



STATE OF NEVADA

Governor's Executive Budget *2021-2023 Budget Highlights*

INTRODUCTION TO THE 2021 – 2023 GOVERNOR’S EXECUTIVE BUDGET

The COVID-19 pandemic forced the State of Nevada, and the world, into a state of emergency unlike anything ever experienced in our collective history. Building a budget for the State for the next two years is a challenge in the best of times. Building a two-year budget during a global pandemic with a severely disrupted economic landscape is formidable. The Governor’s Executive Budget highlights the pain wrought by the pandemic while also setting forth a clear plan to revitalize, innovate, and grow Nevada’s economy.

During the 31st Special Session in July of 2020, the Nevada State Legislature had to make difficult cuts to the approved Fiscal Year (FY) 2021 budget based on summer revenue projections. However, December 2020 revised revenue projections were greater than predicted. Ultimately, state revenues – while still severely impacted by the economic crisis – never dropped as low as our worst expectations and this budget reflects that inconsistent, if not positive, ending point.

With the recent improvement in revenue projections, the Governor’s Executive Budget calls on the Legislature to restore critical Medicaid and Neonatal Intensive Care Unit hospital service rates, and to immediately inject additional funds into small business grant programs to provide relief and assist Nevadans as quickly as possible.

Under the direction of Governor Sisolak and amidst the uncertainty over the timing and extent of federal relief at the end of calendar year 2020, the Governor’s Finance Office worked closely with state agencies to make difficult decisions for the upcoming biennial budget. Agencies were tasked with carving out as much savings as possible in the form of difficult cuts while also balancing and prioritizing the heightened demands for public health, public safety, and economic preservation.

After months of uncertainty surrounding Nevada’s economic situation, the December 2020 economic forum provided revenue projections better than our worst expectations. While improved, the projections show that state revenues are still severely impacted.

With better-than-projected revenues, the State was able to restore some expenditures in Fiscal Years 22 and 23, but not all of them. The revenue supporting the Governor’s Executive Budget is still \$500 million less than the prior biennium, while the need for expanded, essential services continue to increase. This alone demonstrates a strong need for additional federal support to protect Nevada’s public health while also reviving its economy.

The 2021 legislative session will necessitate difficult decisions requiring the Executive and Legislative Branches to work together to balance the health and safety of Nevadans while navigating a path of economic stability. This Executive Budget represents the work of the Executive Branch to prioritize services to minimize the impact for Nevadans who are most in need – those Nevadans dependent on social safety net supports and programs.

SUMMARY OF REVENUES AND EXPENDITURES

Recap of 2019 – 2021 Biennium

- May 2019
 - Nevada Economic Forum provides a projection of Total net revenue after tax credits for the 2019-2021 biennium of approximately \$9.04 billion.
 - Nevada Legislature approves approximately \$8.8 billion in General Fund expenditures for the 2019 – 2021 biennium.
- June-July 2020
 - In response to COVID-19-related economic shutdown, revenue projections show a drastic drop to \$7.7 billion.
 - During Special Session Nevada Legislature cuts General Fund expenditures for the 2019-2021 biennium by 6% to \$8.35 billion. FY 2020 appropriations not reduced however FY 2021 is cut by 11.7%.

Moving Forward - 2021 – 2023 Biennium

- December 3, 2020
 - The Nevada Economic Forum provided a total General Fund (GF) revenue forecast before tax credits of \$8,680,382,145 for the 2021-2023 biennium.
 - FY22 \$4,196,718,524
 - FY23 \$4,483,663,621
 - Total net revenue after tax credits for the 2021-2023 biennium projected by the Economic Forum to be \$8,507,478,145. This represents a decrease of \$534,833,571 (or 6%) compared to the 2019-2021 biennium budget approved by the Legislature in June of 2019.
 - FY22 \$4,115,699,024
 - FY23 \$4,391,779,121
 - Tax credits total \$85,315,000 over the biennium, not including Commerce tax credits.
 - FY22 \$37,657,500
 - FY23 \$46,657,500
- January 18, 2021
 - The 2021-2023 Governor’s Executive Budget puts forward General Fund expenditures of \$8,688,624,000.
 - Reflects \$187,279,876 (or 2%) reduction in General Fund expenditures over the 2019-2020 biennium
 - Includes an increase of \$845 million in federal funds

- Provides \$530 million in other funds including licenses, fees and fines
- Non-General Fund increase is \$1.3 billion
- Total expenditures (including all funding sources) for the 2021-2023 biennium total \$27.1 billion, an increase of \$1.3 billion or 5.1% over the current biennium.

