

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

Seventy-third Session
January 31, 2005

The Legislative Commission's Budget Committee was called to order by Chair William J. Raggio at 8:30 a.m. on Monday, January 31, 2005, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4401, 555 East Washington Avenue, Las Vegas, 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, Chair
Senator Bob Beers, Vice Chair
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Bob Coffin
Senator Dina Titus
Senator Bernice Mathews

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Mr. Morse Arberry Jr., Chair
Ms. Chris Giunchigliani, Vice Chair
Mr. Mo Denis
Mrs. Heidi S. Gansert
Mr. Lynn C. Hettrick
Mr. Joseph M. Hogan
Mrs. Ellen E. Koivisto
Ms. Sheila Leslie
Mr. John W. Marvel
Ms. Kathy A. McClain
Mr. Richard D. Perkins
Mr. Bob Seale
Mrs. Debbie Smith
Ms. Valerie E. Weber

STAFF MEMBERS PRESENT:

Steven J. Abba, Principal Deputy Fiscal Analyst
Brian Burke, Senior Program Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Mark W. Stevens, Assembly Fiscal Analyst
Jo Greenslate, Committee Secretary

OTHERS PRESENT:

James E. Rogers, Interim Chancellor, System Administration Office, University and Community College System of Nevada
Daniel J. Klaich, Chief Counsel, System Administration Office, University and Community College System of Nevada

Trudy Larson, Ph.D., Assistant Chancellor, System Administration Office,
University and Community College System of Nevada
Dan Miles, Consultant to the Chancellor of the University and Community
College System of Nevada
Carol C. Harter, Ph.D., President, University of Nevada, Las Vegas, University
and Community College System of Nevada
Jerry Bomotti, Vice President Finance, Administration, University of Nevada, Las
Vegas, University and Community College System of Nevada
The Honorable Nancy A. Becker, Chief Justice, Supreme Court, Judicial Branch
The Honorable Robert E. Rose, Associate Justice, Supreme Court, Judicial
Branch
Judy Holt, Manager, Budgets and Financing, Supreme Court, Judicial Branch
Ron Titus, Court Administrator and Director of the Administrative Office of the
Courts, Office of Court Administrator, Supreme Court, Judicial Branch
Charles Duarte, Administrator, Division of Health Care Financing and Policy,
Department of Human Resources
Jone M. Bosworth, J.D., Administrator, Division of Child and Family Services,
Department of Human Resources
Diane Comeaux, Deputy Administrator, Division of Child and Family Services,
Department of Human Resources
Michael J. Willden, Director, Department of Human Resources

CHAIR RAGGIO:

The first item on the Agenda is the University and Community College System
of Nevada (UCCSN) Budget Overview.

JAMES E. ROGERS (Interim Chancellor, System Administration Office, University
and Community College System of Nevada):

One of the things I am going to talk to you about this morning is my philosophy
of where I believe the University and Community College System of Nevada (the
system) is now, where it has been and where it should go. The Board of
Regents works well together, and I have no interest in reconstituting the Board.

In 1989, I revisited my alma mater, the University of Arizona (UA), which is a
school similar to the Nevada system, and learned the state legislature of Arizona
was doing what other legislatures across this country were doing. They were
slowly reducing the percentage of state support to public institutions. I am
going to talk about the law schools at both UA and University of Nevada at
Las Vegas (UNLV) to make the points I wish to make today. In 1997 or 1998,
Mr. Bill Boyd and our current Governor Guinn asked if I wanted to participate in
building a law school at UNLV. I stated I did and made a financial commitment
to do so. In its initial ranking by *U.S. News and World Report*, the UNLV Law
School received the highest initial ranking and received accreditation faster than
any other law school in the history of the American Bar Association. In my
opinion, that has happened due to the private/public partnership we have
developed.

Going forward, the Legislature has the obligation to fund adequate schooling.
I will start at the bottom with the community colleges. The Community College
of Southern Nevada (CCSN) does not currently receive enough funding to
adequately provide services for the people of southern Nevada. It has
approximately 35,000 students and is the fourth or fifth largest community
college multi-campus in the United States. Last semester CCSN turned away
2,200 students. I, as a development officer, and the development personnel at

CCSN do not have the capability to raise substantial funds for CCSN. Of the 35,000 CCSN students, nearly one-half are minorities. In the capital improvement list on page 303 of the "University & Community College System of Nevada 2005-07 Biennial Budget Request" ([Exhibit C](#), original is on file at the [Research Library](#)), you will see \$5 million contained in the Governor's *Executive Budget*. You will also see it is our intention, using money from the estate tax, to add another \$5 million to build a \$10 million building. Note also, before we got to the point where we could build a \$10 million building, the classroom building listed on the capital improvement list for CCSN was either \$25 million or \$30 million. That is what we need; however, we decided to be more conservative.

One of the things the Board of Regents voted on was the Automotive Tech project at CCSN which is important to southern Nevada. It has the potential to produce from 800 to 1,200 students each year, who will begin earning from \$40,000 to \$60,000 annually after graduating. In some cases, after 7 or 8 years, they may be earning \$100,000 a year. The Automotive Tech program is not on any list other than that of the system. I ask that you consider funding it out of sources that are not yet before us.

I would next like to talk about the Nevada State College (NSC). The important issue of whether there should be a NSC has been colored by the fact there were representations made that a certain amount of money could be raised for funding that college. I was the original chair of the foundation, and I told the group they could not raise seed money for a college or university. Unfortunately, they came to the Legislature and indicated if the Legislature would give them \$13 million, they could raise \$10 million and finish the \$23 million building. That did not happen. I believe it is the obligation of the state to fund the community colleges and the NSC system. Once the NSC system starts, my wife and I and the Greenspuns will fund part of the ongoing process. I solicited financial support from members of the Board of Regents and friends. Once the NSC is born, we can continue to receive financial support from the community.

The next topic I would like to discuss is the universities. I am a successful businessman who has been in business for 40 years. The UA has an operating budget of \$1.2 billion for 35,000 students. The system here for 100,000 students has an operating budget of a little less than \$1 billion. The UA is not a big spender. This system is the greatest overachiever in American education. Since 1989, I have served on the boards of New York University (NYU), Washington University, the University of New Mexico, the University of Idaho, Idaho State, Boise State and University of Southern California. Therefore, I know what goes on at universities and colleges, whether they are private or public.

I would like to discuss where I think the universities can go. I phoned each provost and requested a list of their colleges, departments and programs in the top 100. The law school is 82nd, but there are not a lot of departments in the top 100. There were several reasons; first, these are young departments and schools. Many of the programs at these schools are just starting, but they all have great potential. I am not asking that only you support the universities and colleges; I think we need to support them. My wife and I have written obligations to UNLV for \$61 million. We would not invest one nickel in this system if we were not sure of its potential. If my offer of employment as

Vice Chancellor is accepted, it is my intention to raise money to develop fine programs and, what I call, "pockets of excellence."

I would like to explain why we invested so much money in the law school. The law school has 450 students. If we spend \$1 million there, it can have a big impact on where it goes. We cannot take UNLV or University of Nevada at Reno (UNR) and turn them into Berkeley tomorrow morning, but we can start to point out specific areas of excellence that we can improve. When we made our commitment to UA in 1993, the Dean of NYU Law School, at that time, Dean Sexton, told me the legislature was going to look at his money as substitute money, and that is unacceptable. Therefore, we made the commitment to UA, and ten days later, the legislature cut the law school loose. Thereafter, it was on its own to raise its own funds. Fortunately, I had signed an agreement with the Board of Regents to cover that possibility. When I came to UNLV, I contributed \$29 million to get the law school started, but I am concerned about the Legislature. I signed an agreement for the Board of Regents that stated:

All of these funds will be used to enhance the operation of the College of Law and must not serve as a basis for reducing its operating budget or diverting funds or assets which would ordinarily be utilized for the benefit of the law school. Accordingly, the above gifts are to be given, conditional upon our understanding that these funds are not meant to substitute for monies otherwise to be received by the College of Law from the State Legislature, the central university, tuition or fees. If at any time such monies are either cut disproportionately to the rest of the university or increased by a lesser rate, the remaining balance of these gifts may be terminated. By this condition, I intend to honor the payment of these gifts if the entire university were subject to a budget cut and the College of Law or its proportionate share. It is further understood that the university may seek special initiatives for other colleges without violating this understanding. By this condition, I intend to highlight, however, that it is the purpose of these gifts to augment the funds made available to this College of Law, but not to substitute for the appropriations, tuition and fees that would otherwise be received by this College of Law.

The Board of Regents, the chancellor, the president, the dean and the executive director of the UNLV Foundation all signed the agreement.

CHAIR RAGGIO:

A few years ago, we had a fiscal crisis in the State of Nevada. The Governor had to request a 10-percent reduction in all budgets. That could happen again, and the University's budget would have to take a reduction. How would that affect the agreement you signed?

MR. ROGERS:

It would not affect it at all, because my agreement stipulates as long as the reduction is over the entire system, it would be acceptable. What I do not want is the law school to carry more of the burden of the reduction than some other school. At the same time, if you have a lot of money, and if you are doling it out, I would not want the law school penalized because it has received private donations.

The purpose of this is to get outside money that will enhance each of these programs. We found, across the country, if we raise the status of the law school and the medical school, it tends to bring everything else along with it. The private donors supplement the pay of nearly one-third of the law professors at UNLV. The Dean, Mr. Dick Morgan, has done a good job of taking top faculty members from many good schools. When he tells chancellors he can pay a professor a certain amount of salary out of the state budget, but cannot pay them the extra \$25,000 or \$30,000, the chancellors call around and raise the money immediately. We have also expanded the law school to include joint programs between the law school and the history department or the law school and the philosophy department and so forth.

This type of thing is important going forward. What has happened with this Legislature is the same that has happened with every legislature across the country. Last Thursday, I met with the new dean of the University of California at Berkeley to discuss his law school. The law school at Berkeley is recognized as the leading public university in the United States. It is also having financial problems because the state of California is gradually weaning off top faculty. Therefore, the dean has to raise private funds. The dean said Berkeley's law school has moved from sixth place to thirteenth because he cannot compete financially with other institutions to retain top faculty. I told him there is a lot more money out there if you have a good product to sell. Education is no different from selling any other product. We have a good product to sell. We will have a more difficult time raising money for the community colleges and the NSC, but we are ripe for developing tremendous sources of revenue for both UNR and UNLV. The UNLV will embark upon a campaign that will be about \$500 million in the near future. The University of Southern California just finished a capital campaign that raised \$3 billion which I believe we can do in Las Vegas. This is a state awash with private funds. We have to convince the people with the money this is a good investment to make.

In the past several years, we have seen a high percentage of students leaving our state and going to other state public schools. The Millennium Scholarship Program has slowed that somewhat, but not enough. We need to ensure the best that we have stay here. We need a labor pool of experts to stay in our community.

CHAIR RAGGIO:

There was a report last week concerning the two universities which indicated the graduation rate during a 4-year period was in the 20-percent range. Over a 6-year period, only one-third had eventually graduated compared to a national average of more than 60 percent. Why do our two universities graduate only one-third of their students?

MR. ROGERS:

Nevada has an open-admissions policy at UNR and UNLV, and even with the grade requirements being raised, in the high schools you get grade enhancement. For example, if you require next year that everyone have a 3.0 grade point average to get into UNR or UNLV, everyone who comes out of high school will have a 3.0 grade point average. In the California system, where they take the top 10 percent only into University of California at Los Angeles and the California State universities, those students have a much better chance of graduating. In many ways, our open door policy does not work. The

university system should not be for every student. Many people should go to community colleges instead. That is one of the reasons we have pushed so hard for the NSC system. It would allow those in charge of UNR and UNLV to start to limit the people who can attend.

CHAIR RAGGIO:

Is limiting the open enrollment a policy that is under active consideration by the Board of Regents?

MR. ROGERS:

The problem we have at the Board of Regents is the attitude that people are entitled to seek an education, and you must have somewhere to put them. If all you have is a four-year research university and a community college, many students fit in between. That is why state college systems are born; they take the group of people who may not be ready to become students at UNR and UNLV. When you have the capability to cap the number of students, you can continue to upgrade the quality of the students which, in turn, upgrades the quality of graduates. We do not have a system for determining the best students to attend UNR and UNLV.

I am convinced of the viability of making both UNR and UNLV world-class institutions, and I can convince those to whom I have spoken these are good investments. In my opinion, if the private sector is convinced you will support this, we will not have the ongoing problem of bickering among the Board of Regents. We will have all the presidents in the system come together to work as a system rather than working as eight independent institutions, each trying to outdo the other one. If all of you will be more psychologically supportive, those of us who are trying to get the private sector to invest in the system will feel more comfortable in what we are doing.

Let me talk briefly about the budget before you [Exhibit C](#). We prioritized the various projects we thought important. We got down to approximately \$100 million, and I told the automobile dealers in Las Vegas that I would be happy to support the Automotive Tech building if the private sector would donate money. On the morning of our Board of Regents meeting, they showed up with \$1 million. I would like you to consider supporting the Automotive Tech project. According to the newspapers, you have a surplus of from \$300 million to \$325 million. Education could use every nickel. Higher education could use every nickel. If you want to make a onetime deal, a great investment in your system, use part of that money to build the Automotive Tech building, build the classroom at CCSN and the Engineering building at UNR. These will last forever and will attract private money like you have never seen. I just finished chairing the capital campaign at UA. We thought when we went into it that we could not raise \$1 billion in 60 months. We raised \$1.2 billion in 42 months. I chaired the campaign at Idaho State, a small school. We did not think we could raise \$100 million in 60 months; we raised \$165 million in 50 months. It is out there. I do not ask that you contribute it all, but I ask that you give me some consistency going forward so that I can say to potential investors, "This is a great investment for you. This has all sorts of potential for the future of the state and will keep the best students here."

DANIEL J. KLAICH (Chief Counsel, System Administration Office, University and Community College System of Nevada):

The chancellor shared some of his vision for the UCCSN, and I would like to, in introducing Mr. Miles and Dr. Larson, briefly tell you some of the basis on which we have built our budget is aggressive, ambitious and large. There is a good reason for that, the staggering growth in the State of Nevada over the last ten years, whether it is reflected in our general population, our high school population, the pipeline to our universities, or the enrollment and head count in our universities. We have reflected that growth and those demographics in the briefing book from which Mr. Miles will be testifying, "University & Community College System of Nevada, 2005 Legislative Session, Legislative Budget Hearing, January 31, 2005," ([Exhibit D](#), original is on file at the Research Library) which also includes statistics with respect to graduation rates at the universities as compared to the Western United States. They reflect exactly the points you brought forward during Chancellor Rogers' comments.

While growth in Nevada is expected to slow somewhat, that is not what we expect to see in the UCCSN. We expect to continue the same high levels of growth we saw from 1994 to 2004; and, in fact, we expect to be among the, if not the, fastest growing system of higher education in the country. That imposes enormous burdens on this Legislature. It imposes burdens on the Governor, and we are appreciative of his recommendation for funding. It presents to us a clear duty to utilize the limited funds available from the State of Nevada to build the best, most efficient and most accountable system of higher education possible. The chancellor has outlined the manner in which that can happen with tiering, mission differentiation and utilizing every dollar you give us to get back into the system and into the state in the best way possible.

In addition to the staggering growth, we need to appreciate there are special demographics in the State of Nevada that complicate this matter even more. Almost two-thirds of our growth over the next ten years will be in ethnic minorities, mostly Hispanic. We will have huge growing populations of low-income individuals and a tremendous influx of young adults who are not highly educated coming into Nevada. We have an obligation to each of those constituencies, and we take that obligation within the system seriously. It means there must be outreach; we must have greater student services; we must manage our dollars; and we must understand where the workforce needs are and how they can be met.

Dr. Larson will talk about graduation rates and how they are improving. You will also hear that our education pipeline from Postsecondary through year 16 (P-16) is "leaky." I am not keen on that terminology because a leaky pipeline means we are losing students. When we lose students, we never get them back. We lose them, and the cost to the State of Nevada is tremendous. We believe that an investment in the UCCSN is a great investment. You have heard the statistics of higher income, better health, better commitment to the state, and all of those are true. We have greater earning power for the graduates of our community colleges and for the graduates of our University. The greater the earning power, the more they are going to give back to this state and contribute to the partnership that the chancellor was talking to you about forming for the future of this state and this system.

TRUDY LARSON, PH.D. (Assistant Chancellor, System Administration Office, University and Community College System of Nevada):
On page 29 of [Exhibit D](#) is the UCCSN Master Plan Goals that were developed after much input and discussion. These are goals in which we have been making

progress. We have a progress report. There are two, which in my opinion, are important: a prosperous economy and the reputation for excellence. Those are the two you have heard Interim Chancellor Rogers talk about. One of the things we are excited about, as we look at these goals, is the opportunity A.B. No. 203 of the 72nd Session has given to both the Legislature and the Board of Regents to come together as a committee to look at and evaluate higher education.

On the next page, the Legislative Committee to Evaluate Higher Education was configured with Legislators, Regents, representatives from Kindergarten through grade 12 (K-12), business students, and a consultant group from national organizations that helped investigate, recommend and develop 24 recommendations and one bill draft request (BDR).

The committee was charged to examine and evaluate higher education programs, both existing and potentially needed. It was also charged to identify areas of high priority and where needs were not being met. It was charged to look at the feasibility of reallocating resources within institutions to meet the ongoing, unmet needs. Reallocation for strategic reasons is a process familiar to all institutions in our system. It looked at the efficient distribution of funds. The appropriations serve to fund all the actions of the institutions, including the General Fund contribution, student fees, contracts and grants. It looked at where this money is distributed and how it helps support the missions of each institution. The final charge was to recommend actions. Senator Warren B. Hardy will be active in elaborating on those recommendations.

Page 31 of [Exhibit D](#) lists the issues our consultants found. You have heard about the growth issue. We have over 100,000 students in the system currently. That represents a huge increase which will not stop. Where are we losing the students in the leaky education pipelines? Primarily it is in the transition from high school to college, but as you know, our high school graduation rate is dismal as well. We have initiatives going forward, the P-16 Council, multiple local groups getting together to see what can be done to inform parents and students. This now starts in eighth grade, when students are looking at what classes they are going to take in high school. We need to fix this education pipeline, and that is part of what the committee produced. We need prepared workers for the workforce of the future. It is critical that our mission differentiation between institutions support that. Regarding workforce needs, we have good stories to tell about what the system has done with nursing and teaching in terms of increasing the number of graduates to be able to cope with current needs. The last item, economic diversification, is to increase the capacity and competitiveness of research.

