGIO:

We sent a letter of intent asking whether other funding would be available in the event the tobacco settlement funding ended or was reduced. Has any thought been given to how these programs would continue to be funded if the tobacco settlement money is not available?

MS. WATSON:

We were unable to identify other funding sources.

ASSEMBLYMAN MARVEL:

What guarantees do we have, and how long are we going to have the tobacco settlement money?

MS. WATSON:

Bill Draft Request 299 will address the securitization of the tobacco settlement funds.

If a reduction were to occur, I do not know what those amounts would be. It would be a domino effect across three of our budget accounts, the Tobacco Settlement Account for Independent Living Grants in Budget Account 3140, the Homemaker Program in budget account 3252, and the Community Home-Based Initiative Programs (CHIP) Program in budget account 3146.

ASSEMBLYMAN MARVEL:

The question is, will the money dry up?

MS. WATSON:

If our allocation is reduced we would either have to cut back on services, reduce the number of grants we are issuing, or ask for an allotment from the General Fund to replace the tobacco settlement.

MS. SALA:

Our next budget account is 3151 on page 4. This includes division administration, as well as the resource development, elder rights, and fiscal services units. The resource development unit is responsible for grants administration and community resource development. The Elder Rights Unit is established under Title III of the Older Americans Act and State statutes. Its responsibilities include statewide repository of elder abuse reports, coordination of protective services, legal services development, ombudsman functions for institutionalized elderly, community ombudsman activities for the elderly, benefits counseling, and the Eldercare Helpline. The community ombudsmen are authorized by *Nevada Revised Statutes (NRS)427A.300*. Funding for this budget account is a combination of State General Fund appropriations and federal funding.

MS. WATSON:

Decision unit M-501 on page 4 requests funding for one management analyst IV. The privacy standards of the Health Insurance Portability and Accountability Act (HIPAA) require each "covered entity" to appoint a privacy officer.

SENATOR RAGGIO:

Does HIPAA require this?

MS. WATSON:

HIPAA requires a privacy officer.

SENATOR RAGGIO:

What does a privacy officer do?

MS. WATSON:

The privacy officer provides quality assurance by making sure that the Division for Aging Services is in compliance with HIPAA regulations.

ASSEMBLYWOMAN LESLIE:

Do we really need a privacy officer for each division? How does HIPAA define "covered entity?" I see you have that in quotations. Does it mean each division of the department?

MS. WATSON:

HIPAA requires safeguarding of information. That is why there are privacy provisions and security provisions.

ASSEMBLYWOMAN LESLIE:

Are you saying we cannot have one HIPAA person for the department because they cannot see the information from the different divisions?

MS. WATSON:

There are so many operations under the department that I do not think one person could cover all of the operations.

ASSEMBLYWOMAN LESLIE:

Aging Services is so much smaller than Medicaid, for example. Is Medicaid coming in with a HIPAA person too?

MS. WATSON:

Yes.

ASSEMBLYWOMAN LESLIE:

It seems odd to me that we would have one person per division. Maybe we could consolidate those.

ASSEMBLYMAN BEERS:

I am mystified why a large agency and a small agency both need one person. That makes no sense.

MARY LIVERATTI, DEPUTY DIRECTOR, DEPARTMENT OF HUMAN RESOURCES:

HIPAA provisions address how we maintain our information and require us to ensure that anyone who contracts with us complies with HIPPA regulations. We have no one on staff now that can absorb that duty. I do not know how one person would cover the whole Department of Human Resources.

SENATOR RAGGIO:

How many privacy officers are contemplated in the entire department?

MS. LIVERATTI:

I believe every agency has requested one privacy officer.

SENATOR RAGGIO:

Staff indicates that is about eight. It is imperative that you look into the feasibility of combining that function so we are not looking at eight new positions.

MS. WATSON:

Decision unit E-457, page 4, will increase the division's authority for the federal grants that are anticipated during the biennium. The Ombudsman Program Expansion, E-458, will enable the division to access the federal share of Title XIX funds to expand the ombudsman program in the Elder Rights Unit by adding two ombudsmen positions, two intake workers, and one administrative assistant.

SENATOR RAGGIO:

That is five positions. Where is the caseload that justifies five new positions?

BRUCE MC ANNANY, DEPUTY ADMINISTRATOR, AGING SERVICES DIVISION:

This program does not ask for any additional State funds. It is also a quality assurance program. At this point our 7.5 state-wide ombudsmen are handling 14,000 complaints a year. We also have a standard within the division to complete closed cases within 90 days. We are at 60-percent

compliance with that now because of the lack of staff.