Priority Expenditures

- **Health and Human Services** expenditures for the 2021-2023 biennium total:
 - \$15.2 billion, an increase of \$2.6 billion over the current biennium (includes all funding).
 - Medicaid budget increases are a direct result of the increase in Medicaid caseloads. As of November 2020, over 761,000 Nevadans were covered by Medicaid compared to the 641,000 projected when the Legislature approved the FY21 budget in 2019. This is an increase of 18.7%. Nearly one in four Nevadans are currently enrolled in Medicaid.
 - The Governor's Executive Budget reflects more than 778,000 individuals will be enrolled in Medicaid by the end of the 2021 - 2023 biennium, an increase of approximately 2.2% over the existing caseload.
 - Medicaid - Expenditures for the 2021-2023 biennium total \$10.238 billion, an increase of \$1.58 billion over the current biennium (includes all funding).
- **Education (K-12 and Nevada System of Higher Education)** expenditures for the 2021-2023 biennium for both K-12 and NSHE total \$7.0 billion, which equates to a decrease of \$130 million over the current biennium.
 - K -12 Education:
 - Expenditures for the 2021-2023 biennium total \$4.9 billion (**state funds only.**)
 - Expenditures for the 2021-2023 biennium total \$6.63 billion (**including local funds**), which represents a decrease of \$50 million compared to the current biennium.
 - Nevada System of Higher Education:
 - Expenditures for the 2021 - 2023 biennium total \$2.0 billion, which equates to a decrease of \$80 million in General Fund over the current biennium.
 - NSHE Board of Regents shifted student access funds to cover shortfalls for the Nevada Promise Scholarship program.
 - Expected Federal Aid:
 - Per the federal stimulus bill passed and signed at the end of 2020, K-

12 Education is expected to receive over \$450 million in federal aid to assist with learning loss and infrastructure/technology needs.

- Higher Education is expected to receive over \$100 million in federal aid to assist with lost revenue, distance learning, financial aid and more.
- Federal guidance on how these funds must be distributed and applied is still forthcoming and could not be included in the Governor's executive budget.

REVENUE ADJUSTMENTS

Transfer from Account to Stabilize the Operation of State Government (Rainy Day Fund)

As a result of the State's significant loss in revenue due to the economic impacts from the COVID-19 pandemic, the Governor's Executive Budget transfers the balance of the Rainy-Day Fund of \$97.5 million to FY 22 to mitigate budget reductions.

CAPITAL IMPROVEMENT PROJECTS

The Governor's Executive Budget reflects the importance of continued investments in Capital Improvement Projects (CIP) during the 2021-2023 biennium as they relate to creating jobs and maintaining necessary public infrastructure.

- Total CIP projects funded is **\$415.9 million**:
 - \$371 million from State general obligation bonds
 - \$14.9 million from Highway funds
 - \$119.7 million from other sources (University, Federal Funds, Grants, Fees, etc.)
 - \$75 million for planning, design and development of infrastructure and economic development projects
- **91** CIP projects, including new statewide infrastructure and an economic development program, are recommended:
 - 13 construction projects
 - 55 maintenance projects
 - 6 planning projects
 - 10 statewide projects
 - 7 economic development projects
- Major construction projects include:
 - Restoration of funding for the previously approved engineering and academic research building at University of Nevada Las Vegas
 - A welding lab and renovation at Great Basin College
 - An addition at the Washoe County Training Center (National Guard)