On page 32 of [Exhibit D](#), are the Recommendation Highlights. I wanted to review these because they appear in many of our budget justifications. First, the highlight to limit enrollment at the universities and create four-year program capacity at the baccalaureate institutions is part of what we will get in terms of increasing the admission requirements for the universities, letting each institution do what it does best. The lowest cost to educate is in the community colleges. The next level would be the state college, and the universities are the most expensive. We need to be cost-effective in this manner.

CHAIR RAGGIO:

Will the Regents have, during session, specific proposals on the first recommendation to limit enrollment at the universities?

DR. LARSON:

The first step has already been taken to increase the admission requirements. However, that will not take effect yet. We are actively looking at that as a way to ensure our university students are better prepared and properly placed.

The third and fourth recommendations I wanted to highlight because these are key to ongoing planning for the future of the system. We are excited to be working with the Legislature to look at how we can develop a public agenda that serves the needs of the State of Nevada, do it collaboratively with many constituents' input and then find a way to finance it into the future.

In the Governor's recommended budget, there was no money allocated for our information data systems to deal with the growth we are experiencing. This is part of our accountability; it has to do with student access, student records, financial records and being able to track student history. We would like to request an enhancement and ask for additional funds.

CHAIR RAGGIO:

What plan does the system have for the \$29.3 million that is in the un-obligated estate tax revenue not covered in the budget? Is there a plan for that?

DR. LARSON:

A technology task force convened and came up with a series of recommendations that directly impact that, and it is part of the budget justification.

I want to end by talking about research. This is a potent economic driver, and we are appreciative of the Governor's request to allow the universities and CCSN to keep 100 percent of their indirect cost recovery. Based on actual dollars, each dollar put back into research support for the universities garners a 4:1 or 5:1 dollar return in new research grants. This money goes to buy laboratory equipment, fund major renovations and hire faculty with promising research careers. It helps provide high-level graduate education; it also goes back into providing instructional support. It is estimated that current faculty contract and grant production is somewhere around \$250 per square foot if used for capital investment. This could increase the amount of research dollars to the universities and CCSN anywhere from \$18 million to \$20 million. In addition, it is a major stimulus for technology and for being able to transfer some of the university findings into business endeavors. For that reason, it is well supported overall.

ASSEMBLYWOMAN GIUNCHIGLIANI:

I am looking at page 31 of [Exhibit D](#). Missing is that Senator Hardy's taskforce actually received a report that CCSN is severely underfunded and at a subsistence level. There was nothing in the exhibit regarding an equity issue, or the fact we seem to have a decline in community college funding since NSC came onboard. To me, Workforce for the Future, Workforce Needs and Economic Diversification all tie into that. Is that going to be discussed at some point?

MR. KLAICH:

Mr. Miles will address that in more detail. We agree with the finding of A.B. No. 203 of the 72nd Session, and that is an issue that needs to be discussed at the Board of Regents and in partnership with this Legislature and these committees. We support the funding formulas developed in cooperation with this Legislature and the Board of Regents. The funding gap alluded to in the press prior to these hearings is in many ways exaggerated. The figures that have been reported with respect to that funding gap are not what are reflected in the institutional instruction budgets of CCSN versus its peer institution, Truckee Meadows Community College (TMCC). However, we are prepared to look at those, address them and we do not hide from the fact A.B. No. 203 of the 72nd Session specifically indicated that was the institution that needed to receive more funding.

ASSEMBLYWOMAN GIUNCHIGLIANI:

I am one of the individuals who raised the question in the press. I do not care which number you choose, but there is a disparity. There is also a disparity between UNLV's and UNR's funding. Unfortunately, the formula that was adopted and reviewed in 1999 apparently contains a flaw. Part of the disparity is that community college instructors are paid less for teaching the same classes that state college, and in some cases, the University, teach. There is a lot of information the subcommittee will need to review. Is someone going to touch on the nursing shortage and where we stand on that issue?

MR. KLAICH:

That is referred to in the briefing booklet [Exhibit D](#). The nursing and teaching shortages in Nevada are one of the success stories we believe the University and this Legislature, in partnership, have helped to bring about. Page 21 indicates the increase in nursing graduates and projected enrollments in the system, and we believe this was jointly identified. We got the message there was work to be done. We have been responsive in this area, are ahead of schedule and there is more work to be done.

ASSEMBLYWOMAN GIUNCHIGLIANI:

That initiative was not funded by the Legislature, was it? Was it mandated they had to double the enrollment?

MR. KLAICH:

It was partially funded.

SENATOR RHOADS:

On page 32 of [Exhibit D](#) on Recommendation Highlights, it states, "avoid 4-year programs at community colleges." Great Basin College in Elko has a tremendous program. Are you planning to de-emphasize the need for four-year degrees at Great Basin College?

DR. LARSON:

No, in fact, the Board of Regents has developed a comprehensive policy on how you look at specific four-year programs that need to be offered at the community colleges. Great Basin College is a wonderful example of that, and they have actually expanded their four-year degree requirements. That continues to be meaningful to serve local needs.

SENATOR TITUS:

As we address statewide programs the system supports, the list of statewide programs at UNR is much longer than the list at UNLV. One of the programs at UNLV is the Women's Research Institute. This was in the University budget, but it was cut from the Governor's budget. Can you address that?

DAN MILES (Consultant to the Chancellor of the University and Community College System of Nevada):

I am going to address the Regent's request and what the Governor has done to that budget.

CHAIR RAGGIO:

Can you include that in your presentation?

MR. MILES:

We can, and to answer your question, you indicated UNR has a long list of statewide programs, and UNLV's is much shorter. That is a function of the time UNR has been in existence. These things have developed over the years, one by one. That is the major reason there is that much of a difference.

ASSEMBLYWOMAN MCCLAIN:

The Women's Research Institute has submitted a budget for the past seven years, and it has been systematically cut every time. It is important to put more emphasis on UNLV, and I do not believe any female Legislator should vote for this budget until we get the Women's Research Institute included.

MR. MILES:

My intent is to describe the Regents' requested budget and the Governor's changes to that budget. I will also talk briefly about the capital improvement program that was requested by the Regents and the projects that have been recommended by the Governor. I will start on page 34 of [Exhibit D](#) under the tab titled "Enrollments." The system has approximately 25 different appropriation areas. Eight of those are formula driven in that there is a formula that derives the funding request. The other appropriation areas are more or less line item-type budgets, similar to other state budgets. The bulk of the money, by far, is within the formula budgets. Those are the eight institutions within the system. Under the formula approved by the Legislative Committee in 2001, the chief driver for the formulas is the student enrollment at each institution.

The student enrollment is calculated on a three-year weighted average. That means we take the actual increase or decrease in enrollment from the last most current year. It is weighted 50 percent. The second year out is weighted 30 percent, and the third year out is weighted 20 percent. That provides a growth curve which we then carry forward to predict the enrollments that might occur in the budget within the next two years. The reason this methodology was chosen is twofold. First, is to help smooth out the enrollment projections for the different institutions. If an institution suffered a loss in enrollment, this would form a basis for letting them down more easily than if they were to see a large reduction all in one year. Secondly, the Legislature was dissatisfied in the way enrollments were projected in each individual budget, in that they had to take the projection presented by each institution. That provided an opportunity to drive up enrollment using an optimistic enrollment factor just to earn more formula dollars. Something needed to be done in the area of enrollments.

Now there is a three-year rolling average. The chart on page 34 ([Exhibit D](#)) lays out the three-year rolling average enrollments for each institution. I will not talk about each institution, but will talk about the total line at the bottom of the chart. These are the enrollments produced with the most recent information available, which at the time of the construction of this budget and the Governor putting the budget together, is through fiscal year (FY) 2004, the year ended June 30, 2004. This uses 2004, 2003 and 2002 enrollments. This spring we will have preliminary final enrollments for FY 2005. It has been the practice of the committees to ask us to plug in the most recent enrollment information, in this case FY 2005 preliminary final enrollment figures, and the 2002 enrollments would drop off the calculations.

If you look at the total, the actual full-time equivalent (FTE) in 2003 was 54,037 enrollments. The budgeted number using the same methodology last time for FY 2004 developed 57,775 in enrollments. The actual enrollment was 57,220, less than 1 percent off. In that particular year, the process proved close to what actually occurred. That was a 5.9 percent change over the prior fiscal year. The budgeted FTE for 2005 is 61,811. Using those years that I talked about, we calculate a growth curve going forward that would produce 65,480 in 2006 and 69,901 in 2007.

CHAIR RAGGIO:

When you project enrollment for those two future years, is the projection based on percentage?

MR. MILES:

It is based on the percentage increase from the prior three years. We develop a growth curve.

CHAIR RAGGIO:

You used 5.9 percent?

MR. MILES:

One of the factors is 5.9 percent. That is in there at 50-percent weighting. The previous year, which was 8.1 percent growth, is in at 30-percent weighting, and 2002 was 3.8 percent growth, is in at 20-percent weighting. When we put in new enrollments in the spring, those numbers will change because the weighting has changed due to sliding a year, and the most recent year will be weighted the heaviest. We have final student enrollments for this fall of 60,574.

CHAIR RAGGIO:

Therefore, instead of the 57,220, is it now 60,574?

MR. MILES:

The fall enrollments for 2005, looking at the column that is 61,811, were actually 60,574 or about 1,250 students less than was budgeted for in the fall. We use annual average; it is a combination of the fall and spring enrollments together and averaged.

CHAIR RAGGIO:

Referring to the column indicated by the figure of 61,811, are you saying the fall count was actually 60,574?

MR. MILES:

Correct. We will have to wait for the spring, between March 15 and April 1, 2005, to get that preliminary number, and we can recalculate an annual average. In the budgeted scheme currently in the Governor's budget, enrollment for 2007 is at 69,901 and the current budget is at 61,811 which is about an 8,000-student increase. That is more than the FTE, for instance, at TMCC.

CHAIR RAGGIO:

The full count, fall 2004 for CCSN was projected at 18,964, but it is actually 17,676, is that correct?

MR. MILES:

That is correct. They are below their budgeted level of FTE in the fall. The enrollments used in the calculation for NSC, even though they are just now coming on to three years of life, we need four years in order to calculate three years of percentage growth. Those numbers are an institutional estimate as to their growth pattern over the next two years. Currently, this fall, they are budgeted for 500; their FTE is at 773. They are way over their budgeted level.

CHAIR RAGGIO:

Where are they holding classes? Are they holding them all in the old building they are utilizing? Do they have other sites at which they are meeting?

MR. MILES:

Yes, I believe that is true. The point I was trying to make is if you look at 996 and 1,197 going out, those seem to be prudent projections of their growth in the last two to three semesters. That is the most important driver in the formula funding.

On the revenue side of formulas and institutional funding are tuition and fees. On page 35, we have included a schedule that shows what the registration and tuition fees are at each institution, what they are currently in 2005 and what the Board of Regents has approved for 2006 and 2007. There is a fairly large and complex process used by UCCSN to develop these fees. A committee is created by the chancellor every two years in the spring preceding a Legislative Session, and there are recommendations made for fee increases for the next two years to coincide with the biennial budget. In the spring of 2004, we set the fees for FY 2007. The committee consists of faculty administrators and students. Recommendations are made and taken to all the campuses for student input, and the Board of Regents approves a final recommendation. They have a policy stating they strive to set fees and our out-of-state tuition at the Western Interstate Commission for Higher Education (WICHE) median which would put us in the middle of the pack with western states. The information from WICHE is lagged; therefore, when we set student fees, we do not know what other states are doing. Even though we may be gaining, we do not gain as fast on the WICHE median as one would expect, because other states are also moving up their numbers. For example, the registration fee per credit at the universities for undergraduates is currently \$91.00 a credit, \$98.00 next year, and \$105.25 the following year. That is a 15.7-percent increase over the two years. The graduate level goes from \$125.50 a credit to \$136.00, and then to \$149.75 for a 19.3-percent increase over the two years.

SENATOR BEERS:

Have you calculated an overall percentage increase in tuition revenue to the system from these changes in student fees?

MR. MILES:

I have a calculation in a schedule under the Governor's recommendation. If it does not specifically answer your question, remind me and I will get that for you.

The community colleges are much closer to the WICHE median, and the increase there is less. Community colleges go from \$49.00 a credit to \$50.75 a credit, and then \$52.50 which is a 7.1-percent increase over the biennium. Out-of-state, nonresident full-time tuition is treated in a similar manner. We strive for the WICHE median and then multiply it by 120 percent. The board's policy is to try to catch that faster. In addition to the student registration fees, the out-of-state tuition is currently \$8,674, and by 2007 would go to \$9,911, a 14.3-percent increase. There are similar increases at Nevada State College at Henderson, but the community college increase over the two years is 5.8 percent, because they are closer to the WICHE median.

SENATOR MATHEWS:

Can you explain the difference between community colleges, upper division and the regular community colleges?

MR. MILES:

The community college, upper division would be baccalaureate programs, and currently there is only one at Great Basin College. There will be one added in the future at CCSN in dental hygiene.

ASSEMBLYMAN DENIS:

For clarification, on the enrollment sheet on page 34, would you explain the terminology for the student full-time equivalent? On the numbers, how do part-time students work into these figures?

MR. MILES:

We have head count enrollment, where we count the actual number of students, but for funding purposes and strain on our resources, we use FTE. We add all the credit hours taken for undergraduate level and divide by 30 for a year, 15 a semester. Graduate is 12, and doctoral is 9.

ASSEMBLYMAN DENIS:

Do we have a report that shows the total head count enrollment for part time versus full time?

MR. MILES:

There are a number of charts in [Exhibit D](#) on enrollment, head count and FTE, but they are all aggregated for system-wide use. We can easily get that information for each institution, if you would like.

ASSEMBLYMAN DENIS:

That would be helpful to me.

SENATOR BEERS:

How are dropouts counted in the FTE calculation?

MR. MILES:

As I understand it, the FTE is not taken the first day of the semester. The FTE credit hours are counted after the drop period has ended. Another factor that enters into the FTE calculation is a carryover enrollment. We have programs, particularly at the community college, that start after the dropout date. They may be an accelerated program lasting two months. Those programs have always been counted in the next semester which skews the enrollment picture. We now use an end-of-semester final count. We do a preliminary count around March 15 which is after the drop date. There are other tuition structures for good neighbor children of alumni and a special tuition for out-of-state distance education students.

The next pages, 36 and 37 of [Exhibit D](#), include a description of how student fees are distributed. Not all of them go into the state budget; a portion is held back for several purposes. On page 36, under the "Current" column, using UNR as an example, the total fee is \$91. Of that, \$61.75 goes into the state-funded budget. Under a Board of Regents policy, currently one-half of all increased fees will go into student access on a need basis in order to increase the amount of scholarships available to address some of the growth and diversity problems. There is a small amount cut out for general improvement that goes to the university or institution and has to be used on things that benefit students, such as tutorial services, increased library hours or a number of other student services.

The capital improvement cut-out funds have historically been used for major renovations, repairs and remodeling projects on each campus. Recently, we have increased those fees, and we are using university revenue bond debt to finance some of the buildings. An example is the Knowledge Center at UNR, where a portion of the cost of that building will be supported through the capital improvement fee. Activities and programs are primarily a portion of the student fee that goes back to the student for student activities and associations. As we go forward, the state's share increases, the student access portion will increase and the capital improvement portion would increase if debts were required to be paid from it.

I would like to talk briefly about the Regents' requested budget on page 38.

ASSEMBLYMAN SEALE:

What percentage of the total cost of a credit is borne by the student?

MR. MILES:

There is a chart depicting that in [Exhibit D](#) that I will cover later on. Right now, if you look at UCCSN in total, the student share is around 20 percent, and the state share is around 77 percent. Other available revenues make up the difference. This is what occurs when you look at the total system. If you were to look only at the individual budgets that collect student fees, the 20 percent would be somewhat higher.

On page 38 is a simple summary of the Regents' requested budget. I am looking at the FY 2005-2007 column that totals \$1,543,850,000. That is a combination of requested state funds, student funds and other funds available to the system; it is a 20.2-percent increase. It excludes the cost-of-living allowance (COLA) increases for employees, which is an option this Governor has always chosen to take, and it does not include any enhancement requests

or items for special consideration. This is the base and maintenance portions of the budget only, but it includes the formula funding. Regarding formula funding, in the 2003 Legislative Session you issued a Letter of Intent that we develop a new taxonomy which is a part of the formula calculation. Taxonomy means classification, and it is the way we classify each of our courses in terms of whether they are low-, medium- or high-cost courses. We build a matrix by course, and each course is assigned to a cost factor. That flows through the matrix and develops the calculation for how many faculty positions the enrollment earns. We tried to present a new taxonomy, realigning some of the courses two years ago, but it cost extra money, and this body told us to go back and try again. We were successful in developing a cost-neutral taxonomy which was used as the basis for this formula for FY 2006 and FY 2007.

CHAIR RAGGIO:
Is that report in [Exhibit D](#)?

MR. MILES:
That report was made to the Legislative Counsel Bureau (LCB).

ASSEMBLYWOMAN GIUNCHIGLIANI:
Are there criteria set for the determination of what is a low-, medium- and high-cost course?

MR. MILES:
Yes. Any course that carries a lab with it is going to be a high-cost course.

ASSEMBLYWOMAN GIUNCHIGLIANI:
Is that regardless of whether it is at the state college or the community colleges, or will we find a differentiation because it is at a four-year institution?

MR. MILES:
No. The taxonomy is constant throughout. Everyone's courses, if similar, are treated the same.

ASSEMBLYWOMAN GIUNCHIGLIANI:
If we were to look at English 101, and it was the same curriculum across the board, would the rating of that course be the same?

MR. MILES:
It would be the same at each institution, and that one happens to be low-cost. That is the total Regents' budget request.

CHAIR RAGGIO:
Is that by comparison to the Governor's recommended total of \$1.49 billion for the biennium? It is an increase of \$213.8 million over the biennium.

MR. MILES:
If you are reading the information provided you by staff, I am sure those figures are correct.

CHAIR RAGGIO:
Yes, I was trying to make a comparison with what the system had recommended. I was comparing it to the request of \$1,543,850,000.

MR. MILES:

There is a chart coming up in the next section that shows, in total, the differences between the Governor's recommendation and the Board of Regents' request. I am going to skip through [Exhibit D](#), beginning on page 40. The budget starts with the adjusted Base Budget. It has been adjusted going forward for the cost of professional merit increases, the cost of classified employee merit increases and a small adjustment approved by the Board of Regents in the community college salary schedule. It is adjusted for known increases in things like lease costs and other contract costs. We requested the Desert Research Institute (DRI) weather modification costs, for which we go to the Interim Finance Committee (IFC) every year, be included in the Base Budget. Our request was later rejected in the Governor's recommendation, and we assume we will be allowed to return to the IFC, if that is not funded, to seek funds in order for that program to continue. We also restore vacancy savings.

