

# State of Our State



**Where we've been. Where we are. WHAT WE MUST DO.**

***John Ocegüera***  
***Speaker-ELECT, Nevada State***  
***Assembly***

# Where our Economy Stands



## Nevada

- ***Highest Foreclosure Rate*** in the nation, with 54% of home sales coming from foreclosures.
- ***Highest Unemployment Rate*** in the Nation (14.2%) compared to the national rate of 9.8% in November.
- ***Nevada depends on discretionary spending of visitors*** from other states and countries. As the nation and world struggle to recover from this great recession, Nevada will too.

# Where our Economy Stands



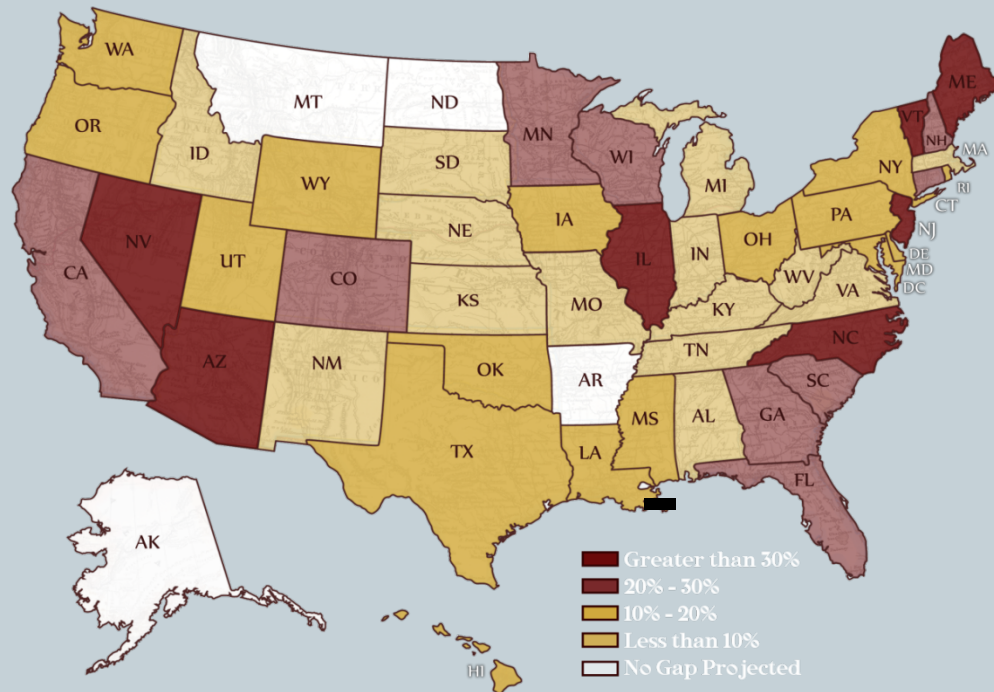
## Fact:

Nevada has the largest percentage State General Fund budget deficit in the nation.

# Where our Economy Stands



## States Reporting a Budget Shortfall for Fiscal 2010-2011



|                  |              |
|------------------|--------------|
| <b>1 Nevada</b>  | <b>54.0%</b> |
| 2 Illinois       | 41.5%        |
| 3 New Jersey     | 38.3%        |
| 4 Arizona        | 36.6%        |
| 5 Maine          | 34.7%        |
| 6 North Carolina | 30.3%        |
| 7 Vermont        | 30.2%        |
| 8 Connecticut    | 28.9%        |
| 9 Georgia        | 26.2%        |
| 10 Minnesota     | 26.0%        |

# Where Nevada Ranks



Nevada has the 2nd lowest tax burden in the country and the 4th best business tax climate.