SENATOR RAGGIO:

Are there no State funds, not even for a match?

MR. MCANNANY:

There is not a match in this.

MS. WATSON:

The next decision is E-500 located on page 5 of your handout. This module pertains to the Senior Ride Program which was eliminated in base in the Governor's budget. This module would re-establish the program. The Taxicab Authority advises funding for the Senior Ride Program is contingent on Bill Draft Request 538 (BDR 538), which proposes to increase the surcharge paid by the taxicab companies to the Taxicab Authority by \$.05. If this is successful, the Taxicab Authority will transfer an additional \$100,000 for a total of \$378,218 to the division for the sale of 10,000 additional coupon books for a total of 30,000 coupon books.

MS. SALA:

Budget account 3146 appears on page 6 of [Exhibit G](#). The community-based care unit provides services to those frail seniors most at risk through two Medicaid waivers and a State-funded program. The Community Home-Based Initiatives Program (CHIP) and the Group Care Waiver Program (GCWP) provide alternatives to nursing-home placement.

M-200 on page 7 is Medicaid and tobacco settlement funding requested in the decision unit to provide purchase of in-home services, 3 new direct service positions, and support costs of those positions. This module would provide services for an additional 108 slots over the biennium. Tobacco settlement funds will be utilized to match federal Medicaid Title XIX funds. Enhancement module E-450 requests one new case manager for medically fragile clients to provide services to northern Nevada. The division has only one nurse case manager located in Las Vegas to serve the entire State.

Decision unit E-451 would allow the division to increase the number of clients receiving Medicaid waiver services under CHIP. There is a typo in budget account 3146, decision unit E-451, in the Governor's budget. It states there are 180 clients but should state 80 clients. Increasing the number of clients for the Medicaid waiver correlates with recommendations made in the strategic plan, A.B. 513 of the 71st Session. Our M-200 unit addresses demographic growth, but this enhancement addresses the waiting list, which is 628 clients. Enhancement 452 on page 8 would increase the number of clients for the group-care waiver. This enhancement provides an additional 100 slots over the biennium and includes three new positions. Module E-459 is based on S.B. No. 174 of the 71st Session, which directs providers of Personal Assistance Services to address the needs of the most severely disabled persons and those requiring assistance with bathing, toileting and feeding. The division will need additional resources to meet this mandate for serving persons on the waiting list for Community-Based Services funded out of the General Fund. There are 33 people on the State waiting list that meet the criteria of [S.B. 174](#).

SENATOR RAGGIO:

How much money does it cost per year to accommodate 33 clients?

MS. WATSON:

That is estimated at \$937,525 in FY 2004 and \$950,531 in FY 2005, which covers the 33 clients on the waiting list.

SENATOR RAGGIO:

If this budget is funded as presented, how will it affect the existing waiting list and group care waivers?

MS. SALA:

The enhancement was built to address the waiting list where the maintenance accounts for

demographic growth. The result would be that the waiting list would continue to decrease.

SENATOR RAGGIO:

Were there 711 clients on the CHIP waiting list last September?

MS. SALA:

There are currently 628 on the Medicaid CHIP waiting list. That translates into a 6-month wait, both north and south, for anyone on the list.

SENATOR RAGGIO:

If we fund this will you still have a 6-month waiting period?

MS. SALA:

It should decrease the time limit. We would target the most at-risk people on the list, with the institutionalized people prioritized.

SENATOR RAGGIO:

We need a definite breakdown so we will know how this funding is going to affect the waiting list. We need some projection as to how many, how soon, and what you expect the waiting list to be at the end of each year.

SENATOR MATHEWS:

How many are currently served in the personal assistance program?

MS. SALA:

We have 996 on the Medicaid funded CHIP program, 156 on the group care waiver, and 127 on our State-funded CHIP. The figures I have given you were at the end of December. Page 9 ([Exhibit G](#)) modules E-900, E-901, and E-902 transfer personal care assistance from the CHIP Medicaid waiver to the Division of Health Care Finance and Policy (DHCFP). The Nevada Medicaid division offers personal care assistants (PCA) as a state plan service. The CHIP Medicaid waiver also offers PCA services. This is in violation of Medicaid regulations. Waiver services cannot duplicate regular state plan services. The waiver services should enhance state plan services to achieve the goal of reducing overall medical costs. During the biennium the Medicaid division determined the inclusion of the PCA services as part of the CHIP waiver services was not in compliance with federal Medicaid regulations. Therefore, it is necessary to remove the personal care services from the waiver program.