CHAIR RAGGIO:

Did the IFC grant the two-grade increase for the University police?

MR. MILES:

Yes, it is now in the budget.

There are maintenance items in the budget. We also received a Letter of Intent to consider a recharge mechanism for UNLV and its professional schools similar to the recharge method for operation and maintenance of facilities used by UNR. We examined that, and the budget includes a recharge mechanism for UNLV. Therefore, the proper cost of the dental and law schools will be reflected in their budgets.

CHAIR RAGGIO:

That does not cost money. It just gives you a way to track the true costs of the professional schools.

MR. MILES:

Exactly right, it is a cost-neutral mechanism. Even though it shows a \$3.8 million expense, it is an increased spending authority because we will be spending it in UNLV's budget and again in the other budgets.

CHAIR RAGGIO:

It will be reflected in both the dental school and the law school. The same way that is done in Reno at the professional schools?

MR. MILES:

Exactly the same way UNR does it. There is a request for inflation for the University Press for shipping and paper costs. The major one is maintenance 200 (M-200). This is the implementation of the new formulas. The narrative is on page 42 of [Exhibit D](#). We calculate what each institution has earned under the formula, subtract the current amount, and the difference goes into M-200. In this case, we included the new enrollment growth and also asked to move from 84-percent funding to 87-percent funding which is about the level the Governor tried to fund UCCSN formula budgets 2 years ago. It eliminates what we call hold harmless, where an institution might, after the formulas are calculated, actually receive less money than they currently have in their adjusted base. The Governor had not recommended the movement from 84 percent to

87 percent. He has recommended a small increment in the funding formula which I will address.

SENATOR BEERS:

That would seem like an enhancement rather than a maintenance item, if you are increasing the funding percentage.

MR. MILES:

That is what the Governor thought, and that is why he moved it from maintenance to enhancements and then did not fund it.

SENATOR MATHEWS:

Regarding the DRI weather modification, did we do anything when we had all the fog to try to break it up with cloud seeding? You can answer with a "yes" or "no."

MR. MILES:

No.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Along the same lines as what Senator Beers asked, I have a question about the community college faculty salary schedule being contained within the Base Budget as well.

MR. MILES:

There was a small adjustment in that salary schedule approved by the Board of Regents in the interim, and we asked that it be included as an adjusted Base Budget item. The Governor's budget office concurred with that recommendation.

ASSEMBLYWOMAN GIUNCHIGLIANI:

They may have, and we may not argue with what was done, but in my opinion, it does not belong within the Base Budget. That is something I would point out for the subcommittees.

MR. MILES:

The next item, M-201, are the increments in the budget based on the new acreage coming online or proposed to come online during the next biennium. For part of the funding formula for operations and maintenance, the drivers are not students, but square footage, maintained space and acreage that is improved and maintained. This would pay for the cost of that plus other associated operating costs.

CHAIR RAGGIO:

Does this fund DRI?

MR. MILES:

Yes, it does. The basic Operating and Maintenance formula includes the buildings for the DRI. There is a request to implement a dental hygiene program at CCSN. It would be a four-year baccalaureate program, and it was approved by the Board of Regents.

CHAIR RAGGIO:

What was the total of that request?

MR. MILES:

About \$261,000 the first year, and \$380,000 the second. The Governor's budget does not recommend that funding. There were a number of growth-related requests for system computing services to meet the demands of growth in students, faculty and other administrative positions throughout the UCCSN. It was also requested to increase our capability capacity and help increase security and redundancy. There was a requested increase to the NevadaNet for rural counties, an increase to the capacity and reliability for campus connections, an increase to the NevadaNet security and an increase in reliability and accommodation of growth in the student information system which is growing at approximately 20 percent each year. An increase was requested to accommodate growth in the financial and human resources applications which are also growing and require adjustment for new technology.

CHAIR RAGGIO:

Which of these have been included in the Governor's budget, if any?

MR. MILES:

None of these were included in the Governor's budget.

CHAIR RAGGIO:

This is just under \$10 million. Is this an additional request?

MR. MILES:

It was in our request, but the Governor's budget does not recommend it.

CHAIR RAGGIO:

Is this an area where some of that funding I spoke about could be utilized, the estate tax?

MR. MILES:

The obvious answer to that is yes. I should point out our current projection on the estate tax is there may be approximately \$28 million left over. We will know more in a few months.

CHAIR RAGGIO:

Is it still coming in small amounts?

MR. MILES:

Yes, it is. A part of that availability of funds is due to our investment practices. We have had a fair appreciation and fair market value of our portfolio which generates money. I would caution the Committee that any lists I have looked at far exceed what might be available in that fund.

ASSEMBLYWOMAN GANSERT:

Could you put this into tabular form? We get questions about what was requested versus what the Governor approved. It would be nice to see columns making it more explicit.

MR. MILES:

We have started working on that. It is not in a publishable state at this point, but we would be happy to get that for you.

On page 44 of [Exhibit D](#), there were requests for professional school enrollments. The School of Medicine requested an increase of ten students each year; that was not funded by the Governor. The Boyd School of Law requests the use of excess student fees and some General Fund to meet its enrollment growth which was funded in the Governor's budget.

CHAIR RAGGIO:

I thought the medical school and law school enrollments were capped. Were they not?

MR. MILES:

The medical school has been at 52 new students per year for many years. Because of population growth and other demands within the State of Nevada, the medical school suggested now would be a good time to move up that number.

CHAIR RAGGIO:

They are suggesting an additional ten students each year in the medical school. What about the law school? There is some enhancement in the Governor's budget for law school enrollment which I did not understand.

MR. MILES:

We have some people in Las Vegas, I understand.

CHAIR RAGGIO:

It is not a big issue, but there was an enhancement or maintenance for an increase in law school enrollment.

CAROL C. HARTER, PH.D. (President, University of Nevada, Las Vegas, University and Community College System of Nevada):

There was a miscalculation on the law school enrollment. The law school is at about 420 students which it will continue to be over time. The dental school, however, is into its fourth year. There is an increase because the projected final enrollment is 300 students which would occur during the next biennium.

SENATOR BEERS:

It looks like the dollars to support the fourth year are significantly higher than the dollars used to support the first, second and third years in the dental school as depicted on page 44 of [Exhibit D](#). Could you comment on that?

JERRY BOMOTTI (Vice President Finance, Administration, University of Nevada, Las Vegas, University and Community College System of Nevada):

I am not tracking the exact number, but it should be proportional in terms of those increases. There were some increases in the space that is coming online, and I do not know if that is part of it or not. We will get that information to you in terms of the additional 75 students and how that relates to the existing funding of 225.

ASSEMBLYWOMAN GIUNCHIGLIANI:

I wanted to note for discussion purposes for the subcommittee, in the Base Budget we also have the UNR Energy Conservation Program which was blasted, so to speak, in the audit. I see it is continued in the Base Budget. Is that correct?

MR. MILES:

There was a legislative-required audit which addressed that program.

ASSEMBLYWOMAN GIUNCHIGLIANI:

In [Exhibit D](#), it is not mentioned in the Base Budget, but apparently, that \$1.38 million is still contained within the Base Budget. I am trying to find out if that is accurate.

MR. MILES:

Yes, it is still contained in the Base Budget.

ASSEMBLYWOMAN GIUNCHIGLIANI:

I would question that, as well, along with the program, but I am sure the subcommittee will get into the audit. Another issue for the subcommittee, as we look at the discrepancies between the Regents' list, the Governor's recommendations and what was overfunded and underfunded, it is my understanding that across the United States, most universities' capital improvement program budgets are funded by campus, not by institution. This practice allows for smaller programs, such as maintenance, which are sometimes neglected or dropped off the list when done by the institution. Is that something at which staff could take a look?

MR. MILES:

We could track back and see where the money has been going for the smaller projects.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Yes, and I believe it is a policy discussion purpose, because I believe we are unique in doing it by institution which is sometimes inequitable.

MR. MILES:

That does require each institution to create its own list of priorities. There were a couple of other items requested in our budget. The Business Center South has not had an adjustment in years. They have now taken on NSC. Growth in personnel and students in southern Nevada has been enormous. That was not funded by the Governor. Library acquisitions submitted a two-part request, one part of which, I understand, has been withdrawn for the law school. There was a request from Great Basin College for a small adjustment to their library acquisition formula, because they now have baccalaureate programs, and at least that portion of their population should have the same library acquisition formula as the two universities for undergraduates.

There was a request for a degree audit system as a software program that helps students track their progress towards their degree which was not funded. There are, in the Governor's recommended budget, a number of changes for inflation and other factors determined by the Budget Division that we could not include at that point of time in our budget request. On pages 46, 47, and 48 of [Exhibit D](#) is a better description of these. There were a number of enhancement requests for special consideration, in the terminology used by the Budget Division, that were requested or provided to the Governor. The first had to do with doubling the nursing capacity. The first item requests moving to an 8:1 nursing student to faculty ratio at the community colleges. They are required, by licensing agency, to have 8:1 ratios in a number of their classes.

This has come up before and there has been some debate on it, but it was not funded by the Governor.

Regarding summer session, in the agreement reached two years ago with the Legislature on doubling the nursing capacity, it included state funding for two summer schools. After that was established, we would count the FTE produced in those summer schools, and they would fund themselves going forward as a regular university state-funded program. Two years ago, the summer school for July and August this year was removed from the calculation because it fell outside of the current biennium boundary. We have requested funding for those two months, but that was not included in the Governor's budget.

SENATOR MATHEWS:

I want to be sure that the Subcommittee for Higher Education looks at the continuing debate about the nursing ratio. We never have that debate about the medical school ratio which is 1.5:1. We always do about the person who is at the bedside 99 percent of the time, that we want to have a 15:1 ratio. I want to ensure the subcommittee stays on top of that, and if I am not on that subcommittee, I wanted to make my position known. It is crucial to the health and welfare of the patient that the ratios not go any higher.

CHAIR RAGGIO:

Senator Mathews, you are a member of that subcommittee.

MR. MILES:

That request also had money in the budget for a bachelor of science nursing degree at Great Basin College, and for a doctorate of laws degree in the nursing program at UNLV. One of the primary drawbacks for doubling the nursing ratio is finding qualified instructors. The UNLV program will try to, at least partially, solve that problem. As mentioned by Dr. Larson, we had requested the return of the last 25 percent of the indirect cost recovery funds at UNR, UNLV and CCSN, that have a small share. The Governor has recommended that revenue switch. We requested funds for endowed chairs following the Georgia model; this would be a one-to-one match with private funds to attract top-notch faculty to enhance our research capabilities. That was not recommended by the Governor.

Safety and security at each institution was requested for enhancement, both in terms of hiring new security personnel, as well as upgrading communications and security on doors and windows, particularly at laboratories that might house sensitive materials. That was not recommended by the Governor.

CHAIR RAGGIO:

Which of the items on page 46 of [Exhibit D](#), if any, other than number 2, have been recommended in the *Executive Budget*?

MR. MILES:

Number 7, residency and the Alzheimer's Center in the south has recommended funding in the Governor's budget.

SENATOR CEGAVSKE:

In the Safety and Security category on page 46 of [Exhibit D](#), does that address what is going on with the dormitories? I have had quite a few calls from concerned parents regarding their children having items stolen. We can discuss

that more when we get into subcommittee meetings, but I would like to know what we are doing to upgrade and make the dormitories more secure.

MR. MILES:

There were funds requested to make a special effort to retain our students because our retention rate does not stack up as well as we would like. This is a special effort for aggressive counseling and advising for students which is one program that has worked in other areas to increase retention. That was not funded.

SENATOR CEGAVSKE:

This is just for counseling? This does not have anything to do with remediation?

MR. MILES:

It is my understanding it is an aggressive advisement that would enhance student services.

SENATOR CEGAVSKE:

Is this something new that we have never provided before?

MR. MILES:

We provided some, but not enough.

SENATOR CEGAVSKE:

Where would money allocated to student government be placed?

MR. MILES:

Student government gets a share of student fees. A portion of student fees goes to student government, student association for their governance activities, as well as for other activities they may choose for the students.

SENATOR CEGAVSKE:

During subcommittee meetings, we will be able to delve into that further.

CHAIR RAGGIO:

I believe the question to the chancellor was regarding the low percentage of graduation and is that the reason for this request on retention. It envisioned some aggressive counseling, as I understand it, and advisory programs to keep students in the institutions.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Some of the institutions have gone to mandatory orientation which ensures students meet with a counselor. We still have a problem with articulation which may be driving some of the problems of courses not being accepted from one institution to another. Back to item 2 on page 46 of [Exhibit D](#), Indirect Cost Recovery, we already pay 100 percent of the overhead. I believe a deal had been made years ago with former Assemblyman Marvin Sedway regarding the entire indirect cost recovery issue. I am concerned it is contained within the budget.

CHAIR RAGGIO:

Your question is quite appropriate because, over the years, that has eroded, and it was not as much Assemblyman Sedway as it was the Chair. We first gave

away 25 percent, then 50 percent and then said we would draw a line in the sand at 75 percent. The wind is now blowing the sand away.

MR. MILES:

There were enhancement requests for professional schools to create a School of Public Health at UNLV, the Saltman Center for Conflict Resolution at UNLV Law School, School of Medicine Expansion including an enhanced residency program and the new Ruvo Alzheimer Center. There was a request for Rural Emergency Medical Services at Great Basin College, and a number of other requests through the medical school for a professional development initiative and expansion in the basic and clinical sciences. There was also a request for part-time faculty salary increases. The Board of Regents approved a study in 2002 that tied part-time faculty salaries to the salary schedules of full-time employees, and institutions are struggling to get to that funding level, because they had a long ways to go. There were also some onetime requests, \$10 million for general equipment, which would be distributed to all the institutions.

ASSEMBLYWOMAN LESLIE:

I am interested in the psychiatric residency. I understand the one in the north is actually funded through the mental health budget. It is the only one that is not in the medical school budget. I know a request was made to do a psychiatric residency program in southern Nevada that is not in the Governor's budget. What I would like from you is something about the medical school's willingness to cooperate if we do end up funding that through the mental health budget and not through the medical school.

DR. LARSON:

Everybody in the medical school would agree there is a great need for residency slots in psychiatry in southern Nevada. We will be speaking with you about that.

MR. MILES:

We had some one-time requests for general equipment and technology equipment. There is a request for dental school equipment, because they are moving into the final year of their program and will move up to 300 enrollees at the school, causing a need for equipment.

Under the tab titled Governor's Recommendation on page 58 of [Exhibit D](#), the schedule lays out for FY 2006 and FY 2007 the Governor's recommended budget, how much is state appropriation and how much consists of other revenues, primarily student fee revenue and the total. If you look at the total for FY 2005-2006, the Governor has recommended \$731,026,786 which is \$24.5 million less than our request. In FY 2007, the Governor is recommending \$774,840,857 which is about \$12.3 million less than the UCCSN request. The overall increase is 17.3 percent from biennium to biennium. The General Fund portion is a 17.4-percent increase from biennium to biennium. Page 59 of [Exhibit D](#) simply lays out the revenues that would support this budget the Governor has recommended by revenue source. The top portion is the state appropriation plus the salary adjustment monies for the COLAs. The other portions are under Other Revenue Sources such as registration fees, nonresident tuition and so forth. The one called Indirect Cost Recovery, the Governor recommended doing away with, is the one we talked about, the 25 percent. These totals equal the totals on the preceding page.

CHAIR ARBERRY:

On page 59, under Indirect Cost, will you explain that line item, going across the page?

MR. MILES:

The indirect cost recovery issue, as we understand the Governor's recommendation, is that 100 percent of indirect cost recovery would come back to the institution to be used for research and other related expenses. In our original request, under enhancements, we had requested replacement of those funds. The numbers used there, since this request was put together last April and May, were FY 2004 numbers. When we moved forward into the fall, we re-projected those numbers for the Governor's budget, and they are higher. When the Governor replaced those, his office used the FY 2004 numbers, and it did not quite match the values that were actually in the budget. Between the institutions involved we have, over the two years, an approximate \$2.1 million difference between what has been replaced and what our budget shows. I attribute it to a lack of communication at the time. We did not know the Governor was going to recommend, for instance, the indirect cost recovery.

CHAIR ARBERRY:

I am not supportive of this at this time due to the disparity, but I will take a look at it and get back to you on this issue.

MR. MILES:

Page 60 of [Exhibit D](#) displays the appropriation areas; we have 25 in total. Eight are institution-formula driven; those remaining are non-formula budgets. It shows the difference in each year between what we requested and what the Governor recommended. The major change is on the second line, Special Projects. This account held a large portion of the estate tax-funded programs, which have now been moved from the Governor's budget to the institution to which they belong. That is the main reason for so many adjustments.

ASSEMBLYWOMAN McCLAIN:

I am looking at Statewide Programs UNR and Statewide Programs UNLV. There is a huge difference. May I obtain a list of each funded program? It is interesting that the difference is over what was requested. Am I reading that correctly? The \$550,000 is over and above what was even requested by UNR.

MR. MILES:

It is, but it is a result of the adjustment the Budget Division made moving special projects into the appropriate accounts. My guess is there was special projects money that was moved. I will answer that question, and we can provide lists of each of the statewide programs to you so you will know exactly what is there.

ASSEMBLYWOMAN GANSERT:

May we get a breakdown of your accounting shifts to see where the \$17 million went?

MR. MILES:

We have that in an Excel spreadsheet we can provide.

CHAIR RAGGIO:

The Committee should be aware that staff has given us that information. We should note the state assumed the risk on the estate tax last session, and apparently it came in much stronger than anyone anticipated. It is our understanding the full \$89 million in General Fund appropriations the state assumed will be repaid. I would like you to address how the new budget will handle the issue of waivers for the National Guard and athletics.

MR. MILES:

The athletic fee waivers have been built into the budget. They are continued forward into FY 2006 and FY 2007.

CHAIR RAGGIO:

They are coming in significantly above what was anticipated. Is there going to be a need to cap those?

MR. MILES:

The calculations we are using are the difference between the total costs of the athletic fee waivers versus what we were talking about two years ago. There was a portion of the grants in aid budgeted within all those institutional budgets that was covering a portion of athletic fee waivers. We had reported net numbers to you two years ago, and the request this time was the full cost. There is a cap, at least one enforced by the National Collegiate Athletic Association, that allows only a certain number of scholarships for each athletic program. When new programs are added, there will be more scholarships to cause concern.

CHAIR RAGGIO:

We authorized National Guard waivers, but did not fund them. You funded them out of the formula. Is that going to continue?

MR. MILES:

We found out in the last couple of days that some of our institutions included those going forward, and some excluded them, because the requirements for that provision sunsets at the end of this biennium. We fully expect there will be an effort to continue those since we still have troops in Iraq.

CHAIR RAGGIO:

There is a BDR submitted for that. What about the graduate students' health insurance? Is that something the Regents decided to pick up?