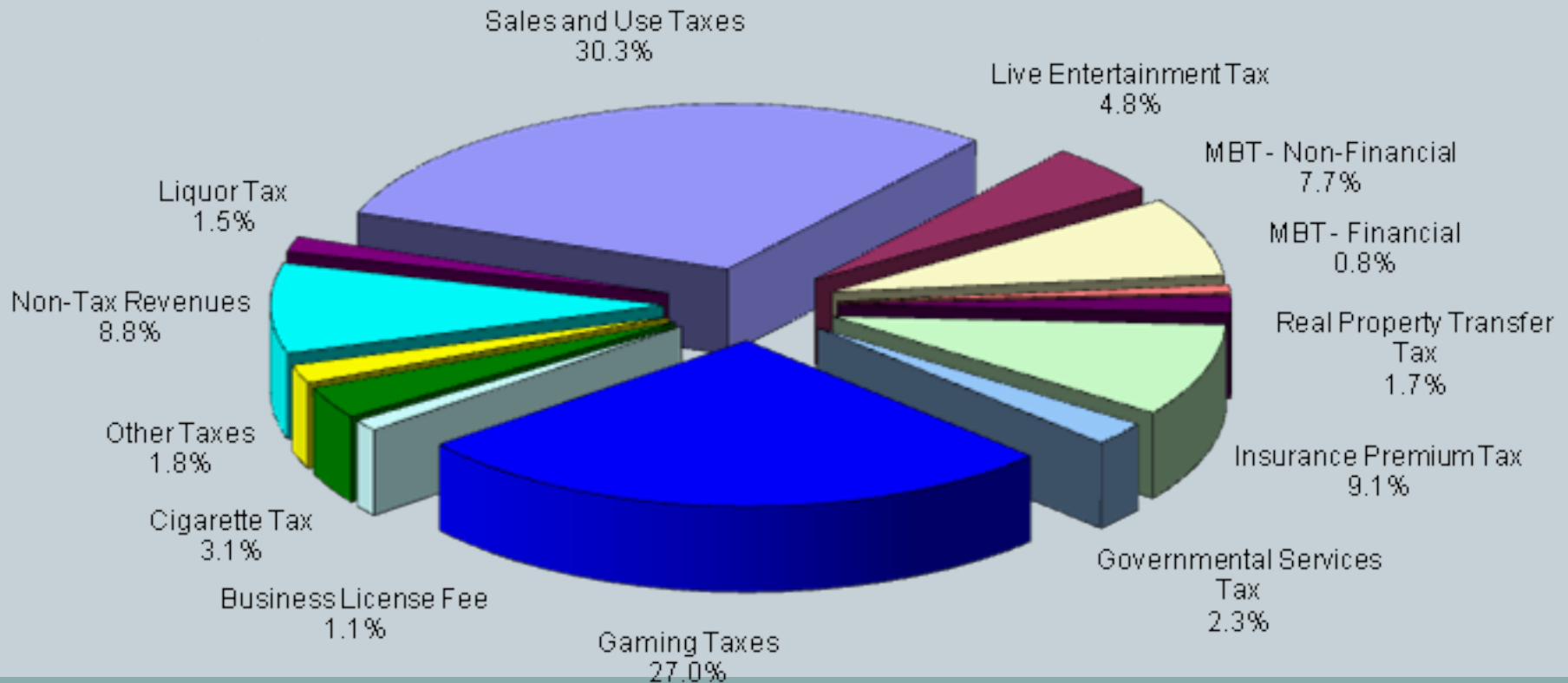
Nevada also has the fewest state and local employees per capita, ranking 51st in the nation.