MS. WATSON:

Budget account 3252 is located on page 10. The Title XX Homemaker Program and the Elder Protective Services Program were transferred to the Division for Aging Services (DAS) from the Division of Health Care Financing and Policy effective July 1, 1999. With the addition of the Homemaker Program the DAS now serves not only seniors, but also younger disabled adults. It is part of the community-based care unit. The Elder Protective Services unit investigates reports of elder abuse, neglect, exploitation, or isolation.

Decision Unit E-456 requests funding for 3.51 social worker positions and two intake workers to increase the efficiency and effectiveness of the Elder Protective Services program. With the existing staff the division is unable to conduct a face-to-face investigation within 3 working days for all reports. Each social worker has an average of 37 cases monthly. The national average is 25 cases. The 3.51 additional social worker positions would reduce the caseload average, reduce the number of cases handled by the existing supervisors, and allow for more visits to occur within the time period. Additionally, the requested administrative assistants can absorb the clerical function of the existing social workers, thus allowing the social workers to spend more time in the field.

SENATOR RAGGIO:

This combines the Elder Protective Services (EPS) program and the Homemaker program. The homemaker caseload was 668 clients in October. There were 272 on the waiting list at that time. Will it have any effect on the waiting list?

MS. SALA:

It will not have any affect on the waiting list. The Homemaker Program and the EPS are both out of budget account 3252, which is Title XX funding.

SENATOR RAGGIO:

We only had about \$13,000 General Fund money in this and now it is rising to \$315,000 General Fund in FY 2003-04 for the Elder Protection program. That adds 5.5 positions. Why do you need that increase in your EPS staff?

MS. WATSON:

We had to go to the General Fund because we are not getting more Title XX other than what was in our base budget.

SENATOR RAGGIO:

You say it will not affect your waiting list, so why are we adding five new positions if these will not have any impact? Am I mishearing this?

MR. MCANNANY:

The five positions are assigned to the EPS program, not to the Homemaker Program. We cannot meet the statutory requirement to respond to a call within 72 working hours. In fact, now we have some reports of abuse, neglect, exploitation, and isolation that we investigate initially, but we have no face-to-face contact with that individual for 20 days. My staff in Las Vegas is responsible for investigating complaints in Tonopah and Pahrump.

SENATOR RAGGIO:

Up to this point Title XX has been funding all the positions, has it not?

MR. MCANNANY:

That is correct.

SENATOR RAGGIO:

That is one area we will be looking at carefully in subcommittee.

ASSEMBLYWOMAN LESLIE:

This has also been a concern in Washoe County. I see in the budget book that one intake worker will be in Las Vegas and one in Reno. Can you tell me where the 3.51 new social work positions are going to be? Why not outstation somebody for rural Nevada instead of having people drive from Las Vegas to Tonopah?

MR. MCANNANY:

We did have someone in an outstation position but there were not enough cases for that area. We had to return to the Reno area and deal with some of the rural areas from there.

ASSEMBLYWOMAN LESLIE:

Where are the new social workers going to be stationed?

MR. MCANNANY:

There will be one social worker in Las Vegas, one in Carson City, and one in the Reno area. The half-time position is currently in Elko and shares responsibilities with homemaker and elder abuse.

MS. WATSON:

Budget account 2363 is covered on page 11. The Senior Citizens' Property Tax program was transferred to the division from the Department of Taxation on October 1, 2001. This program provides relief to eligible senior citizens who are carrying an excessive residential property tax burden in relation to their income and to those senior citizens who, through rent payments, pay a disproportionate amount of their income for property taxes. Funding for this budget account is 100

percent State General Fund.

Module M-200 recognizes the projected growth in applications received at the county level as well as projected growth in refunds paid to eligible seniors. For statistics, please refer to page 24. Module E-454 is covered on page 11. Existing staffing for this program is responsible for auditing and processing 14,000 applications per year. If a claim is granted, the division is required to pay the refund no later than August 15. The percent of refunds paid by August 15 in FY 2002 was 67 percent. The division does not have staff to provide supplemental assistance and there is a need for 2 FTE, and a .51 FTE Administrative Assistant III is requested. This concludes our presentation.

SENATOR RAGGIO:
Please be mindful of the requests that were made. This committee is adjourned at 4:20 p.m.

RESPECTFULLY SUBMITTED:

Julie Walker,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chairman

DATE:_____