MR. MILES:

Yes. The health insurance was handled within the budget that was approved in the 2003 Legislative Session.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Noticing your lead on the athletic fee waivers, for the subcommittee it would be helpful if you could provide what was actually expended.

MR. MILES:

We can do that. Page 66 of [Exhibit D](#) is a list of items that were removed from our budget request. These are all maintenance items; we called them unfunded in the Governor's budget. The first is inflation for shipping costs at the

university. The second was the incremental cost of moving up to 87 percent on the formula.

CHAIR RAGGIO:

The Governor's request puts it at the funding level or slightly above that. Obviously, it is a large amount. The problem is the formula funding, when you try to get to 100 percent, is a moving target. The state has done a good job of funding at over 84 percent of formula.

MR. MILES:

Yes. We are currently at 84 percent.

CHAIR RAGGIO:

You are indicating you would like to go higher, is that correct?

MR. MILES:

Certainly. Some of the other items that were not funded are the four-year dental hygiene program at CCSN which has already been approved by the Board of Regents. Regarding growth in the system computing services, there is no money either here or in enhancements for any increment for our technology services.

CHAIR RAGGIO:

What if we do not fund the four-year dental hygiene program? Will you do that with formula money?

MR. MILES:

Community College of Southern Nevada is in the south. You remember A.B. No. 203 of the 72nd Session consultant found that CCSN was on the borderline in terms of its funding.

CHAIR RAGGIO:

That is an issue we will discuss.

MR. MILES:

We are concerned about computing services because there is no new money for it in the budget. The next one was enrollment growth, adding ten students each year to the medical school.

CHAIR RAGGIO:

You have covered these, have you not?

MR. MILES:

Yes. I have talked about them, but we have tried to put them into a convenient list for you. Page 67 lists the enhancements that were left unfunded in the Governor's budget. I would like to draw your attention to a figure that needs correcting. Under Professional Schools and Health-related Initiative, the grand total should be \$85,940,647. We forgot to remove the residency program and the Alzheimer's Center from the Professional Schools Health Initiative. The last section, page 68 of [Exhibit D](#), deals with the capital improvement program. It lays out, on the left side, the project priorities approved by the Board of Regents, and on the right, the Governor's budget recommendations.

The first four items are furnishings, fixtures and equipment for current projects. Those have all been recommended by the Governor. It includes the new building

at NSC, which is not addressed further in this capital improvement list. The first real project, the third priority on the list, is the Greenspun College of Urban Affairs which has been recommended in the Governor's budget. There are many private funds available for that project. The fourth priority is the Electrical Industrial Technology building at Great Basin College. This building has been in the works for a long time and finally received planning money in the 2003 Legislative Session. It is ready to go, and the Governor has recommended it. The next one is the NSC first building for which the Board of Regents has withdrawn its request for state funds. The sixth one was the Computer Automated Virtual Environment facility for DRI. When we get into Subcommittee, you will want to hear a great deal about that from Dr. Wells of DRI. Priority seven is the Automotive Technology building at CCSN which was not funded.

CHAIR RAGGIO:

Was the Automotive Technology building recommended at the CCSN?

MR. MILES:

It was recommended at one-half the funding level. We requested \$10 million, and the Governor is recommending \$5 million to come from some UCCSN source. There is the Student Services building at UNLV which received design money in the 2003 Legislative Session and is ready to go, but it was not recommended in the Governor's budget. There was planning money requested for the Academic Medical Center which was not recommended by the Governor. The Pahrump Education Complex was on our list and was not recommended by the Governor. A portion of the requested funding was recommended by the Governor for the Full Learning building at CCSN, West Charleston Campus, and the chancellor has addressed the difference in those two projects.

There is a Science and Math building at UNR which was requested but not recommended. Under number 14, there were a number of small health and safety code projects. The Governor has funded some of those; a fire sprinkler project at one of the buildings at the Carson City campus and a similar project at the Fallon campus. In addition, about \$275,000 was funded for planning at WNCC for 88 compliance issues that have arisen at that facility. Project number two is a health and safety code issue that I forgot to mention, \$2 million for the Red Mountain Code project. It is a fire marshal requirement at the Red Mountain building at TMCC. They are requiring us to make some changes at those facilities, and the Governor has recommended it. Through using UCCSN funds, \$5.5 million is recommended in the Governor's budget for the future UNR Biotech facility.

The last item is Campus Improvement Projects. This is Higher Education Capital Construction (HECC) and Special Higher Education Capital Construction Fund (SHECC) money. These are funds that, by statute, belong to UCCSN and have been dedicated to attempt to keep our buildings up to date, remodeled and renovated when necessary. There is \$15 million total, \$10 million from HECC and \$5 million from SHECC. We have a forecast of the SHECC account, and we believe the \$5 million will be available using the Gaming Control Board's slot tax estimates. That fund is first dedicated, by law, to redemption of the bonds for the Thomas and Mack Center in Las Vegas and the Lawlor Events Center in Reno.

CHAIR RAGGIO:

We will have an opportunity to review all of the capital improvement projects during the session. At this time, we will take up the overview for the Judicial Branch.

THE HONORABLE NANCY A. BECKER (Chief Justice, Supreme Court, Judicial Branch): As an overview for the Court, we sent to you a letter addressed to the Legislative Commission Budget Subcommittee dated January 26, 2005, ([Exhibit E](#)), together with a written summary of the general budget, "Judicial Branch Budget Overview, Nancy A. Becker, Chief Justice," ([Exhibit F, original is on file at the Research Library](#)). The Supreme Court takes up less than 1 percent of the total state budget. If we discount administering the salaries paid to the district judges, 54 percent of our budget is funded by what are known as administrative assessments, fees charged to litigants primarily on misdemeanor cases. The Supreme Court is still one of the top five busiest appellate courts in the nation. We disposed of over 1,900 cases last year, and we have a closing inventory of existing cases of about 1,500.

In addition to the cases that come to final disposition, the Court also has a number of non-deposit disposition orders, motions that must be decided and requests from attorneys for additional information to determine whether we have jurisdiction. That process includes another 5,000 task-related orders or problems and tasks for our staff to provide. The court also, this year, made substantial changes to the *Rules of Civil Procedure*, which is a timely process, as well as to the practice of law. In the handout ([Exhibit F](#)), you can see from charts 6, 7 and 8, the pending cases, the inventories, as well as the Clerk of the Supreme Court's office and the number of tasks the Clerk's office processes each year. Charts 10 and 11 give you an idea of the number of rules the Court has to deal with to administer the practice of law and the procedural aspects of the system. We included that this year to give you a better scope of the issues, besides deciding cases, for which the Court is responsible.

In charts 12 and 13, you see the Office of Court Administrator's (AOC) responsibilities. Again, we included that in this biennium to give you a better concept of the immense scope of the duties of the AOC, from judicial education to coordinating judicial technology throughout the state, to helping sponsor and coordinate multicounty projects. This enables many of the counties that might not be able to afford new technology on their own to join together and, through the coordinating efforts of the AOC, fund increased technology and coordinated systems. There are a considerable number of tasks not discussed in previous years which we condensed into a chart.

The Court has disposed of 73 percent of its cases in the last year, the majority of those in 6 months. However, our filings are slowly increasing, and the complexity of cases has increased. As you know, we had many more initiatives, many more ballot issues than ever before in Nevada, and those cases take up an increasing amount of time. As a result, and the priority we give child custody and parental termination cases, the backlog in our civil cases has increased. In civil cases, excluding child custody and parental termination, only 30 percent of those cases that do not settle through the settlement program are disposed of in one year. That is one reason we are requesting one additional civil staff attorney. You will note, in accordance with the Governor's budget, the total budget increase from over FY 2005 is about 10 percent and the discretionary, or the additional we would be requesting, is approximately 7.5 percent.

One of the primary issues for the Court this session is an increase in the funding for the Senior Judge Justice Program (SJJP). The SJJP is the method of combining new judges with existing retired judges in order to combat the enormous caseload growth in the state. The charts on pages 14 and 15 of [Exhibit F](#) show the growth that has occurred in the Second and Eighth Judicial District Courts. Over the last four years, those courts have increased in their case filings by over 30 percent. The time to disposition is also increasing because we do not have, and have never had, enough judges to process the cases in as timely a format as we would like. In the Eighth District, the civil jury trials are now being set as many as three years in advance. That is not in accordance with what we would like to do. It is not in accordance with the philosophy the Legislature has expressed. You have indicated, for example, that you would prefer to have medical malpractice cases tried within a two-year period. The American Bar Association standards call for a trial court civil caseload disposition within a one-year period. That is not possible. The Nevada Judicial Council, working together with the courts and the Office of the Governor, has looked at a combination of new judges for the Eighth Judicial District Court and an increase in the funding for the SJJP as the most cost-effective method of providing judicial personnel hours in order to decrease disposition times.

There are 600 pending medical malpractice cases in Clark County alone and over 200 construction defect cases. Those are the cases more likely to go to trial, and they take the longest amount of time to try. If we were to try only a small percentage of those cases, it would take 2 to 3 judges 18 months alone, doing nothing but medical malpractice cases. The criminal caseloads are also increasing and, by Nevada Constitution, they would take priority because if we do not get someone to trial in a timely fashion in a criminal case, the Constitution would demand it be dismissed.

We agree with the philosophy the Legislature has indicated over the last few years that early case conferences, settlement meetings and the ability to process and manage cases is better for the courts and for the litigants. We do not want the litigants and citizens to have to wait that long for resolution of their civil cases. However, without a combination of new judges, more funding and General Funding for the SJJP, those disposition times are going to continue to increase. At this time, my colleague, Justice Rose, will explain further about the increase in funding for the SJJP and how we intend to offer it.

THE HONORABLE ROBERT E. ROSE (Associate Justice, Supreme Court, Judicial Branch):

The SJJP is the biggest bang for the buck you will find in the Nevada Judiciary. That is because when you assign a senior judge to a case or for a week in a given area, that judge goes in by himself or herself, handles the business and leaves. There are no additional staffing costs, no overhead costs, such as maintenance of the building and the like, and the judge is only paid for the day or days he or she works. It is a big bargain, and helps us meet the expansion in need. Traditionally, money was limited and there were only a few retired judges in the program. A traditional use of the senior judges was if a judge became ill, died or retired and there was a gap to be filled.

Another use for senior judges would be if a case were controversial and required recusal by a number of judges, the senior judge would handle the case.

Currently, the newer uses have simply been to try to handle the pressing caseload we cannot meet on a prompt basis. That includes docket management. We can make short duration assignments of the judges to help in a critical time for a week or two, and to assist with the major cases, such as construction, medical malpractice and complex business cases. We are also going to try to institute a program to make senior judges available for early case conferences, where a senior judge would meet with the parties and try to simplify or settle, if it can be, within the first six months of litigation.

Senior judges could assist, where necessary, with specialty courts and the new one-day trial program we have adopted. The one-day trial program is a good example to show the need we are facing. We have had an arbitration system in place for many years in Clark County, where cases under \$40,000 must go to arbitration. The arbitration takes approximately one year. If the arbitration does not conclude, and someone wants to go on in the program, he can elect to have a jury trial, and can elect to have the one-day trial that has been instituted also. The problem with that is it then takes three years to get to trial. That is an average civil case for an average citizen; it means it would take four years for the matter to get to trial.

With regard to the major cases, such as the medical malpractice cases to which Chief Justice Becker referred, 600 are now pending in Clark County, and you have mandated that we attempt to settle within two years. That, in itself, is a major burden. Senior judges could be used effectively to cut the number of years to reach trial and settlement. We are requesting appropriations of \$1.5 million from the General Fund each year. That will permit the senior judges to work approximately half-time and to meet the critical needs not currently being met.

CHAIR RAGGIO:

How many potential senior judges would be available under this program?

JUSTICE ROSE:

Last year we had nine senior judges. In January, we gained five more. Next January, we will have Judge Peter Breen, which will be one extra; that would give us fifteen.

CHAIR RAGGIO:

Will there be adequate courtrooms available for this program?

JUSTICE ROSE:

We have not had a problem finding room. Not every court is in session all day, every day.

CHAIR RAGGIO:

Will \$3 million over the biennium be sufficient for that many senior judges for the utilization you envision?

JUSTICE ROSE:

Yes, and it is limited only by the number of senior judges interested. Senior judges like to work half-time, and we project \$1.5 million a year will allow that. There is more need out there, which we cannot meet, but this will help meet the most critical needs. Every district in the state is assisted by this program.

CHAIR RAGGIO:

Could this replace the necessity for adding new judges?

JUSTICE ROSE:

No, because there is such a demand in the numbers, we are just filling in on spots with the senior judges. Even if you gave the Eighth District five or seven judges, these numbers are not going to change because the caseloads are increasing about 5 to 6 percent a year.

CHAIR RAGGIO:

Can you tell us how many new district judge positions are being requested in the districts?

JUSTICE ROSE:

I would refer to the Chief Justice on that, but I believe it is seven in the Eighth District, and I do not know if there are any in the Second District.

CHIEF JUSTICE BECKER:

The Eighth District was looking at seven, and I do not know if that is still the number. Judge Saitta would be better able to address that, but in terms of our calculations, the Second District was not going to ask for a new judge. They believe they can get by for at least a couple of years using senior judges to an increased level. However, they will be asking for additional judges in the future. The figures we came up with were based upon a combined need. The Judicial Council took a long look at how many hours it would take to process the cases close to the American Bar Association standard or closer to that 1 year from the time of filing to the time of disposition, or an 18-month standard rather than a 3-year standard.

ASSEMBLYMAN MARVEL:

What do you pay the senior judges? Do they receive per diem also?

JUSTICE ROSE:

They do get per diem. I am going to defer to Ms. Judy Holt for the exact figures.

JUDY HOLT (Manager, Budgets and Financing, Supreme Court, Judicial Branch):

We pay them the same rate as though they were sitting on the bench of the court from which they retired. If it is a district judge, we pay them the current rate for the district judge. We also pay per diem, and travel to and from, as well as some portion of their health insurance reimbursement. Most of them are on Medicare.

ASSEMBLYMAN MARVEL:

Do you pay for industrial insurance if they get hurt?

MS. HOLT:

Yes, we pay that.

CHIEF JUSTICE BECKER:

The per diem is based on the district judge's salary. We do not pay a percentage of the district judge's salary and per diem. The per diem is calculated based upon the current district judge salary.

ASSEMBLYWOMAN GANSERT:

Are you taking care of just the backlog right now? Do you foresee needing the senior judges in the future if you are able to catch up and add district court positions?

CHIEF JUSTICE BECKER:

Adding district court positions will not allow us to catch up on the backlog.

ASSEMBLYWOMAN GANSERT:

Are you going to use the senior judges to catch up? Will we ever get to a point where we need fewer senior judges?

CHIEF JUSTICE BECKER:

If we were able to add the number of judges, elected officials, that we need, that would be possible, but I do not see that happening in the next five to ten years. If you look at other states, such as Arizona and New Mexico that have comparable caseloads, they would have for Clark County or the Second Judicial District in Washoe, probably 10 to 15 more general jurisdiction trial judges in Clark County than we have. In the Second District, it is probably more like seven, but we will have better figures for you in the Subcommittee.

Continuing with the rest of our budget, one of our priorities this session is to discuss the method by which we determine pay scales and pay status for our attorney staff, executive staff and the court. In the 1970s, when the court developed the Administrative Office of the Courts, and there was general talk about being a unified court system, the staff of the Supreme Court was included in the unclassified pay bill. The unclassified pay bill, by statute, applies to the Executive Branch of government, excluding the Governor's staff, and we have gone along on the unclassified pay bill for a number of years. We are asking this session that we not be included in the unclassified pay bill, but that our positions be included as part of the budget hearings. In addition, we request our top eight employees, our executive staff, equivalent to the Governor's staff, be placed into our budget as a single line item. That is similar to the way the Governor handles his executive staff and the way the Legislature handles its executive positions. That would give us greater flexibility to reorganize internally within the court and manage court operations in the future.

In the early 1980s, the Legislature, Office of the Attorney General (AG) and the Court tried to come up with a schedule that kept all of our attorneys' staff on comparable salaries. We did that to prevent raiding each other's resources in the state. In the last few sessions, we have fallen behind. Our attorney staff has not received some of the readjustments in salary as has the AG's office and the Legislative staff. We are asking that our principal attorney positions be realigned to deputy supervising attorney positions which puts them more in line with the AG's office and the Legislative staff. That would also increase parity in the court because the Clerk's office, wisely under Ms. Jeanette Bloom, saw what was happening in the other two branches and took care of that a couple of sessions ago for her people. Our central staff, civil and criminal attorneys, was not realigned at the time.

With regard to new positions, under the Supreme Court's budget, we are asking for one central staff attorney for the Civil Division. They have not had an increase in attorneys since 1997, and litigation in the State of Nevada has become more complex. You have seen the rise in construction defect and

medical malpractice cases. We also have far more complex business cases coming to this court as we attract more corporations to Nevada. Additionally, the ballot and initiative questions have risen significantly. We are not happy that 60 percent of our civil cases are not decided in that 18-month time frame. It means the average person with a civil case, other than child custody and parental termination, which get priority, is waiting too long for an appeal to be decided once they have gone through the settlement program. We are requesting one staff position in order to bring that in line with the national standards. The Criminal Division has done tremendous work. We have managed to bring our figures there into a timely situation, but that is not true of the Civil Division because of the lack of personnel.

We are also asking, with the LCB's consent, for a court document specialist to handle composing our opinions in-house. Currently, LCB Printing Office personnel perform the composition, and then it comes back to us for proofing. We proof it and correct errors, and it goes back. It goes back and forth several times. They agree it would be easier if we just transferred that responsibility to the Court, and there would be no impact to our budget, because we currently pay the LCB for that service.

Another major position we are requesting, and the Governor has endorsed, is the rural court coordinator. The Legislative Commission on Rural Courts, chaired by Senator Mike McGinness, made this a priority request. The rural courts in Nevada frequently cannot afford administrative staff assistants, such as management analysts, to be able to do tracking and programming that the larger urban courts are able to provide. This position would allow us to provide services for grant writing, for example. There are a number of grants out there, but the rural courts do not have the knowledge, background or expertise to write a grant. We do, and this person would be able to write grants for the rural courts. The same would apply to coordinating the counseling programs. Among the rural courts, there is a need for additional counseling, requiring a multijurisdictional, multicounty coordination. This person would be dedicated solely to providing those types of services to the rural courts. It is something we have been piecemealing through the AOC. We do not currently have enough staff in the AOC to give that the attention we would like. That is one reason the Rural Court Commission recommended one person in the AOC be dedicated to the rural courts.