*We have a low tax burden and the leanest government structure.*

# Sources of NV General Fund Revenue: 57.3% Comes from Gaming and Sales Taxes



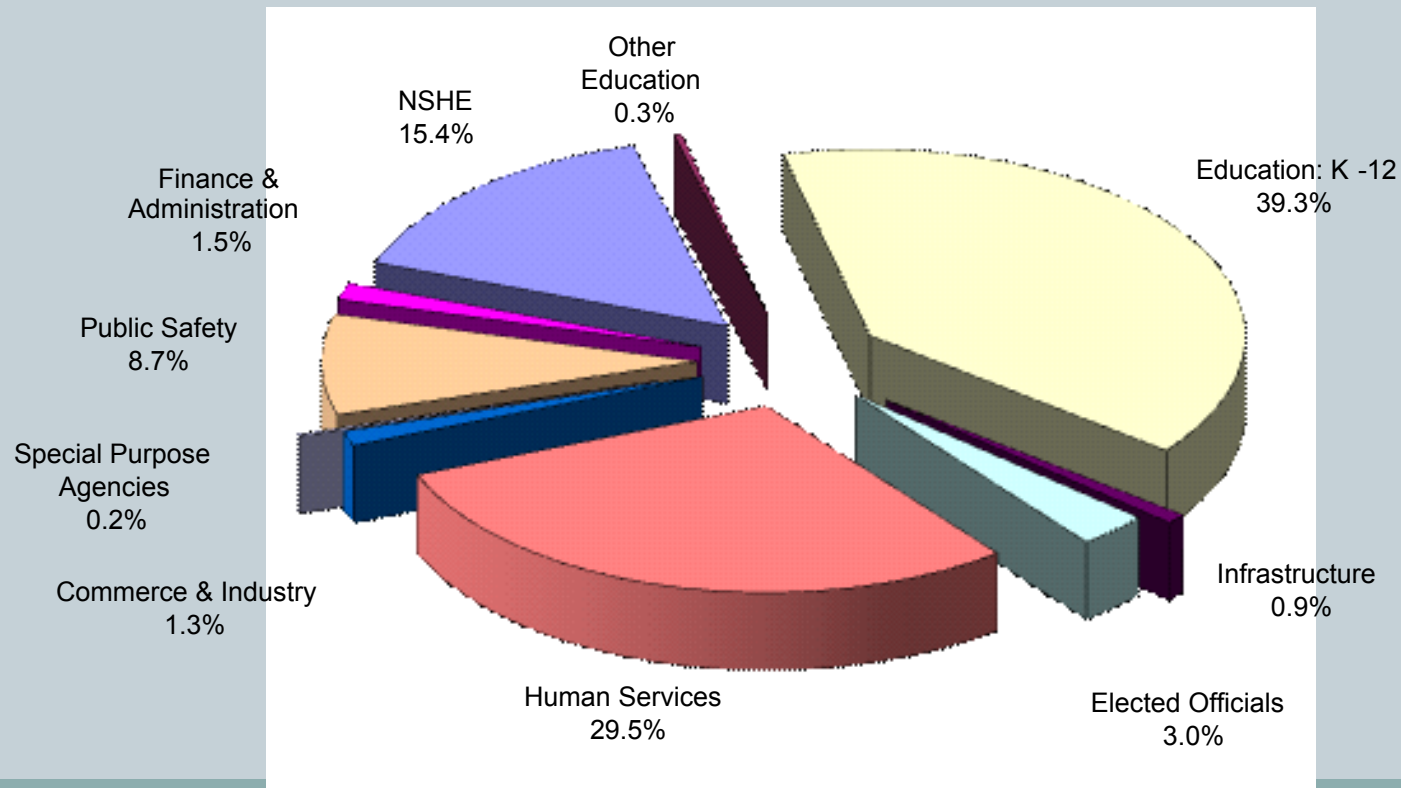
## General Fund Revenue – 2011-2013 Biennium Nevada Economic Forum Forecast (Dec. 2010)



# 93% of General Fund Revenue Supports Education, Public Safety, Health/Human Services



## Legislature Approved – 2009-2011 Biennium Adjusted for Actions Approved in A.B. 6 – 26th Special Session



# Facts: Where We Stand



**Our problem is that Nevada ranks near the bottom on every quality of life factor, making it extremely difficult to attract new businesses.**

- **47th in Quality of Life – Forbes 2010 “*Best States for Business and Careers*”.**
  - Rank based on schools, health, crime, cost of living & poverty rates.
- **47th Overall Rank – CNBC “*America’s Top States for Business 2010*”. Factors include:**
  - 37th for Quality of Life; and
  - 50th for Education.