- Rehabilitation of the Hobart Reservoir Dam (Marlette Lake Water System)
- Southern Nevada Fleet Services Maintenance Building
- Rehabilitation of the Cave Creek Dam
- Aircraft storage hangar and sitework (Harry Reid Training Center, Stead)
- Initial funding for the programming and conceptual design of a state forensic and crime laboratory

ONE-SHOT AND SUPPLEMENTAL APPROPRIATIONS

ONE-SHOT EXPENDITURES

The Governor's Executive Budget includes \$226.5 million (General Fund) for one-shot expenditures in FY21. These funds are a result of revenues more than FY21 revised projections and state reimbursements through federal funds. The Governor's Executive Budget calls on the legislature to immediately approve of these funds to be dispersed in FY21 to various budget accounts (agencies) for several important projects that support business; healthcare workforce; scholarships; essential maintenance, technology, and more:

Business Assistance

Nevada businesses have sacrificed greatly during the pandemic-related shutdowns and restrictions. The State of Nevada responded with millions in federal aid for businesses. Even with more federal dollars on the way, the need is massive, and recovery will take time. The Governor's Executive Budget adds much-needed immediate assistance for Nevada small businesses impacted by the pandemic.

Healthcare Resources

Healthcare resources continue to be greatly needed in Nevada and this budget provides:

- \$25 million – Construction for a medical school at UNLV to fulfill the State's commitment to build a state-of-the-art facility to educate and train a much-needed medical workforce
- \$6 million – Funding for testing and treatment of hepatitis C for the prison population

Education –Scholarships

This budget continues the investment in our students:

- \$44 million – Millennium Scholarship
- \$7.3 million – Nevada Promise Scholarship

Public Infrastructure and Technology

The Governor's Executive Budget addresses essential maintenance and technology needs for the State:

- \$2.3 million – Deferred maintenance projects, including:
 - o \$1.2 million for Health and Human Services, and
 - o \$1.1 million for National Guard Facilities (\$530k) and Forestry (\$667k)
- \$3.9 million – Equipment, including:
 - o Computer hardware, printers, medical and dental equipment
- \$78.7 million – Information Technology projects, including:
 - o \$23.2 million – Smart 21 (new human resources and financial system)
 - o \$17.4 million – Child Support Enforcement system replacement
 - o \$18.6 million – NV Criminal Justice Information System replacement

SUPPLEMENTAL APPROPRIATIONS

The Governor's Executive Budget includes \$342.3 million in supplemental appropriations for expected 2019-2021 biennium funding shortfalls as follows. Supplemental appropriations are dedicated to funding deficits from the previous biennium that must be remedied in subsequent biennium's budget.

- Distributive School Account (DSA) = \$331.6 million (combined state and local)
- Forestry (Fire Suppression) = \$10 million
- Department of Corrections = \$500,000

HIGHLIGHTS OF 2021-2023 BIENNIAL EXPENDITURES

EDUCATION / K-12

During the 2019 Legislative Session, the Nevada Legislature took a significant step by changing the 53-year-old education funding formula and created the Pupil-Centered Funding Plan (PCFP) with Senate Bill (SB) 543.

Throughout the legislative interim period the Nevada Department of Education (DOE) supported the Commission on School Funding (Commission), a representative body of Nevadans with experience in education, and education finance to develop a funding approach for Nevada's schools that promotes equity, transparency, accountability, and flexibility. The DOE worked diligently with the Commission to realize a new future-ready - education funding formula that advances equity for every child and meets the unique needs of each county and community.

The 80th Legislature could have never anticipated the economic realities the State of Nevada would face in the FY 21 – 23 biennia when they passed the PCFP. The Governor's Executive Budget recognizes the importance of modernizing education funding formulas while

addressing the realities of the economic landscape by proposing a phased approach to PCFP implementation. This approach will ensure equity and transparency while allowing flexibilities to accommodate the current economic circumstances.