We are also requesting an additional electronics technician, due to the budget approval last session. The Court has proceeded in developing a document management system in the Court, a system that would enable people to file with the Supreme Court electronically. That will save enormous personnel hours in terms of photocopying and distribution of paper, as well as trees. As we progress toward the future, we are already short on people who manage the hardware, look after the servers and correct the software glitches. As the Court has grown, and we use technology more extensively, we find we do not have enough personnel to properly service the electronic technology, and it causes delays.

The facilities coordinator position included in our budget comes from the fact we are currently involved with coordination of facilities issues with Building and Grounds (B and G) or with our property owner in the Las Vegas office. Building and Grounds has indicated the size of the Carson City facility, when added to the leased space in Las Vegas, would warrant such a position. It is common for

state buildings of our size and complexity to have an internal staff person to coordinate these issues with B and G. It would allow both B and G and the Court to operate more efficiently in terms of local management of the physical resources.

The auditor position is not a new position. We are asking that it be transferred from the AOC, funded by administrative assessments (AA), to the Uniform System for Judicial Records and the Division of Planning and Analysis, funded through the General Fund. This is, in part, because the auditor position was recommended approximately four years ago, but due to the instability in the AA income, it is not one we have been able to fund and staff. It falls more appropriately under the Division of Planning and Analysis and the Uniform System for Judicial Records and the management of both court statistics and records. Additionally, as one of the audit recommendations, it will bring more consistency about how AAs are administered throughout the state.

Those are the four positions under the Supreme Court's budget. Regarding the status of the AAs, the total amount of AAs, the gross amount that has been collected, is now at the pre-tragedy of September 11, 2001 (9/11) amounts. Because of 9/11, we saw a significant drop in AAs due to a shift between citation writing and security. People were moved from traffic enforcement and other types of misdemeanors into security. That shift has not changed. The only reason the amount of assessments, the total gross receipts, is closer to the pre-9/11 level is because we raised the amount of individual assessments last Session. Therefore, the number of misdemeanor citations is still down, and we do not predict that is likely to change in the future. Security, because of terrorism, is far more important in terms of allocation of law enforcement than generating revenue from misdemeanor citations.

CHAIR RAGGIO:

Our staff has indicated the assessment revenue you are projecting in your budget will increase to \$8.7 million each year, an increase of approximately 7.6 percent. It did not come as high as had been anticipated during the last biennium. Who can speak to the method you are using to project this increase? How is the increase calculated and why?

Ms. HOLT:

In FY 2005-2006, we projected a 1.83-percent increase and FY 2007 is flat.

CHAIR RAGGIO:

What is your formula and how is it calculated? You are looking at several new judges, and you have 70,000 cases filed in Clark County alone. It ought to be increasing, should it not?

Ms. HOLT:

We typically work on those types of projections together. We take spreadsheets and look at the number of assessments, the dollar value of the assessments and the history. In the 2001-2003 biennium, and again in the 2003-2005 biennium, we over-projected tremendously. We had been going along with an approximate 7-percent increase per year for a number of years. We continued that and then 9/11 came, and the volume decreased as well as the amounts. We have been holding fairly flat, and the method is less than scientific. At one point, we hired UNR to prepare a projection, but it turned out to be understated.

CHAIR RAGGIO:

Are all of the courts cooperating fully, at all levels, in the collection of these assessments? There was some reluctance a few years ago, but are they all now in line?

Ms. HOLT:

I believe they are. When we increased the amount of the assessments, we could see where the amount increased. It took a while, since those new dollar amounts were only applicable to infractions that occurred on or after July 1, 2003. There was an initial delay in collecting them at the higher rate, as there was in the specialty court assessments which were new. There was a lag time, but around spring of last year, our monitoring showed all of the courts are collected at the correct, newer rate. There will always be a number of infractions from old times that come in at the lower rates, but for the most part, the assessments are coming in at the new rates.

CHIEF JUSTICE BECKER:

The vast increases we see in the Second and Eighth Judicial Districts are in the general jurisdiction courts, and they are not the primary generators of the administrative assessments; that would be gross misdemeanors and felonies. On gross misdemeanors and felonies, the assessment is a flat rate of \$25. A substantial portion of that, about 70 percent, goes to the AG's office to fund its fraud unit, and the remainder stays with the local court. The AAs we are talking about in [Exhibit F](#) that are funding the operations of the AOC and a substantial portion of the Supreme Court's core functions, the decision of cases, are generated by misdemeanor citations, of which there has been a decrease due to the priority for security.

I now turn to the report on the specialty courts on page 21 of [Exhibit F](#), also funded by AAs. That may be where part of the percentages comes from, because there is a different growth projection for the specialty courts' AAs than for the limited jurisdiction or misdemeanor AAs. The two are separated out from our budget because if they are combined, it changes the projections. For the general jurisdiction, because the citations have not increased, we have kept it conservative. We do not want another situation where we over-project and then have to return for General Fund monies. The specialty courts have collected \$3 million. On sheets 31 and 32 of [Exhibit F](#), the rates went into effect in July 2004, so you will notice a big increase in collections for the first few months and a leveling off in the latter part of the year. The \$3 million we collected funds the mental health courts, the drug courts and the specialty courts. The total need for those courts is approximately \$1 million over what we are collecting. As a result of the funding passed under A.B. No. 29 of the 72nd Session, we have eight additional specialty court programs and have been able to provide many more services. We prepared a more detailed report for the LCB. If you would like a copy, we can provide it.

Aside from growth, the argument is always not enough resources to meet the growth, and we would like to do more. We have made significant progress in terms of starting eight new programs and bringing in collections. The funding distribution, done internally by a subcommittee formed of judges from around the state, has worked well. As the judges look at how to distribute the \$3 million among all of the courts and the grants, there has been a great deal of cooperation in seeing that all branches of urban and rural courts are funded equitably.

ASSEMBLYWOMAN GIUNCHIGLIANI:

I see eight specialty courts. Is that the Carson Mental Health, Sparks Alcohol, Reno Justice and the five drug courts?

CHIEF JUSTICE BECKER:

The eight that were created, shown on page 22 of [Exhibit F](#), are the Carson Mental Health Court, Sparks Municipal Alcohol and Drug Court, Reno Justice Drug Court, the Eastern Adult and Juvenile Drug courts, the Fifth Judicial District Adult and Juvenile Drug courts and the Central Adult Drug courts.

ASSEMBLYWOMAN GIUNCHIGLIANI:

I thought we passed a mental health court for Clark County that I do not see here.

CHIEF JUSTICE BECKER:

It is included in the Eighth Judicial District Court's funding.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Could you have Mr. Ron Titus break that out? When I look at the Governor's budget, it appears approximately \$342,000 has been collected, but what do you envision, or what is projected, for A.B. No. 29 of the 72nd Session's monies from July 1, 2004 through June 30, 2005?

Ms. HOLT:

For this year, FY 2005, we are projecting right at \$2.5 million. Money also comes in for bond forfeitures and that should be approximately \$200,000 this year.

ASSEMBLYWOMAN GIUNCHIGLIANI:

What is the plan for distribution to the courts?

CHIEF JUSTICE BECKER:

As the money comes in, the Subcommittee of the Judicial Council does the planning for distribution. A substantial amount obviously goes to the Second and Eighth Judicial Districts. The Eighth District is the largest funded of all the courts, because it has the largest population base.

RON TITUS (Court Administrator and Director of the Administrative Office of the Courts, Office of Court Administrator, Supreme Court, Judicial Branch):

The chart on page 22 of [Exhibit F](#) has two columns, July 2004 and January 2005. They contain the distribution for the current fiscal year. We are currently sending out budget requests for the next fiscal year which will begin July 1, 2005.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Is this their current distribution? Has all that money been allocated and sent off? Is there a time period?

MR. TITUS:

That is correct. We tell the courts how much they will get before the fiscal year. We make two payments, primarily for cash flow; one in July and one in January. Another payment will be made in July 2005 for FY 2006. However,

we have not yet received their requests. Solicitations for their budget requests will go out later this month.

ASSEMBLYWOMAN GIUNCHIGLIANI:

If I were to add up the total by court, looking at the January 2005 pending, would that equal the \$2.5 million plus the \$200,000 mentioned by Ms. Holt?

Ms. HOLT:

The \$3.3 million is money we have collected since the program started in July 2003. The account, after the January 2005 distribution, is down to a zero balance. We will start accruing again and then distribute. The Interim Specialty Court Funding Committee that convened during the 2003 interim, is the body that makes the decisions. We will spend that down to the extent we can in January and July from now, going forward. I can tie back into those numbers for you, if you would like.

ASSEMBLYWOMAN GIUNCHIGLIANI:

It appeared, from the Governor's budget, it was around \$337,000 but I thought \$684,000 had not been distributed.

CHIEF JUSTICE BECKER:

I believe the confusion comes from the fact the Governor's budget reflects only the General Fund money which is \$337,500. In addition, there are A.B. No. 29 of the 72nd Session funds, not reflected in the Governor's budget.

ASSEMBLYWOMAN GIUNCHIGLIANI:

I am looking at Specialty Courts on page COURTS-36 of Volume I of the *Executive Budget*, and it appears \$684,376 is currently reserved. I am trying to figure out why it is being reserved instead of being allocated.

Ms. HOLT:

The committee voted to create a reserve to be a security blanket to cover, for example, contractual obligations incurred by some of the courts requiring payments and if the specialty courts assessments did not come in as expected. Typically, balance-forward budgets have a reserve.

ASSEMBLYWOMAN GIUNCHIGLIANI:

True, but it looks as though it has doubled. The Subcommittee will look at that. A 30- or 60-day reserve might make better sense as far as a reserve. You have the monies for A.B. No. 29 of the 72nd Session on the spreadsheet on page 22 of [Exhibit F](#), as to how much each court will get and when it will be received. In April 2004, \$25,000 was remitted to the Eastern Adult Drug Court, as well as an additional \$30,000 in July, and another \$22,000. Why are they done in payment schedules? Is it based on the collection?

CHIEF JUSTICE BECKER:

Correct, because the AAs do not all come in at the beginning of the year. They get collected when received.

CHAIR RAGGIO:

For the new Committee members, the *Executive Budget* reflects the budget as presented by the Judicial Branch. The Governor does not make any changes in these budgets.

CHIEF JUSTICE BECKER:

We are moving forward with the case management document system as well as electronic filing. With regard to the Regional Justice Center, we have received a letter from Mr. Thom Reilly, the County Manager from Clark County. Unfortunately, due to the ongoing dispute between the contractor and the County, the move-in date for the Supreme Court will not be in this fiscal year. We have been told we would not be able to move in prior to July 1, 2005. We have adjusted the budget to carry over the moving funds. As soon as we have received more specific information from Clark County, we will be adjusting the budget to reflect decreased rents.

For the remainder of our budget, we have smaller items. The remodel of the library to provide public conference rooms is part of our supplemental appropriations. Part of the security upgrades has been moved to the B and G budget. What you see in terms of security is replacement of our key card system which is becoming obsolete.

GARY L. GHIGGERI (Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

On the administrative assessment issue discussed previously, Ms. Holt indicated 1.8-percent growth. That is a 1.8-percent growth over the 2005 work program. The information we provided you reflects a 7.6-percent growth over FY 2004 actual costs. They are flat between FY 2006 and FY 2007.

SENATOR BEERS:

Is the Judicial Branch auditor position being transferred into General Funds for this budget?

CHIEF JUSTICE BECKER:

That would be our request because it more aligns with the General Fund Planning Analysis Division. If it pleases the Committee, we can fund the rural court coordinator under the AA fund since, as a subdivision of the Administrative Office of the Courts, it would normally be funded through AAs.

CHAIR RAGGIO:

The request you spoke about initially concerning changing the unclassified service for senior management positions, will that affect 16 positions?

CHIEF JUSTICE BECKER:

Yes, it would be 16 positions. Only eight of the positions would be reflected by a line item budget; the remaining positions would simply be separate line items for each position within our budget.

CHAIR RAGGIO:

Are these what you would call career positions?

CHIEF JUSTICE BECKER:

Yes, they are. They are top management level. That would be the Clerk of the Court, the Assistant Clerk of the Court, Mr. Titus' position, his two Chief Deputies and the heads of our Civil and Legal Divisions.

CHAIR RAGGIO:

What you are requesting is similar to what we authorized for the Governor's office. We do have concern about the attorney positions, and I notice you referred to that in your letter [Exhibit E](#).

ASSEMBLYMAN DENIS:

Regarding electronic filing, is that something you are having created or does it already exist?

CHIEF JUSTICE BECKER:

We have taken several steps in terms of technology within the Court. We had an analysis done. For the subcommittee hearings, we can prepare more in-depth information for you. We looked at a number of vendors and a number of different systems. We first determined how we wanted to operate and prepared requests for proposals. We then analyzed them on the document management system which is the part of the court where paper files become digital files with microfilm backup. That would enable seven justices to view files simultaneously, instead of the present system of routing the files or making copies for each justice, a time consuming process. That is already in the process of being implemented, and, hopefully, will be completed before the end of this year. We are now in the process of developing requests for proposals for the electronic filing component which will have to work with both our case management system and the document management system. We hope to have the electronic filing system in place next year. Attorneys who want to use direct electronic filing would be able to do so; individuals who do not have Internet access would still file paper documents.

CHAIR RAGGIO:

We will close the hearing on the Supreme Court and review the proposed budgets for the Division of Health Care Financing and Policy.

CHARLES DUARTE (Administrator, Division of Health Care Financing and Policy, Department of Human Resources):

Page 2 of our presentation, "State of Nevada, Department of Human Resources, Division of Health Care Financing and Policy, Budget Presentation to Legislative Commission's Budget Subcommittee, FY 2005-2007, January 31, 2005," ([Exhibit G](#), original is on file at the Research Library), gives a quick overview of our Division's budget for the next fiscal biennium in terms of General Funds. As you can see, we make up 51 percent of the Department's overall General Fund appropriation request, \$837 million, and that is what we are requesting in the Governor's recommended budget. The next page gives you an idea of our administrative costs. For Medicaid specifically, administration makes up about 6 percent, 1 percent of that is associated with school-based service administration, found on page 3.

On page 4 of [Exhibit G](#) I will give you an overview of some of the budget accounts in the Division. The Division oversees two major medical programs: Nevada Medicaid and Nevada Check Up. We have a number of budget accounts to assist us in organizing that work. Administration is budget account 101-3158, and includes administration, accounting, budgeting, personnel, rate development, compliance and hearings, surveillance and utilization review, Health Insurance Portability and Accountability Act of 1996 (HIFA) privacy and recipient rights, provider enrollment and information technology functions. Budget account 101-3243 is our Medicaid budget account. On page 5 is

Nevada Check Up, budget account 101-3178. Budget account 101-3157 assists us in the administration of some of our supplemental hospital payment programs, the disproportionate share hospital program and our upper payment limit program. It is the Intergovernmental Transfer account.

Finally, in this current biennium, we have added budget account 101-3160, our provider tax budget account, used for the collection of fees assessed on nursing facilities. Page 6 of [Exhibit G](#) gives you an idea of where our money goes by provider category. You can see these are Medicaid expenditures by service category for FY 2004. The biggest slices of this pie are for hospital services, pharmacy services and long-term care.

Page 7 of [Exhibit G](#) contains an important chart from the standpoint of understanding who uses our services and who makes up the Medicaid program. The chart on the right depicts the percentage of caseload by aid category for FY 2004. It gives you a snapshot of the groups we cover and their percentage of the Medicaid population. As you can see, our Temporary Assistance for Needy Families (TANF) and Child Health Assurance Program (CHAP) are programs primarily for low-income families with children. In terms of caseload, those programs make up about 69 percent of the people we serve. Programs for the aged, blind and disabled make up approximately 28 percent of the recipients we serve. The chart, on the left on page 7, shows the percentage of cost by aid category, and you see the exact inverse. In terms of a percentage of cost, low-income families use approximately 29 percent of our revenues for services. The aged, blind and disabled use 68 percent.

CHAIR RAGGIO:

The chart on the left is cost by aid group. What does that mean?

MR. DUARTE:

That is the percentage of expenditures by aid category. If you were to combine the TANF and CHAP groups, the groups representing the majority of our low-income families with children, you can see they represent a minor portion of our overall expenditures. The aged, blind and disabled, which make up approximately 28 percent of our caseload, consume almost 70 percent of our budget.

CHAIR RAGGIO:

Are saying that is by head count?

MR. DUARTE:

Yes. On the right, it is broken out by caseload or head count; on the left it is broken out by expenditure.

SENATOR BEERS:

From this, I gather we spend less per recipient in the TANF and CHAP programs than, for example, in the disabled or the aged categories, in which we spend more dollars per recipient.

MR. DUARTE:

Yes, that is correct. The next tab is a recap of the current biennium. The Division, as well as the Department, has worked closely with a number of Legislative committees over this current biennium. These include the Legislative Committee on Children, Youth and Families, the Legislative Committee on

Health Care, its subcommittee to study health insurance expansion options, a technical working group associated with that subcommittee, the Legislative Committee on Persons with Disabilities and the Nevada Mental Health Plan Implementation Commission. We have also worked closely with the public. We have held numerous public workshops and public hearings on Medicaid and Nevada Check Up policy development.

Page 8 of [Exhibit G](#) shows a recap of the current biennium activities. We have continued to arrange our organization and staff to provide tools necessary to continue our goal of becoming a value purchasing agency along the lines we talked about in 2001 and 2003. We have made organizational changes to foster close collaboration between Division staff on coverage and reimbursement policies. We have provided powerful desktop analytical tools to help our staff monitor service utilization by recipients and claims payments to providers. We have given our case managers the ability to monitor service utilization to ensure our recipients are receiving appropriate care in community-based settings.

CHAIR RAGGIO:

For those who are new to the Committee, define again this concept of value purchasing.

MR. DUARTE:

During the 2001 Session, we intended to reorganize the Division away from its previous activities which were primarily transactional. We were essentially doing a lot of paperwork. We were authorizing procedures, and people had stacks of paper on their desks without automation or the tools to oversee exactly what they were doing or realize the impact of policy changes they were making. Instead of focusing on transactions, we wanted to focus on developing policies that were appropriate for recipients, in terms of health care coverage but also in terms of cost effectiveness. Our organizational effort over the last four years has been in reorganizing, staffing appropriately and making information technology assistance available to our staff to enable them to make policy decisions to improve quality and be cost effective.

CHAIR RAGGIO:

Are you able to tell us, at this point in time, whether it is cost effective?

MR. DUARTE:

We have made many cost-effective decisions along the way, and we have identified other opportunities to be more cost effective. One of the most challenging efforts we have been engaged in during this fiscal biennium has been the development of our Medicaid Management Information System (MMIS). I am reading from page 8 of [Exhibit G](#). On October 1, 2002, First Health Services Corporation was awarded a contract to develop a Medicaid Management Information System that met the electronic data interchange requirements of a federal law. One of its subparts defined electronics transactions that were to occur in a health setting. This created a stir and an opportunity to make significant changes across the national health scene. As a Medicaid agency, we had to comply with those changes.