# Facts: Where We Stand



## *Education: near the bottom*

- 43rd in per pupil public school expenditures.
- 46th in higher education per capita expenditures.
- 45th in residents with Bachelor's Degrees or higher.
- 41st in 18-24 year olds enrolled in college.

# Facts: Where We Stand



## *Health and Human Services*

- Last in children without health insurance.
- Last in number of women without prenatal care.
- 2nd highest suicide rate.
- 46th in number of children fully immunized.

## *Public Safety*

- 2nd highest violent crime rate.
- Highest robbery rate.

# What Has the State Already Cut? (FY 2008- FY 2011)



## K-12 Budget Cuts

### FY 2008-2009: \$176.2 million

- Slashed textbook funding by 50% .
- Cut library books funds by 15%.
- Reduced programs for gifted and talented.
- Cut adult education and vocational programs.

### 2009 Regular Session & 26th Special Session: \$286.7 million

- Cut textbook, supplies and instructional materials again.
- Cut grant support for underperforming schools.
- Slashed teacher training funds.

# What Has the State Already Cut? (FY 2008- FY 2011)



## **Higher Education**

### **Cuts totaling \$450.2 million:**

- *Lost 674.75 full-time equivalent positions* in faculty and classified and professional staff.
- *24 degree programs eliminated or deactivating.*
- *31.1% increase in fees paid by students to finance the state-supported operating budget* , an additional burden of *\$52.2 million* paid by students annually.
- *BUT: demand still growing - Number of students grew by 8.6% in the last two years.*

# What Has the State Already Cut? (FY 2008- FY 2011)



## Health and Human Services

### FY 2008-2009: \$142.3 million

- Cut personal care services to the elderly and disabled.
- Cut Medicaid payments to doctors, hospitals and health clinics.
- Closed Dayton and Fernley Mental Health Clinics.
- Hiring freeze resulted in a 15% decline in eligibility staff.
- Cut personal assistance, traumatic brain injury, autism, and independent living programs for the disabled.

### 2009 Regular Session & 26th Special Session: \$162.6 million

- Lowered staffing of mental health inpatient facilities and closed 22 hospital beds.
- Continued rate reduction for Medicaid reimbursements to hospitals.
- Cut funding for personal care services for the disabled.
- Reduced substance abuse prevention and treatment programs.
- Cut capacity at youth training and correctional facilities and closed Summit View Correctional Center.

# What Has the State Already Cut? (FY 2008- FY 2011)



## **Department of Corrections**

### **FY 2008-2009: \$26.7 million:**

- Closed Southern Nevada Correction Center, Silver Springs Conservation Camp, and one section of Nevada State Prison; delayed expansions of three other facilities.
- Froze 20% of the positions within Correctional Programs.
- Cut substance abuse treatment and re-entry skills training.
- Eliminated DUI treatment program operated by an outside contractor.

### **2009 Regular Session & 26th Special Session: \$9.7 million:**

- Closed 100 beds at the Florence McClure Women's Correctional Center.
- Closed Unit No. 8 at Nevada State Prison.
- Reduced medical payments to Medicare rates.

# What Has the State Already Cut? (FY 2008- FY 2011)



## **Division of Parole and Probation**

### **FY 2008-2009: \$5.6 million**

- Hiring freeze (17% staffing cut through 90 unfilled positions).

### **2009 Regular Session & 26th Special Session: \$4.5 million**

- Slashed 23 Public Safety Officer positions resulting in increased size of administrative caseloads in Southern Nevada.