The Governor's recommended phased-in approach for the PCFP is as follows:

1. Phase one begins implementation of the PCFP during the 2021-23 biennium with only State revenues that are currently distributed through the Nevada Department of Education. This includes base funding as well as State-funded [categorical] grants.
2. The Governor recommends the second phase begin in FY 23 – 25 wherein state and local revenues will be combined for full implementation.

This phased-in approach will allow school districts to manage resources to meet the needs of their communities as the State continues to navigate the pandemic response and the resulting economic uncertainties.

The Nevada Plan and the PCFP cannot and should not be compared side-by-side. With the implementation of the State's share of the PCFP no school district will receive less funds than they did in FY 20. The construction of the plan includes holding districts harmless until the PCFP plan is fully implemented.

Distributive School Account (DSA) – phasing in the Pupil Centered Funding Plan

- The DSA includes:
 - o A 2% merit salary increase for each year of the biennium at a cost of \$59.1 million in FY22 and \$119.5 million in FY23.
 - o Enrollment growth is relatively flat in FY22 at a cost of \$4.7 million and a projected increase of .22% in FY23 at a cost of \$11.8 million.
 - o Medical inflation (health insurance) increases of approximately 3.5% in FY22 at a cost of \$11.2 million and 3.67% in FY23 and \$23.6 million.
 - o Retirement increases funded at \$9.2 million in FY22 and \$9.4 million in FY23.
 - o The 2019 Legislature approved SB 545 which requires the proceeds of the 10% excise tax imposed on recreational sales of marijuana products to be deposited to the DSA. This new education funding did not offset general fund and was placed in the account as an enhancement. This is continued in the 2021-2023 budget.

The budget transfers existing categorical funding for Class Size Reduction, Read by Grade 3, Nevada Ready 21 (technology programs), Financial Literacy, School Safety, Social Worker/Mental Health providers, School Resource Officers, Advanced Placement Exams, and College and Career Readiness into the new PCFP rolling these programs into the basic per pupil support.

Weighted Funding Model – Change to Pupil-Centered Funding Plan

The proposed phased implementation of this new funding model includes weighted funding (see, SB 543) for At-Risk, English Learner and Gifted and Talented pupils.

Weighted funding is intended to improve the academic performance of students who are English learners or eligible for a free or reduced-price lunch; scored in the bottom 25th percentile on certain proficiency assessments; and provide additional supports for gifted and talented.

Additional highlights include:

- **Pre-School Development Programs** – to improve quality and access for a range of education services prior to attending kindergarten, funding is restored to FY21 legislatively approved amounts of \$39.4 million.
- **Zoom Schools** – provides intensive services to more than 17,000 of Nevada's English learners (ELs) in early grades. A total of \$49.5 million in General Fund in each year of the biennium will go to support English learners through the Zoom Schools initiative. This is transitioning to the PCFP as a weight.
- **Victory Schools** – a total of \$23.1 million in General Fund in each year of the biennium to support underperforming schools (lowest student achievement levels) in the 20 poorest zip codes in the state with specific services such as wrap-around and family engagement. This is transitioning to the PCFP as a weight.
- **New Nevada Plan** – restored to FY21 legislatively approved amount of \$69.9 million per year and is transitioning to the PCFP as a weight.
- **Read by Grade 3** – funding for this program is transferred to the PCFP basic per pupil support.
- **Adult Education** – funding for Adult Education is restored to the FY21 legislatively approved amount of \$19.2 million per year which will provide additional services to Adult Education programs in communities and correction facilities.

NEVADA SYSTEM OF HIGHER EDUCATION (NSHE)

Highlights in higher education include:

- \$24 million per year for student enrollment growth, which will fund 4.9% growth in weighted student credit hours (WSCH) between FY18 and FY20.
- The Silver State Opportunity Grant (SSOG) program is recommended to receive \$4.4 million in each year of the 2021-23 biennium. The SSOG program is the State's first state-supported, need-based financial aid program and targets low-income students at NSHE community and state colleges.
- \$11.2 million FY 2022 and \$11.3 million in FY23 for Capacity Building Projects, including:

- NSC – Nevada State College continues to fulfill the statewide mission to strengthen the State’s workforce in critical, high demand areas. This effort includes expanding successful teacher academy program and renewed statewide efforts to collaborate with key community college partners across Nevada.
- CSN – Community, Business and Workforce Initiative to address the workforce needs of Southern Nevada’s changing economy. Workforce initiative to add additional programming in Health Sciences, Advanced Manufacturing, Cyber Security, and dual enrollment.
- GBC – Workforce Demands Initiative to establish and expand certain programs including Paramedic, Human Services and Substance Abuse Counseling and Land Surveying. The GBC Nursing program will also be expanded to include the Ely location. This will then provide students in rural communities (Elko, Winnemucca, Pahrump, and Ely) access to nursing programs locally.
- TMCC – Expand high demand courses to ensure full-time students can progress through their degree pathways as seamlessly as possible and maximizing room usage. In addition, TMCC will expand advising and support staff to improve student persistence and completion.
- WNC – WNC has and will continue to use capacity funds in the following areas: Jump Start College, Jump Start Career, and structured dual credit initiatives: This initiative is designed to help students earn college credits, and industry recognized certifications upon high school graduation.
- In addition to NSHE operating costs, the following CIPs are included in the Governor’s Budget:
 - A new engineering building at the University of Nevada Las Vegas at a cost of \$73.6 million. The UNLV College of Engineering Academic and Research (Engineering) Building will consolidate faculty and students from 9 disparate locations to one state-of-the-art 52,000 square foot building. The facility will incorporate classrooms, instructional spaces, wet research labs, dry research labs, core research facilities, fabrication/’maker’ spaces, student collaboration space and other spaces necessary and common for a contemporary Engineering academic and research program at a Carnegie R1 institution.
 - A Great Basin welding lab at a cost of \$6.3 million. This project nearly doubles the welding lab’s current square footage and adds additional classroom space, welding stations, and a fabrication area. Welders are a high demand occupation providing good paying positions to Nevadans.
- Governor’s Office of Science, Innovation and Technology – Graduate Medical Education:
 - While not located within the Nevada System of Higher Education, funding for Graduate Medical Education is recommended to decrease from \$10 million

over the current biennium to \$8.5 million over the 21 - 23 biennium.

- o Accredited institutions in Nevada are eligible for grants awarded by the Office of Science, Innovation and Technology with the goal of growing the number of physicians in the State by increasing support for graduate medical training.
- Governor’s Office of Economic Development – Knowledge Fund:
 - o \$5 million over the biennium, up from the \$2.5 million in the current biennium.
 - o The Knowledge Fund supports research and innovation in higher education that translates to new technologies, new companies, and further diversification of our economy. The proposed increase will drive innovation and economic diversification, providing investments in research and development to help reinvigorate the State’s small and large businesses by leveraging the university system’s strongest research assets.

DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)

The Department of Health and Human Services (DHHS) not only plays a critical role in addressing Nevada’s emergency response to the COVID pandemic, the Department also promotes the health and well-being of Nevadans through the delivery of essential services to ensure families are strengthened, public health is protected, and individuals achieve their highest level of self-sufficiency. The Department consists of the following divisions: Aging and Disability Services, Child and Family Services, Health Care Financing and Policy, Public and Behavioral Health, and Welfare and Supportive Services.

Highlights include:

Director’s Office:

- Family Planning funding allocation will remain level with FY 20 (base year) expenditures.
- Transfer of Office of Analytics to Department Director’s Office to support department-wide standardization and leverage resources.

Medicaid:

- \$143.8 million in general funds is included for medical inflation.
- Restoration of 6% Medicaid provider rate reductions. These reductions were approved during the 31st special session.
 - o Neonatal ICU – Remains at levels that became effective January 1, 2020, including Level 4 increase from \$1,487 to \$1,858 (25%). Provides for hospital stays for babies born less than 32 weeks of gestation and babies with critical illnesses.
- Approximately \$153.5 million in FY22 and \$146.9 million in FY23 is recommended for caseload growth in the Medicaid program.