On September 30, 2003, the MMIS went live after only 12 months of development and testing. The chart on page 9 shows where we were and where we are currently. Currently, the initial months of operation, we were well

below the budgeted payment levels to providers. That has since been resolved, and we are moving forward with payments close to operational levels.

SENATOR BEERS:

As part of the stopgap measures we implemented, we advanced medical providers funds and were later going to reconcile the payments we made to them with their outstanding claims. Has that reconciliation caught up as well?

MR. DUARTE:

At its peak, we had an outstanding negative balance due to cash payments we were making for unprocessed claims. We were advancing and had a balance of approximately \$90 million in September 2004. We are currently down to \$39 million as of January 2005. We are reconciling payments to providers and paying down the negative balances.

SENATOR BEERS:

Are you noticing a trend of aging? I would expect to see some difficult cases that will require more work than the majority of cases. I envision you would handle the easy cases first and see a gradual trend toward the average length of claim settlement get longer. Is that correct?

MR. DUARTE:

Yes. As you can see from the chart on page 9 of [Exhibit G](#), many of the claims payment problems occurred in the early months. However, current date claims are paying cleanly for the most part. We have exceptions, some dealing with Medicare payments, but we are still resolving a number of issues associated with those older claims, particularly third-party liability claims when there is another insurer involved. Our fiscal agent, First Health Services, is working on manual adjudication of those claims, and we continue to pay down those negative balances. We have resolved a majority of the issues, but we still have outstanding issues associated with claims payments, and we are going to continue to work on that over the next several months and possibly the next year.

Turning to page 10 of [Exhibit G](#), we are now focused on federal certification of our MMIS. Federal certification allows us to receive an enhanced federal matching payment for design, development and implementation of the system and for operations. The federal government participates, financially, in development of these systems at a rate of 90 cents on the dollar. Therefore, they have a large stake, as do we, in assuring these systems meet federal standards. Additionally, they participate in operational costs at the level of 75 cents on the dollar. It is in our best financial interest to get the certification complete during this fiscal biennium so we can claim some of those enhanced federal funds as part of our budget. We sent a letter to the Centers for Medicare and Medicaid Services (CMS), on January 8, 2005, requesting a review of our systems retroactively to September 30, 2003. We are hoping to have our first site visit by a federal review team in early April.

ASSEMBLYWOMAN LESLIE:

Have those enhancements been built into the budget for the next biennium?

MR. DUARTE:

Yes, they have.

ASSEMBLYWOMAN LESLIE:

Do you have a round figure for those enhancements?

MR. DUARTE:

Approximately \$6 million. We can confirm that and get back to the Committee.

ASSEMBLYWOMAN LESLIE:

Along those same lines, do we not get a fairly large retroactive payment once we are certified?

MR. DUARTE:

That is correct. The \$6 million incorporates that retroactive adjustment.

ASSEMBLYWOMAN LESLIE:

Are you planning to revert that or is it built into ongoing?

MR. DUARTE:

It is built into our current biennium budget.

ASSEMBLYWOMAN LESLIE:

What is the date you are expecting we will be certified?

MR. DUARTE:

Our target is June 15, 2005. The next initiative we worked on is actually a Welfare Division initiative. The elimination of the CHAP asset test was approved by the 2003 Legislature to assist in expedited eligibility determinations for pregnant women. The Welfare Division put this into operation on July 1, 2004, and from an operational standpoint, it went smoothly. We are monitoring this against increased caseload growth. We also implemented a number of rate increases for providers in the current biennium. It included supported living arrangements and community training centers serving the mentally retarded and developmentally disabled, dental rate increases and increases for orthodontia services. We implemented a non-emergency transportation broker, increased rates for air ambulance services and personal care aid services.

On page 11 of [Exhibit G](#), another major initiative was the nursing facility provider tax program. Assembly Bill No. 395 of the 72nd Session, also known as the Fee to Increase the Quality of Nursing Care, was supported by the Legislature and the nursing facility industry. The fees are assessed on all freestanding nursing facilities in the state at a rate not to exceed 6 percent of revenues. The worksheet on the bottom of page 11 of [Exhibit G](#) shows the net revenues we anticipate from this, in the upcoming fiscal biennium, are approximately \$16 million a year.

CHAIR RAGGIO:

I think you need to explain how that works. Explain why it was set up, what it does and how it was funded.

MR. DUARTE:

The nursing facility provider tax is actually a fee assessed on all freestanding nursing facilities in the state.

CHAIR RAGGIO:

This was agreed to by the nursing home organizations.

MR. DUARTE:

Yes, it was. It was an initiative sponsored by former Assemblyman David E. Goldwater at the request of the nursing facility industry. The objective is to collect, through a broad-based fee assessment, revenues from these facilities up to, but not exceeding, 6 percent of their annual revenues. Those fees come to the state and serve as part of the state match that we use to bring in federal Medicaid funds. We can use that as part of the Medicaid program to assist in paying nursing facilities an enhanced rate.

If you look on page 12 of [Exhibit G](#), you see the net impact associated with these fees. Prior to implementation of A.B. No. 395 of the 72nd Session, our average statewide rate, for nursing facility care, was approximately \$122 a day. Currently, the statewide average daily rate, or per diem, is \$157. The component of this rate enhancement associated with the tax is \$35. You can see how that affects nursing facility care. We are closely monitoring how these expenditures are being utilized by nursing facilities, and hope in the next year to be able to determine how much of these funds are going to direct patient care and in improving the quality of nursing facility care.

CHAIR RAGGIO:

The chart on page 12 shows additional federal funds generated of over \$20 million. How is that computed? Had we not put this tax in, what would be the effect?

MR. DUARTE:

Had we not put the tax in, we would not have had the ability to draw down those federal funds and would have kept the nursing facility per-day rate at \$122.

ASSEMBLYWOMAN LESLIE:

There have been rumors from the federal government they are going to throw out what they see as a loophole. What is the status of that?

MR. DUARTE:

There has been a lot of discussion about the use of intergovernmental transfer funds and other kinds of activities. We had a review of some of our program initiatives that use intergovernmental transfer funds, and we have had a thorough review of our provider tax initiative. All of them currently pass federal muster and meet the requirements of federal regulation. Whether or not those regulations change, I cannot say.

We are also looking at developing a rate enhancement to encourage in-state nursing facilities to provide care to behaviorally-challenged patients. These include individuals who have traumatic brain injury, Alzheimer's, dementia or related conditions and are currently not being served in the State of Nevada. We have approximately 82 individuals who are currently in out-of-state facilities receiving that type of care. We plan, through changing our regulations, to develop a plan to implement an enhanced rate for these types of patients to enable them to receive care closer to home, in state. This plan will include a proposal to fund the rate enhancement with provider tax proceeds, and we would not seek additional General Funds.

CHAIR RAGGIO:

Will that get additional federal funding?

MR. DUARTE:

It will not get additional federal funding, but we hope to use that pool of federal funds available to serve this population.

CHAIR RAGGIO:

Are you going to talk about the proposal for the medically needy program?

MR. DUARTE:

I would be happy to address that at any point.

CHAIR RAGGIO:

I know there has been concern about whether or not it is doable, and I understand there is a cost involved. At some point, we would like to hear what you think about that.

MR. DUARTE:

We implemented our HIFA security and privacy rules. There is a deadline for compliance with security rules of April 2005, and we plan to be in compliance with the deadline. We have increased rates for adult day health care services. If you look at the chart on the bottom of page 13 of [Exhibit G](#), you see two lines. The first is the average number of seniors, 65 and older, in the State of Nevada over the period of time 1999 through 2005. You can see the number is growing rapidly. If you look at the Medicaid average occupancy in nursing facilities, you see it was flat for the last four years. This is attributable to two things. One is the expansion of home and community-based services. These are services where long-term care can be provided in the home, allowing the patient to stay at home as opposed to going to an expensive nursing facility and being institutionalized. Second is the expansion of our personal care aid service program, which provides assistance with activities of daily living to individuals who meet a nursing facility level of care, and keeps those individuals at home. Our Division of Aging Services staff that works with our waiver for home and community-based care, personal care aid services and our mentally retarded and developmentally disabled waiver, attribute to the success here.

If you turn to page 14 of [Exhibit G](#), during the 2003 Legislative Session, the Legislature approved a stop-loss provision for the counties. The counties pay for indigent care, including nursing facility services and hospital care, for individuals who are at 157 percent to 300 percent of the supplemental security income level and do not qualify for straight Medicaid. The county is responsible for their care and pays the state match for Medicaid services. Again, most of this is institutional care. Many smaller counties do not have the tax base to continue to be able to afford these types of services. In the 2003 Legislative Session, \$908,000 was appropriated each year to enable us to cover any funds the counties could not pay for, assuming they had already exhausted an eight-cent ad valorem tax that goes toward indigent care. Once they exceeded the eight-cent limit, we picked up the cost. In FY 2004, we paid approximately \$426,000 to assist five counties.

I will now move into some of our cost-containment initiatives. On page 15, we implemented a number of cost-containment and revenue-enhancement initiatives during the current fiscal biennium. The first was an enhancement to our drug

rebate program. The federal government gives us a rebate on pharmacy expenditures in the Medicaid program. We were budgeting approximately \$24 million in FY 2004 for rebate revenue, but with the assistance of our fiscal agent, First Health Services, we were able to bring in \$29 million in revenue from drug rebates.

CHAIR RAGGIO:

Is that done through contracting, or is there an agreed to formula? How are the rebates determined?

MR. DUARTE:

The federal rebates are established by the federal government Centers for Medicare and Medicaid Services and they are proprietary in nature. We do not know exactly what is paid in terms of rebate. For every prescription that has a rebate associated with it, each time we pay for a prescription we get a rebate from the manufacturer directly to our program.

CHAIR RAGGIO:

From individual manufacturers?

MR. DUARTE:

Yes.

CHAIR RAGGIO:

In FY 2004, did we receive \$29 million in that manner?

MR. DUARTE:

Yes, sir.

SENATOR BEERS:

Is the rebate based on the drug?

MR. DUARTE:

It is based on the individual drug.

SENATOR BEERS:

How current is your FY 2005 number?

MR. DUARTE:

It is through January. Keep in mind this is on a cash basis.

SENATOR BEERS:

We may still have money coming forth?

MR. DUARTE:

We have money coming in, yes. Continuing, we imposed limitations on our personal care aid service program in this fiscal biennium. We had proposed in the 2003 Legislative Session to reduce the maximum amount of hours of personal care aid services from 64 to 51. When we proposed this, we did a review in terms of the impact on recipients, and we believed it did not have a significant impact on any of our recipients. However, it did reduce our average annual cost, per recipient, by \$468. It resulted in estimated savings in FY 2004 of approximately \$1.7 million in total, or about \$730,000 in General Funds. We changed our services for life skills training. This was believed to be long-term

care. We were previously paying it out of state planning. You cannot pay for long-term care out of state plan services. Therefore, we made changes and saved approximately \$1.1 million per year, or \$240,000 in General Funds.

We implemented a controversial initiative to change our physician reimbursements to a more nationally recognized methodology that Medicare uses. It is called a resource-based relative value scale (RBRVS). We proposed that on May 7, 2003, and based the rate on approximately 80 to 85 percent of what 2002 Medicare would have paid the physicians. That would have resulted in about a \$7 million savings, and that is what we had proposed. However, because of significant access issues, especially to specialty care for many of our recipients, particularly children, we backed away from that initiative and believed it important in order to ensure continued access to these vital physician services in the State of Nevada that we pay an enhanced rate. We raised rates to approximately what they had been paying previously. That resulted in the savings initiative not coming to fruition, but instead spending about \$180,000 more than anticipated.

We had better success with implementation of some of our pharmacy initiatives. Two pharmacy initiatives were proposed. One was to impose a maximum allowable cost on the price we pay for grade A generic drugs, implemented in December 2003, and it is successful. We monitor national trends and costs for generic products that are routinely available over the counter. We pay that rate to local retail pharmacies.

SENATOR BEERS:

On the physician reimbursement changes, the timing of the move to RBRVS probably coincided with the timing of MMIS. Have you looked into the possibility the objection that affected the access to services issue might have been due to MMIS instead of the change to RBRVS?

MR. DUARTE:

That was a significant issue. Actually, the change with RBRVS occurred approximately six months prior to implementation of MMIS. We had significant fallout of providers, particularly specialists caring for children, prior to MMIS implementation. However, when we started implementation of MMIS, and we were having significant problems with provider payments, it did exacerbate some of the problems with provider participation. In September 2004, we were concerned about physician participation and understood that the rate changes, as well as MMIS implementation, probably resulted in a falloff of physicians participating in the program. Staff in our district offices pulled a sample of 3,000 active physicians in the State of Nevada. We looked at 19 key specialties and surveyed 938 physicians by telephone.

What we found was surprising, but it also left holes we needed to fill. We found 88 percent of physicians continued to contract with Medicaid. Seventy-six percent of those physicians took new patients. That compares to a national study done in 2002 which showed approximately 69 percent of physicians, nationwide, are seeing new Medicaid patients. It pointed out disparities in terms of the types of specialists not seeing patients. We have significant gaps in neurology, orthopedics and a number of other specialty areas we must fill. There are also significant disparities between northern and southern Nevada. In Washoe County, there is a much lower participation rate by physicians than in

Clark County. We are working to remedy that, but, overall, we still maintain a fairly high level of physician participation in Medicaid.

CHAIR RAGGIO:

Was that due to the delay in payment more than the amount?

MR. DUARTE:

Yes, it was.

CHAIR RAGGIO:

I heard from several physicians who said payment took too long.

MR. DUARTE:

We have not seen many terminations by physicians as a result of nonpayment, but what we have seen is a reluctance of physicians to take new patients. That is being resolved. We have worked closely with the Nevada Medical Association and some county medical societies who have done a good job in getting the message out about improvements in payments to physicians. We know we have more work to do.

Getting back to some of our pharmacy initiatives, again, our maximum allowable cost for generic drugs was a major cost saver, and it resulted in an actual savings of approximately \$2.8 million in FY 2004. We project about a \$5.8 million savings for FY 2005. The other side benefit is that it increased the generic utilization in our program from approximately 47 percent prior to implementation to 58 percent. A controversial initiative we implemented was the preferred drug list. Medicaid did not have a preferred drug list.

CHAIR RAGGIO:

What is the difference between single source (SS) brands and multiple source (MS) brands?

MR. DUARTE:

The SS brands are brand products that come from one manufacturer. The MS brands come from several manufacturers.

The next issue was the preferred drug list. It was phased into operation between July and September 2004 and only became operational in January 2005. We had projected a significant level of savings, but some of the savings initiatives were curtailed by decisions associated with A.B. No. 384 of the 72nd Session. That bill put constraints on our ability to manage pharmacy costs in order to preserve access to care to key types of pharmaceutical products. We are working closely with the Pharmacy and Therapeutics Committee to ensure the decisions we make are not purely fiscal in nature, but are the right thing to do in terms of quality of care. The Pharmacy and Therapeutics Committee is comprised of physicians and pharmacists from the community, and it assists us in developing appropriate pharmacy policies to prevent making decisions on the lowest common denominator which is cost.

In conjunction with the preferred drug list, we worked with the federal government to establish a purchasing pool in order to negotiate supplemental rebates. If you recall, I talked about federal drug rebates. In addition to federal rebates, we have been able to negotiate a supplemental rebate for many of the drug classes in our preferred drug list. We did this in concert with a number of

other states. We participate in a Medicaid purchasing pool administered by First Health Services for a number of states; including Michigan, Vermont, New Hampshire, Alaska, Hawaii, Minnesota, Montana, Kentucky and, soon to enter the pool, Tennessee. We are currently sitting on about two million recipients for whom we negotiate and overall drug spending of \$2.7 billion. This allows us, as a pool of states, to negotiate supplemental rebates from manufacturers at an aggressive rate and assure we are getting the best deal possible from drug manufacturers. Since this program is just becoming operational, we currently only have projections about savings initiatives.

Another initiative we engaged in was a reduction in what we were paying for graduate medical education. We were previously paying approximately \$2.4 million, and we reduced that to \$820,000 a year. These are payments to teaching hospitals for residents in training. We saved approximately \$650,000 in General Funds. We reduced payments to health maintenance organizations (HMOs). We capped their overhead rate, administrative and profit rates from 19 percent to 15 percent of total spending. They have 15 percent for their administration. If there were a profit margin to be had, they would have to take it from that. That resulted in savings in FY 2004 of approximately \$2.7 million in General Funds. We are projecting approximately \$2.5 million in FY 2005.

Page 18 of [Exhibit G](#) shows a number of challenges ahead of us in this current biennium, not the least of which is some of our budget forecasting. We have a way of projecting payments for budget purposes called the Medicaid Payment Projection Model. It essentially looks at caseload, the cost per person in that caseload by aid category, and a number of other factors, in order to project our expenditures in this fiscal biennium and in future fiscal years. The forecasting performs well in a stable claims payment environment. Where claims are paying consistently and there are no major changes in the program, it is a good tool for modeling and budgeting. However, that environment has not been stable since about 2001. A number of changes have resulted in claims payment variables which has impaired our ability to make projections.

Most recently, we did a run of this Medicaid payment projection in December 2004, and found our cost-per-eligible reflected in this projection were significantly lower than anticipated. We attempted to make adjustments in the cost-per-eligible, but we were trying to adjust information and revise our cost-per-eligible to levels that made sense from a program and fiscal point of view. We determined some of the data from our old computer system did not transfer properly into our new computer database. As a result, some of the costs for FY 2004 were not incorporated into the new system. Therefore, it resulted in a false representation of low cost for eligible recipients. Because of the controversy surrounding the December 2004 payment projection model, a decision was made to use a prior run done for our agency request budget in June 2004. That is what you will see reflected in our budget. The caseloads have changed, but we retained the caseload projections we had in June 2004, as well as the cost-per-eligible. Later in this presentation, I will show you the differences between December 2004 and our agency request projection used to build our budget.

Another challenge, as I mentioned previously, is the cost for the aged and disabled population we serve. We will continue to work at controlling costs in terms of physician and pharmacy utilization and long-term care. We are looking at a reduction of revenue associated with one of our supplemental payment

programs to hospitals called the Upper Payment Limit Program. This program provides a supplemental payment for public, non-state hospitals. These are primarily county facilities, and we pay them what Medicare would have paid. The difference between what Medicaid paid and what Medicare would have paid is essentially a supplemental payment to them. We get the funds from the counties involved. There is a net benefit to the state from those county funds. However, that benefit will decline and that is reflected in our budget. In FY 2004, the net benefit was approximately \$6 million; for FY 2005, we are projecting the net benefit to be \$2.2 million.