# Projected Budget Shortfall



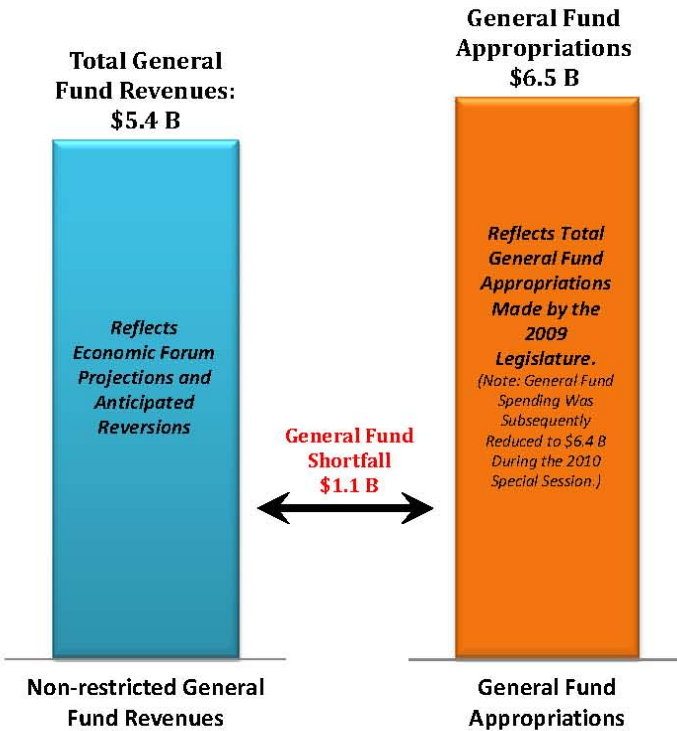
## **Nevada Economic Forum Predictions**

**December 1, 2010**

- Projects \$5.3 billion in tax revenues for next two fiscal years (Fiscal Years 2012 and 2013).
- Revenue projection is approximately \$1.1 billion lower than current General Fund appropriations.
- Total shortfall for the next two years has been estimated to be approximately \$2.7 billion.

## The \$1.1-Billion General Fund Shortfall

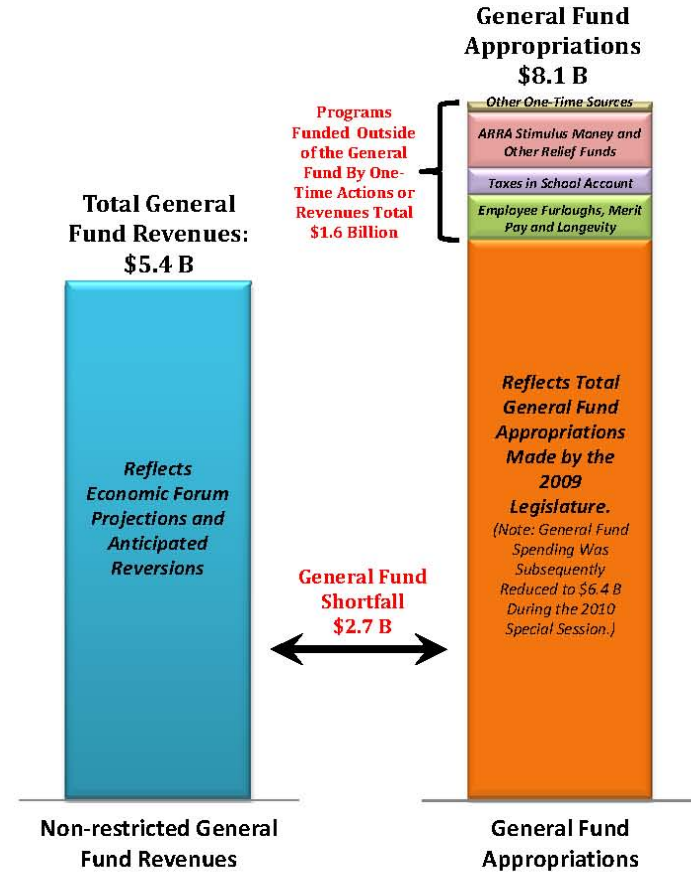
The \$1-billion State General Fund revenue shortfall results when you compare projected State General Fund revenues for the 2011-2013 biennium to State General Fund appropriations for the 2009-2011 biennium. Importantly, the State General Fund accounts for only 39 percent of all State appropriations and authorizations, or \$6.5 billion out of \$16.7 billion total. The other \$10.2 billion is accounted for in funds other than the State General Fund, such as the Distributive School Account or the State Highway Fund.