Aging and Disability Services Division:

- Caseload growth for programs that serve children with disabilities, individuals with intellectual disabilities, adults with physical disabilities, and seniors.
- \$3.7 million to reduce waitlists for Autism Treatment Assistance, and Home and Community Based Care programs in compliance with the Olmstead decision and the requirement to serve consumers timely.

Public and Behavioral Health (DPBH):

- Deferral of start dates for positions in DPBH may increase wait times and services may be decreased for behavioral health services, community health programs, and rural clinics.

Welfare and Supportive Services (DWSS):

- Deferred start dates for positions in DWSS may increase wait times and cause delays in program eligibility determinations for Nevadans in need.
- \$863,000 GF is recommended in the Assistance to Aged and Blind budget for caseload growth of approximately 4.4%.

PUBLIC SAFETY AND CORRECTIONS

The Governor's Executive Budget prioritizes the public safety of Nevadans and the humane treatment of offenders in the Nevada Department of Corrections.

Highlights include:

- Department of Corrections caseload is projected to decrease from 12,395 to 12,349, this decrease in caseload is expected to continue to decline as a result of criminal justice reforms passed by the Nevada Legislature in the 2019 Legislative Session.
- Department of Public Safety (DPS) – Parole and Probation includes restoration of the "Going Home Prepared" program to assist inmates with residence planning and other supports or resources to bridge the financial gap often experienced in the early stage of release.
- DPS – Parole and Probation – Implementation of a modified supervision model for low-risk offenders for daily administrative supervision provided by Parole & Probation Specialists and DPS Officers providing supervision related to enforcement and compliance issues and will create cost-savings for the Department.

EMPLOYEE COMPENSATION AND BENEFITS

Furloughs

The COVID-19 pandemic and the unknown economic impact required state employees to do more with less, including required furloughs for the second half of FY21. Furloughs implemented effective January 1, 2021 will not be continued in FY22 - 23.

Public Employees' Benefits Program (PEBP)

The Governor's budget prioritizes the health and well-being of state employees, retirees and their families who will continue to have access to an excellent medical benefit package through PEBP. It is more crucial than ever for state employees to have access to options that fit their unique health care needs. PEBP will expand the coverage options offered through the program in the upcoming biennium to include a new low deductible copay-based option. In addition to increased choice, premiums are expected to remain stable for the upcoming plan year.

Public Employees' Retirement System (PERS)

The actuarial report for PERS as of June 30, 2020, indicated that an increase in the retirement contributions was necessary effective July 1, 2021. The Governor's Executive Budget includes an increase for the employer share as per the PERS recommendation. Employees will be responsible for their share of the increase in retirement contributions.

- Regular employee/employer paid rates are recommended to increase from 15.25% to 15.50% for both the employer and the employee.
- Police/Fire employer/employee rates are recommended to increase from 22.0% to 22.75% for the employer and the employee.

ADDITIONAL HIGHLIGHTS:

- **Cannabis Compliance Board** – the budget includes funding to support additional positions for enforcement and regulation of the cannabis industry.
- **Division of Emergency Management** - is recommended to be transferred from the Department of Public Safety to the Office of the Military.
- **Office of Workforce Innovation** - is being transferred from the Governor's Office to the Department of Employment, Training and Rehabilitation.
- **Western Interstate Compact for Higher Education (WICHE)** - is transferred from the Governor's Office to the Nevada System of Higher Education.
- **Office of the Military Youth Challenge Program** - continued General Fund of \$500,000 in each year of the biennium is recommended for the Office of Military to operate a Youth Challenge Program, placing students 16 to 18 years of age that have dropped out of high school in a residential program designed to provide graduates with values, life skills, education and the self-discipline necessary to succeed as productive citizens.
- **Department of Conservation and Natural Resources Air Quality** - funding for an annual statewide inventory of greenhouse gas emissions.
- **Department of Employment, Training, and Rehabilitation** - the budget includes federal funds to support upgrades for computer hardware and unemployment insurance systems along with additional staffing.