Another major challenge we are actively dealing with is a change to the Medicare benefit to provide prescription drugs to Medicare beneficiaries, effective January 1, 2006. The Medicare Modernization Act was passed by Congress in 2003. It included a provision for Medicaid to discontinue paying for pharmacy benefits, but instead to pay the federal government to pay for what we call dual eligible. These are people who get their pharmacy benefit through Medicaid. They are eligible for both Medicaid and Medicare. We will no longer be responsible for paying for their pharmacy coverage, but instead will pay an assessment to the federal government, euphemistically called the clawback.

The clawback or phased down payment to the federal government will assist with providing the Medicare pharmacy benefit to the dual eligible previously covered by Medicaid. The final rates came out on January 21, 2005 and they were published in the *Federal Register* on January 28, 2005. Obviously, we have not had time to review all of them. We have a budget decision unit in our proposed Medicaid budget that deals with this in terms of payments to the federal government, but we are concerned about the potential impact of this on recipients. Recipients are individuals who are disabled or low-income seniors who currently have no co-payments for their drugs. Many are on multiple-drug regimens, and co-payments would be problematic for them from a cost perspective; they are expensive, costing on average 81 percent more than the average person pays on programs such as Senior Rx.

We reviewed the top ten drugs we cover for dual eligible patients, and estimated approximately \$25 million are spent on the top ten drugs, many of which are for mental health disorders. The potential impact of providing a wraparound benefit to cover what Medicare does not cover for dual eligible patients is a high expense. Looking at one drug, the antipsychotics, we estimated approximately \$5.7 million is spent for dual eligible patients. Assuming the pharmacy programs, coming into being in January 2006, will just cover the generic product in this class. The generic drugs alone account for \$1.4 million of the \$5.7 million. The difference, assuming we will provide a wraparound benefit for an antipsychotic medication of a patient's choice, would be with General Funds only and makes up a significant cost.

ASSEMBLYWOMAN LESLIE:

Are you saying there is not going to be a net savings to the state due to the clawback? It sounds as though you are saying just the opposite; there could be a significant hole in the budget with the psychotropics.

MR. DUARTE:

Currently, we have no wraparound benefits projected in our budget. In terms of what we are going to pay the federal government on the clawback provision, we are currently projecting it may save the state approximately \$5 million each

year. However, that was an early estimate, and there are many factors that will probably not become apparent until we fully review all the regulations. In terms of estimating the cost of wraparound benefits, we will not know what is not covered until after this Legislative Session. We anticipate, sometime in August or September, the release of formularies by the prescription drug plans (PDPs) that will serve individuals in the State of Nevada.

ASSEMBLYWOMAN LESLIE:

No one is going to want people out there without access to antipsychotic drugs. We will have to keep an eye on it, and I suppose you will have to come back to the IFC and do the best you can. It is a real problem.

MR. DUARTE:

It is a real problem, and we will continue to update our estimates of the budget impact on this. Currently, we have no specific staff associated with this. People are doing what they can to plan for this initiative, and it is a significant effort.

ASSEMBLYWOMAN LESLIE:

Is the \$5 million we are saving what is shown in the M-502 under budget account 101-3243 Department of Human Resources, Health Care Financing and Planning, Nevada Medicaid, Title XIX, page HCF&P-19 in Volume II of the *Executive Budget*?

MR. DUARTE:

Yes.

ASSEMBLYWOMAN GIUNCHIGLIANI:

I would like to go back to prescription drugs and the consortium you were mentioning with the states. I remember a BDR from the University, asking for an initiative to come out of our Purchasing Division. Does that have any impact on the state?

MR. DUARTE:

No, actually it does not involve us. These are specifically Medicaid programs that have pooled together. It does not involve other purchasing initiatives. Some of the consortiums being discussed, the type you are discussing, are agencies that purchase drugs. We reimburse pharmacies in the Medicaid program and we get supplemental rebates. That is what we are negotiating as a pool of states.

Another federal mandate we are working on is the payment error rate measurement initiative. This requires the Division, as well as the Welfare Division, to conduct reviews of medical claims in both the Medicaid and Nevada Check Up program to ensure not only the eligibility determinations were correct, but also the claims were adjudicated correctly and the medical necessity criteria applied to those claims were appropriate. This is a controversial initiative. Many states are against it. It imposes a cost on the state to put into operation a program in which any payment error percentage found would be taken off federal appropriations due us. This may be part of Medicaid reform.

We are working on getting people into our Health Insurance for Work Advancement program. That program was approved last session to start July 1, 2004. It allows people who might have slightly higher incomes, but currently qualify for Medicaid or could qualify for Medicaid, to earn income at work and continue to receive Medicaid benefits. They might otherwise lose

those benefits because they are now earning income through an employer. These are important benefits for people with disabilities that are not often covered by employer-based insurance. Often they do not go back to work because they are afraid of losing their Medicaid benefits which are essential. We are now trying to continue to outreach to individuals who might qualify for this benefit. Caseload growth has been slow, but we do have a \$500,000 a year grant for the next four years from the federal government to assist with outreach activities to this population and to employers in the state.

There has been a lot of discussion and attention paid to federal Medicaid reform issues. Medicaid has been increasingly described as unsustainable, both at the federal and state level, and I would not disagree. At the rates of expenditure growth, both the Medicare and Medicaid programs are expected to consume about 4 percent of the gross domestic product by 2007 and continue to grow thereafter. One report by the *McKinsey Quarterly*, an economics quarterly recently released, suggests that across the nation, states will continue to see a bigger part of their state revenue dollars going toward Medicaid. Based on the current spending trajectory, the report estimates, by 2009, 22 states, including the State of Nevada, could be spending from 25 cents to 50 cents of every dollar on Medicaid alone.

There was also a recent letter from the National Governors' Association to the President describing some of the concerns on the rapid growth of expenditures on Medicaid. Medicaid, for the first time, has actually exceeded in most state budgets, but not Nevada's, the cost of Kindergarten through 12th grade (K-12), on average, 22 percent. Obviously, things need to be done at both the federal and state levels. A recent issue brief published by the Federal Financial Information Service discusses some of the congressional budget office (CBO) options that were scored by the CBO for Congress. They talked about a number of initiatives including block granting some of the programs such as the disproportionate share hospital and supplemental hospital payment programs. They talked about reducing administrative costs for Medicaid, shifting the cost of administration to the states. They scored the savings associated with a block grant on Medicaid as well as a capped entitlement program which would put a limit on expenditure growth into the future for Medicaid entitlement.

We are also dealing with increased oversight and review by our federal partners, CMS, on some of our initiatives to enhance federal revenue in the State of Nevada. We will continue to work closely with them to ensure our federal revenue maximization initiatives pass federal muster, but these could be curtailed through the types of initiatives I just described. Anything that might happen will probably happen after the Legislative Session, and it will probably be a challenge for Nevada, as well as other states, to deal with during a time when we are trying to set our budgets for the next two years.

The last thing I would like to talk about before I give you our budget highlights is access-to-care issues. I already talked about our Medicaid provider survey. Recently, in order to improve access to care, we implemented a managed care initiative in Washoe County for low-income mothers and children's programs, TANF and CHAP. Currently, statewide, we have 107,000 enrollees in Medicaid and Nevada Check Up in managed care; 85,000 Medicaid enrollees in managed care; and 22,000 Nevada Check Up enrollees in managed care. They are located primarily in urban Clark County and urban Washoe County. In terms of the split between north and south, it is 91,000 enrollees south and 16,000 north.

Managed care has been effective for us for two reasons. One is there are contract revisions in those managed care arrangements we do not have in our fee-for-service or traditional Medicaid program. We can hold HMOs accountable for quality of care. We can hold them accountable for access to care. If someone needs services, HMOs are responsible and must find an appropriate physician to meet the needs of that recipient. I cannot go to a traditional fee-for-service physician and insist he see a patient, because if he chooses not to, he does not have to. I also cannot hold him accountable to quality standards, as I can in a managed care program. Therefore, on those two points, managed care has been effective. Additionally, it has allowed us over a four-year period to hold rates at a low level of growth. Our managed care rates have averaged a 5-percent increase each year for Medicaid and it actually declined for Nevada Check Up since 2001.

We have been dealing with a number of dental-access issues in Clark County. There have been many concerns over access to care to HMOs that currently contract with the University of Nevada, Reno, School of Dentistry (UNR SOD). We are working closely with those HMOs. We pay the HMOs, the HMOs contract with the UNR SOD as well as other providers. We have asked them to expand their network, rely less on the UNR SOD, which is having significant issues in trying to assure prompt and timely appointments. We have not heard any quality-of-care issues with dental care rendered by the UNR SOD, nor have the HMOs, but there are significant issues with access to care and timely access to care. The HMOs are currently looking at revising their contracts with the UNR SOD, downsizing that contract and bringing in more private providers. In Clark County, particularly, private providers are interested in seeing our recipients for dental care.

On page 21 of [Exhibit G](#), you will see our biennial budget request. It is a summary by budget account. It gives, on the bottom line, the Division totals for all programs by General Fund, federal funds, other funds and the total for the fiscal year. In total, we are requesting \$836 million for the biennium, approximately 28 percent more in General Funds than we requested in the previous biennium for the Medicaid program. The total budget for the Medicaid program is \$2.77 billion for the next fiscal biennium. Page 22 goes into some of the new initiatives associated with the budget. The *Executive Budget* includes the HIFA waiver. This waiver was proposed by the Legislative Committee on Health Care as part of its work through the subcommittee to look at expanding health coverage. It was proposed in the Governor's budget practically intact, and the overall intent of the Committee is shown here for this program. This waiver program allows the State of Nevada to expand coverage to a number of populations.

The Legislative Committee on Health Care Subcommittee to Study Current Challenges of Ensuring Adequate Health Care is Available to All Nevadans proposed expanding coverage for pregnant women. We currently provide the minimum coverage for pregnant women. The federal minimum is 133 percent of the federal poverty limit. It proposes raising that to 185 percent of poverty. It includes a provision to assist employees in small employer businesses and employees with incomes of less than 200 percent of federal poverty who can enroll in a qualified employer health plan. These employees receive a \$100 per month maximum subsidy for health insurance. We would assist those low-income employees in paying for employer-sponsored insurance offered by

their employer. It would also provide a provision the Committee called a medically needy program but, in essence, is a catastrophic coverage program. This program was previously paid for by the counties through their indigent accident fund and their supplemental fund. It proposes using some of those funds, bringing in federal matching funds to pay for catastrophic care or event-based care associated with an accident or trauma in a hospital. We would use some of those funds to pay for that activity.

The real beauty of a HIFA waiver is that it allows us not only to do some things we could not do in a traditional Medicaid program, but also to implement some fiscal controls and constraints. We can do that by limiting the number of recipients that participate, limiting total expenditures associated with the program or a combination of those. In that way we can cap the fiscal risks to the state at whatever level the Legislature deems appropriate.

ASSEMBLYWOMAN LESLIE:

I believe I understand now that this medically needy program is not the medically needy program people were talking about through Medicaid. This really is catastrophic care. I want you to confirm that in case the public is confused. Secondly, is this the area of the HIFA waiver that is most likely to be rejected by CMS?

MR. DUARTE:

In answer to your first question, yes. I believe this was previously called the medically needy program. Under federal regulation, there is a specific type of program called the medically needy program, and we did not want to continue to use that term and confuse people. Instead, we called it a catastrophic program. This would be new for CMS or federal partners to review. Utah has a program in place that pays for primary physician care and some hospital and outpatient services. There is precedence in terms of providing a limited benefit program, but specifically catastrophic coverage, hospital-based care, I do not believe has been proposed in the past. We have been talking with our federal partners and trying to describe our overall intent.

ASSEMBLYWOMAN LESLIE:

It would be nice to be progressive, for a change, in Medicaid. How long would it be before we know which parts of the waiver they would approve?

MR. DUARTE:

Assuming this is approved, we hope to have a contract in place shortly thereafter, by October 2005. One option that might allow us to do some up-front work, is contract funding available which was previously used by the Legislative Subcommittee on Health Care to pay for services from a vendor, EP&P Consulting, Inc. – Health Care and Public Policy Consultants, in order to assist with the waiver development. If any of those funds remain, it may be prudent to consider using those funds to obtain answers to our questions, do some up-front work and expedite that timeline.

ASSEMBLYWOMAN LESLIE:

I would certainly be open to that, and we will discuss that in the subcommittee.

MR. DUARTE:

Page 23 of [Exhibit G](#) gives you a breakdown of some of the costs associated with this waiver. We took these cost projections out to state FY 2010. They are

numbers out of the Legislative Subcommittee on Health Care's report. First, the program for pregnant women would be the first to start in January 2006. It would be followed, in July 2006, by implementation of the employer-sponsored health insurance subsidy program and the private catastrophic event coverage program. We have a number of contracts built into this in order to put it into operation.

Also proposed in our budget is the behavior health redesign you have heard the Department and Division talking about on multiple occasions. We seek to expand the Medicaid network in order to provide greater access to community-based services for mental health. These include expansion of assessments and evaluations in the community; group, individual and family therapy in the community; medication clinics; mental health rehabilitation services, including peer and family support services and case management. We also plan to include utilization management requirements, including those for mental health rehabilitation residential and nonresidential services. The idea is we would establish specialty clinics under the auspices of a psychiatric medical director, marriage and family therapists, as well as licensed clinical social workers, to provide counseling to individuals under medical direction. Through these private sector clinics, we would be able to continue to expand opportunities for patients to receive services in the community. Currently, licensed clinical social workers and marriage and family therapists cannot provide family, group or individual therapy to Medicaid recipients.

ASSEMBLYWOMAN LESLIE:

Hallelujah. This is the happiest I have been all day; thank you for doing that. Is it restricted to children? Can you clarify who would be eligible to use these services?

MR. DUARTE:

It includes services to both adults and children. While the focus is going to be on children to a large extent, it provides more opportunity for these services for adults currently limited to state agencies and Mojave Mental Health.

ASSEMBLYWOMAN LESLIE:

Therefore, we will be able to serve a lot more people at a much lower cost.

MR. DUARTE:

Yes. We are requesting increases for our home- and community-based waiver program for individuals with disabilities. We are looking to increase the number of slots for that waiver program to an additional 97 slots to deal with wait lists and individuals who have significant needs with activities of daily living. We have rate increases in our budget, and while many discretionary rate increases are not included in our budget, there are a few. These are primarily for air ambulance and some of the mental health rehabilitation providers and home infusion therapy services. You can see the General Fund impact there.

We propose eliminating the patient liability responsibility for the Community Home-Based Initiatives Program administered by the Division of Aging Services. On page 25 [Exhibit G](#), you can see the associated costs which are nominal. We have provisions for implementing the two federal mandates that I previously discussed. Also included are the payment error rate measurement program and associated costs, as well as a savings budget module for Medicare

modernization. Again, that is preliminary, and I would not put a lot of stock in those numbers; we know they will be revised.

Moving to the bottom of page 25 of [Exhibit G](#), I previously discussed some of the issues associated with budgeting, and I talked about our most recent December 2004 medical payment projection (MPP) run and how the costs-per-eligible were actually lower than anticipated. In order to make up for that problem, we adjusted some of the rates based on expenditure patterns for service category, such as HMOs, physician services and hospital-based care, in order to increase the cost-per-eligible. As I said, rather than adjust the December MPP budget projection, we used the agency request. On page 26, you will see how significant the difference was in terms of General Funds. The difference, in terms of the General Fund, associated with using the budget projection developed in June 2004, compared to the December 2004 run, is \$73 million over the biennium. We will keep a close eye on our April projection. We may end up having to live within the General Fund appropriation associated with the agency request and the caseloads authorized within it, but it will be a challenge for the agency if, indeed, we find our costs-per-eligible are going up as much as we thought in our December projection.

On page 28 it shows our Nevada Check Up program in budget account 101-3178. In this budget, we are recommending capping the Nevada Check Up program at 30,000 recipients. That cap would take effect July 1, 2006. We understand this may conflict with the intentions of the Legislative Subcommittee on Health Care to expand through a HIFA waiver the use of our state Children's Health Insurance Program funds to expand Nevada Check Up for pregnant women. It is unlikely the federal government would approve both an expansion of Nevada Check Up for pregnant women and a cap on children's enrollment. We presented the HIFA waiver proposal showing the full intent of the Legislative Subcommittee on Health Care. Subsequently, we needed to reduce our General Fund expenditures and proposed capping Nevada Check Up. We request to work within the General Fund appropriation, if the HIFA waiver is approved with that General Fund appropriation, to assure the HIFA waiver can be approved. If we need to save General Funds elsewhere within this program, we would do so through other means. Essentially, there is a policy conflict here between expansion through HIFA and capping enrollment for children.

Our caseload growth proposal requests \$2.46 million in General Funds in FY 2006 and \$5 million in FY 2007 for the Nevada Check Up program.

CHAIR RAGGIO:

As of this date, is the enrollment 25,000 plus?

MR. DUARTE:

It is currently 27,000. You can review the remaining sections on your own, including a summary of our decision units, a BDR submitted by the Division, updates on Letters of Intent, interesting demographic and caseload and expenditure-related charts at the back of [Exhibit G](#).

CHAIR RAGGIO:

Were you going to speak on the intergovernmental transfer program?

MR. DUARTE:

I said all I planned to say on that subject. If there are any questions, I will be happy to answer them. I also want to point out we provided a number of other supplemental documents. We have a "Medicaid and Nevada Check Up Factbook, January 2005" ([Exhibit H](#), original is on file at the Research Library) with good information on the program. We provided you with a white paper, "Medicaid White Paper on Optional Program Expenditure and Cost Savings Implementation," January 11, 2005, ([Exhibit I](#)), on a question frequently asked of us, "What is an optional program and who are optional people that we cover in our program?"

CHAIR RAGGIO:

The one I like the best is the DHR-DHCFP Acronyms/Definitions ([Exhibit J](#), original is on file at the Research Library).

MR. DUARTE:

Additionally, we have a white paper on the Medicare prescription drug bill, "Medicare Prescription Drug, Improvement and Modernization Act of 2003, Impact on the State of Nevada, January 12, 2005," ([Exhibit K](#)), and a paper titled "Payment Error Rate Measurement, January 12, 2005," ([Exhibit L](#)), explaining another federal mandate.

CHAIR RAGGIO:

We will now review the budget for the Division of Child and Family Services.