This is a draft document. It is intended for discussion purposes only.

## The \$2.7-Billion General Fund Shortfall

The \$2.7-billion State General Fund revenue shortfall results when you compare State General Fund revenues to both State General Fund appropriations plus programs funded outside of the General Fund with one-time dollars, such as Federal stimulus money or sunset tax increases. Because these funds are non-recurring, the State's General Fund must make up the difference, new sources of revenue must be created outside the General Fund, or funding for the programs must be reduced.



# How Could Additional Cuts Impact Nevada?



## **Executive Budget Planning:**

- **State agencies were instructed by Governor's Office to include 10% budget reductions in the agency requests for the 2011-2013 Biennium.**
- **Reductions total approximately \$819 million over the biennium.**

# How Could Additional Cuts Impact Nevada?



## Reductions in Agency Requests for the 2011-2013 Biennium include:

### K-12 Education

- Reductions in:
  - Basic support per pupil.
  - Funding for the Full-Day Kindergarten Program.
  - Education Technology and Career Education programs.
- Continued suspension or elimination Norm-Referenced Tests to students.

# How Could Additional Cuts Impact Nevada?



## **Reductions in Agency Requests for the 2011-2013 Biennium include:**

### Department of Health and Human Services

- Elimination of programs:
  - Prevention of Problem Gambling
  - Senior Citizens' Property Tax Assistance
  - Senior Mental Health Outreach
- Elimination of almost all optional services provided under the Medicaid program, including:
  - In-home personal care services
  - Adult day health care and home-based rehabilitation services
  - Dentures and re-lines for adults
  - Some vision services
- Additional cuts in rates paid to Skilled Nursing Facilities for Medicaid clients and for certain inpatient hospital services

# How Could Additional Cuts Impact Nevada?



## **Reductions in Agency Requests for the 2011-2013 Biennium include:**

### **Department of Health and Human Services (continued)**

- Elimination of State funding for the Mammovan breast cancer detection program.
- Elimination of all funding for non-medical room and board expenses for mental health treatment for children not in custody of DCFS.
- Further reductions on beds available at the Nevada Youth Training Center juvenile correctional facility in Elko.
- Further reduction in support for individuals with mental illness.
- Elimination of Southern Nevada's Mental Health Court and 50% reduction of program in Northern Nevada.

# How Could Additional Cuts Impact Nevada?



## Reductions in Agency Requests for the 2011-2013 Biennium include:

### Department of Corrections

- Closure of the Nevada State Prison.
- Elimination of differential pay for employees in rural & remote areas.

### Department of Public Safety

- Increasing the Parole and Probation's General Supervision caseload ratio from 70 to 80 offenders per officer.
- Elimination of all staff support for the Pardons Board.

# Nevada - Where We Are:



## Fact:

Nevada could *concurrently* make the largest budget cut in state history, create the largest tax increase in state history and not fill the shortfall.

# WHAT WE MUST DO



## The 2011 Legislature

- Convenes on February 7, 2011
- Adjourns on June 6, 2011 (120 Days)
- Must Use Economic Forum Projections
- Must balance Nevada's budget

### FACT:

There is no simple solution to Nevada's fiscal challenge.

# WHAT WE MUST DO