JONE M. BOSWORTH, J.D. (Administrator, Division of Child and Family Services, Department of Human Resources):

We supplied a booklet, "Department of Human Resources, Division of Child and Family Services (DCFS), FY 2005-2007 Budget Overview, Presented to: The Legislative Commission, Budget Subcommittee, January 31, 2005," ([Exhibit M](#), original on file at the Research Library). I will be pleased to spend time walking you through the booklet, and I welcome questions at any time. Page 1 provides a basic overview of the percentage of General Fund allocated to the Child and Family Services budget. Child and Family Services is within the Department of Human Resources (DHR), and comprises 12.29 percent of the total General Funds recommended for the Department.

Page 2 shows the total funding for DCFS within the DHR budget, at 8.18 percent. This presentation is focused specifically on the budget for FY 2005-2006 and FY 2006-2007, the Governor's recommended proposed budget. On page 3 is the overview of our budget presentation. I would like to share with you, on page 4, the mission of the DCFS. The Division recognizes that Nevada's families are our future. Children, youth and families thrive when they live in safe, permanent settings, experience a sense of sustainable emotional and physical well-being and receive support to consistently make positive choices for their families and for the common good. There are four key elements to our mission statement. The Division is charged with getting four outcomes: safety for children; well-being for children, meaning emotional, physical and educational well-being; permanency, meaning living in a safe, permanent home; and community safety. If you turn to page 5, you will see our program areas are all aligned under those outcomes. We not only provide child protective and child welfare service delivery in rural Nevada, we provide oversight for the urban, county-operated child protective and welfare services.

We provide urban children's mental health treatment and residential services as well as statewide juvenile justice services. That includes our three state operated facilities; two in our rural areas, Caliente Youth Center (CYC) and the Nevada Youth Training Center (NYTC) in Elko, as well as Summit View Youth Correctional Center (SVYCC) outside Las Vegas. This is a noncomprehensive list of some of the services we provide within those disciplines. Again, those disciplines are all charged with getting the four outcomes I mentioned. We structured our entire budget-building process around three primary strategies. These are improvement strategies based on a critical assessment within the last calendar year of how we were doing against those outcomes. The first is increasing Nevadan's access to services, meeting national standards and enhancing organizational and professional competence. Professional competence, as we see it, is having the right number of staff with the right training skills doing the right work at the right time to achieve the desired outcomes.

Starting on page 7 of [Exhibit M](#), is an overview of many of the pieces that played into our budget-building process, the critical assessment pieces over the last calendar year. We had a Federal Child and Family Services Review (CFSR). Under that review, the federal government, the Administration for Children and Families, came to Nevada and looked specifically at 14 outcomes. Seven of the outcomes were tied to safety, permanency and well-being for children and families. Unfortunately, Nevada did not fare well. We were not in substantial conformity for any of the seven child and family outcomes. In fact, we came in near the bottom of the nation for each. That was a critical piece of work we looked at in building strategies to focus on achieving better outcomes in the future.

Some of the other key components of our assessment in this budget-building process include; mental health consortia assessment and recommendations, mental health plan implementation commission, which ties to the President's new Freedom Commission and the Behavioral Health Redesign, mentioned by Mr. Duarte in his presentation. In February 2004, DCFS signed a memorandum of understanding with the Department of Justice (DOJ) regarding civil rights violation allegations at NYTC in Elko, the Legislative Committee on Children, Youth and Families, A.C.R. No. 18 of the 72nd Session, the Interim Committee to Study the Juvenile Justice System, Mental Health and Developmental Services Commission and the Legislative Counsel Bureau audit. The audit analyzed our bill collection and business practices as well as our federal rates draw down for mental health services.

Our first strategy, increasing Nevadans' access to services, is met, in part, by the Governor's recommended budget that includes 20.55 FTE to reduce wait lists for outpatient, case management and early childhood services in both northern and southern Nevada. Mr. Duarte talked to you about using the specialty clinic model which also increases access. This is within the state operated Children's Mental Health System. This will increase our ability to serve more children and families through both our northern and southern child and adolescence services. This will help us target that prevention aspect, meaning getting to children in the early childhood level before they enter the child welfare or juvenile justice system. It also helps us in terms of the CFSR. One aspect of that review was an analysis of whether the State of Nevada generally has enough services to meet children and families' needs. The answer was, "No, we do not."

Finally, on the President's New Freedom Commission, of which Senator Randolph Townsend is a member, there was a strong recommendation to fund the Behavioral Health Redesign. Again, ours is just one small component of that redesign. We are excited to say the Governor supported these full-time positions to help increase Nevadans' access. The next component of increasing access is tied to provider rate increases for children's residential treatment services. The Governor's budget recommends \$4.5 million over the biennium to increase rates. Assembly Bill No. 513 of the 72nd Session generated a Nevada provider rates taskforce study that made recommendations about the appropriateness of the rates. Our providers have not had an increase in five years. This \$4.5 million is to go toward increasing the rates they receive. Our hope is we will be able to support retaining our existing contractors, help recruit new providers to increase access for Nevadans in the state, as well as help those providers recruit and retain staff which is difficult under current circumstances.

In terms of meeting national standards, I mentioned the CFSR showed us we must significantly target getting safety, permanency and well-being for our children and families. The Governor's budget recommends an increase of 15 FTE over the biennium to support our rural child welfare foster caseworkers. Research has shown, through the CFSR, Nevada was one of the last states to undergo the review, and what we found was there was one key indicator. The indicator was whether we met outcomes established by the federal government. That was caseworker contact with the children and families. When you have high caseloads, we are currently funded at 1:28 but our caseloads are significantly higher. It is difficult for the caseworker staff to have the kind of regular and meaningful contact with the children and families necessary to help move them toward the desired outcomes and out of government involvement. We strategically looked at the one thing we could do to improve the outcomes for our CFSR results. Increasing the number of caseworkers who have time to spend with children and families is the number one improvement we can accomplish.

For our rural areas, we proposed a slightly different ratio of 1:22 in FY 2006 and 1:19 in FY 2007 and 1:12 for Child Protective Services. That is because caseworkers have to travel long distances to meet with children and families, whether it is an investigation or a regular monthly visit. They may be spending half their time on the road rather than with the children and families. For Washoe and Clark Counties, we also included recommendations to fund the caseworker ratios at 1:25 in FY 2006 and down to 1:22 in FY 2007. This, in fact, does not reach the national recommended standards. The Child Welfare League of America is one big proponent of a nationally recommended caseload standard. They recommend 1:15 for foster care caseworkers and 1:12 for child protective services. Since we are currently at 1:28, our hope is we can move closer to those national standards and improve our outcomes. Again, this seeks to address Nevada's failure to meet any of the child and family outcomes under the federal review.

On page 11 of [Exhibit M](#), is a review of our state-operated juvenile justice facilities. The Governor's budget recommends an increase of 23 FTE for direct care staff to youth ratios at our two rural facilities, NYTC and CYC. The American Correctional Association (ACA) recommends a ratio of 1:8 for daytime and 1:16 for nighttime supervision of youth. Currently, our SVYCC meets those

ACA standards. Why is meeting the national standard important? There are several reasons. One is the more direct contact with these youths, the better rehabilitative effect. This means more time to talk with them, mentor them and offer them suggestions and corrections in behavior and thinking. We have set a goal of accreditation at all three of our facilities. One step toward meeting the national standard is the staffing ratio. In addition, as I mentioned, in February 2004 we signed a memorandum of understanding with the DOJ regarding issues at our NYTC, and they strongly recommended in their last visit we move toward the national standards in order to ensure the safety and care of the youth at our facility.

I applaud our staff at NYTC. During the last visit with the DOJ, they used phrases like "amazing cultural change, remarkable improvements." We anticipate those remarkable improvements will continue and can assure you our youth are safe and well cared for at that facility now. However, meeting these national standards for staffing is going to help us as we continue to ensure the safety of the youth and move toward national accreditation for our program.

On page 12 of [Exhibit M](#), concerns children's behavioral health utilization review teams as they relate to Medicaid national standards. The Governor's budget recommends adding eight FTEs. I apologize for the parenthetical psychiatric nurses. While psychiatric nurses are part of the staffing of those eight FTEs, those are not all the staff. Actually, we are requesting five psychiatric nurses, as well as three administrative support staff. These utilization review teams are currently comprised of existing mental health staff. The staff are primarily clinical program planners who have many other responsibilities and are sometimes supervising staff that are case managing the children who come to those review teams. The review teams look at the Medicaid regulations and determine whether the child meets those standards in terms of necessitating medically necessary treatment. It also can be for out-of-home placement or for rehabilitative services.

Currently, we do not have skilled medical professionals on those teams. This proposal and these eight FTEs are going to support the process by infusing skilled medical professionals into the teams. This will ensure we are meeting national Medicaid standards. We propose to assign three of the psychiatric nurses to Las Vegas. We currently have six utilization review teams in Las Vegas. One is for juvenile services, the other five are tied to our neighborhood care centers, our service delivery model. We have teams in the north that also provide utilization review, not only for children in child welfare custody, but also parental custody children to ensure medical necessity is met. Two of the psychiatric nurses will be assigned to northern Nevada child and adolescent services. We are currently meeting Medicaid regulations, but this will take us to another raise in our competence level step in ensuring no child stays in an out-of-home placement too long against medical necessity.

The information on page 13 of [Exhibit M](#) relates to enhancing our organizational competence. The Governor's budget recommends two FTEs, an administration services officer III and a management analyst III, to establish a rates cost allocation unit. This is imperative for the DCFS to develop in-house Nevadan expertise in the areas of cost allocation for both child welfare and children's mental health and behavioral services. With me is Ms. Diane Comeaux, who can attest to the fact that getting the most basic amendment through the federal government in terms of cost allocation can take up to one year. It is an arduous

process, and we need to have these staff in order to support amending and drawing down as much federal revenue as we can to support both child welfare and children's mental health services. These staff will also be responsible for establishing, negotiating and monitoring service rates to ensure compliance with Medicaid policies.

When I talked initially about the critical assessment piece we did over the last calendar year, one piece was an LCB audit with respect to our children's mental health services, especially about rates. We found we were not billing at cost, and we needed to revise our business practices. Later in the presentation I will point you to our progress notes. We have made a lot of progress toward meeting the LCB audit findings. We identified one strategy, to ensure Nevada is drawing the federal revenue and setting and monitoring rates appropriately, is to develop in-house expertise within this unit.

ASSEMBLYWOMAN LESLIE:

I am assuming these are the positions our Interim Committee recommended. Is that correct?

Ms. BOSWORTH:

That is correct.

ASSEMBLYWOMAN LESLIE:

I believe the Committee wanted those to be funded with federal funds, but my understanding from information provided by staff is that 75 percent of it is General Funds. Is that correct?

Ms. BOSWORTH:

I am not sure we have any positions that are federally funded in their entirety. I can defer to Ms. Comeaux if she has different information.

ASSEMBLYWOMAN LESLIE:

How much are you expecting to bring in with these positions, and where is the money in the budget?

DIANE COMEAUX (Deputy Administrator, Division of Child and Family Services, Department of Human Resources):

Ms. Bosworth is correct; you cannot fund any positions 100 percent with federal funds, you must have state funds to match. As she indicated earlier, to do a simple cost allocation plan amendment, which we just finished for Clark County to allow them to draw down federal funds, took two years.

ASSEMBLYWOMAN LESLIE:

You only have 25 percent, is that correct? Seventy-five percent General Funds and twenty-five percent federal funds?

Ms. COMEAUX:

Yes.

ASSEMBLYWOMAN LESLIE:

How much money do you plan to bring in, and where is it in the budget?

Ms. COMEAUX:

At this point, we have not done a projection on how much additional revenue we will bring in. Again, that is because it takes so long to get a cost allocation plan amended.

ASSEMBLYWOMAN LESLIE:

The answer is zero? There is nothing in the budget you are anticipating bringing in over the next few years with these positions?

Ms. BOSWORTH:

We did not project the amount we thought we could bring in because the federal government is so unpredictable. I know that through the subcommittee you chaired, we had a lot of discussion about the need to start looking at Title IV refunds for juvenile services. This is something for which we have no in-house expertise at this time. We do not know what this will mean for Nevada. We know we are drawing down zero now.

ASSEMBLYWOMAN LESLIE:

We do not want to spend money on positions and still get zero. For the subcommittee, we are going to need some kind of projection on what we are going to get for our money before we can approve these positions.

SENATOR COFFIN:

The question I have regarding staffing is similar to Assemblywoman Leslie's, only it is not regarding the funding source. We have seen the 20 FTEs for reducing wait lists but, looking through [Exhibit M](#), I cannot see where they are being applied. Are any of those positions being applied to the Oasis Home Health, Inc program in southern Nevada?

Ms. BOSWORTH:

The 11.51 FTE positions are deployed to southern Nevada child and adolescent services. Those are to reduce early childhood services' and our children's clinical services' wait lists. At the northern Nevada Child and Adolescent Services, it is 9.04 FTE to reduce early childhood and outpatient services wait lists. These positions were not dedicated to inpatient services.

SENATOR COFFIN:

Are you cutting back any service in netting out of the positioning to any of the inpatient services?

Ms. BOSWORTH:

There is no reduction in our inpatient services under this proposed budget.

SENATOR COFFIN:

The question I raise, and I raised it last week to Mr. Willden, is the Oasis program has a couple of empty buildings on the campus in southern Nevada. Are you familiar with those buildings?

Ms. BOSWORTH:

Absolutely, I am.

SENATOR COFFIN:

That is your adolescent program area. Is there anything that would have prevented you from staffing those? We have a big waiting list here, for example.

Ms. BOSWORTH:

Yes. Our Oasis family learning homes are tied to our southern Nevada Child and Adolescent Services campus, our residential program. Currently we do have waiting lists. However, in terms of the strategy of increasing Nevadans' access, we did not target inpatient because we are not transitioning children fast enough from inpatient treatment out to community-based services. In our opinion, it is important to look at the prevention end as well as work on the provider rate increases in order to help build the capacity to serve our children well in the community. We are so concerned about creating more bed space for children that, in fact, sometimes it is difficult to transition them out into the community, where they need to be, with their families and peers. Therefore, we did not target increasing the Oasis bed space in this budget proposal.

SENATOR COFFIN:

What do you do with the children who are waiting for this type of treatment when they are obviously not ready to go out into the community because they have not yet been inpatients? I can understand wanting to avoid inpatient where possible, but those children go in because they need inpatient care. We have the buildings, and we have spent the capital outlay. It does not make sense, especially in a year when we have a large budget surplus and prospects for more, to leave those buildings unoccupied.

Ms. BOSWORTH:

I think our primary strategy is to get children out into the community, and we want to ensure we have community providers with the capacity to serve them. In terms of Oasis, we have had several children I am aware of who have been in that program too long. We need to do a better job of targeting, moving them from child welfare custody, out of an institutional setting and back into the community. We have worked hard toward a staff mindset that these children are better served in the community if we can meet their needs within the community. It is not a good outcome for children to live, for example, for a year in an institutional setting such as Oasis family homes. Therefore, we chose to target this in terms of expanding our community-based capacity rather than our institutional bed capacity.

SENATOR COFFIN:

I understand where you are coming from, because if the children are there too long, they tend to depend on it. It concerns me, however, that we have a couple of buildings in good shape, and they are not being used for anything. If not the Oasis program, what about something else? The capital expenditures have been spent, and depreciation is continuing. Rather than belabor this point today, I would like you to give some creative thinking to the possibility there is a use for those structures.

Ms. BOSWORTH:

I will say we have expanded our neighborhood care center operations into one of those buildings in order to provide targeted case manager office space. We also had a significant mold remediation situation at our southern Nevada

campus. We appreciate your suggestion and will look at thinking creatively about those spaces.

I would like to talk about organizational competence with respect to budget alignment. I began as the administrator of the DCFS on October 1, 2003, and was surprised to note the fiscal accountability was extremely difficult due to many different program areas drawing from one budget. On page 15 of [Exhibit M](#), you will see some of the significant changes we have made in terms of budget alignment. Budget account 101-3141 was created as a pass-through to Washoe County for child welfare integration. Budget account 101-3142 reflects only the pass-through to Clark County to support child welfare integration. Specifically, the rural child welfare services budget used to be hitting against four different accounts from which other programs were drawing. In order to have effective management, we need to have that in one budget. This entails realigning the budgets to promote fiscal accountability and have distinct and program areas with integrity in terms of the budget.

On page 16, you see an overview of a proposed new unit, a performance-based contracting and monitoring unit. The Governor's budget recommends six FTEs to effect the redesign of higher levels of care. In line with the discussion we were just having, children are served better in the community. We need to ensure all of our contracts have established outcomes, indicators and performance management functions as well as quality improvement. Currently, for the entire state, we have five positions monitoring over 300 contracts and amendments. They are unable to provide specific technical assistance on children's cases in terms of moving them into the appropriate placements. They are unable to do that type of quality assurance work when covering the state with five positions. These positions will coordinate quality assurance efforts to ensure our out-of-home contractors agreed upon performance outcomes and reporting requirements.

This also links to the outcomes we saw in our CFSR. We did not pass any of the outcomes for children and families. One of their concerns was our need to build the capacity of providers in terms of training for crisis intervention. The types of intervention include using certain techniques, behavioral modification or support to retain children in placements, give them more stability and permanency as they intersect with our system. These positions are four clinical program planners and two management analysts. We currently have staff focused on amending these contracts by frequently doing quality assurance work, as well as a lot of investigation of concerns related to specific children and helping with children's specific placement issues. They are not able to do the broad, systemic work which is tying all of our work toward performance-based outcomes.

The last of the Governor's budget recommendations relates to our two rural juvenile facilities, NYTC and CYC. The Governor's budget recommends adding training officers and quality assurance specialists for each of those rural facilities. This will help us in terms of moving toward our goal of accreditation at all three facilities, as well as carrying out competency-based training for all staff on an ongoing basis. When we opened SVYCC, we were able to train staff 160 hours before they even started working with children. This had a great advantage in terms of the outcomes we are getting from that facility. We have infused into our two rural facilities the 160 hours of training. We needed to do that simultaneously with them carrying workloads. It was an extremely stressful

process on our facilities. These two training officers would help support, not only new workers coming to us and getting the 160 hours of training, but also the 40 hours of ongoing training needed each year. We have, at both of our rural facilities, moved toward a new approach, a cognitive restructuring approach. This requires a lot of competency and skill-based training for our staff. We are excited about the progress, but we need dedicated staff members to help facilitate the ongoing 40 hours of training. It is sometimes difficult to keep rural positions filled, and we have new staff members coming onboard who need the 160 hours of training before working with children. We plan, under the next Legislative Session, to request this similar position for our juvenile facility, SVYCC.

CHAIR RAGGIO:

How many beds are currently available at SVYCC?

MS. BOSWORTH:

I do not have that information with me.

CHAIR RAGGIO:

We planned 96, I believe. Are they all available?

MS. BOSWORTH:

Let me direct you to our progress report on page 24 of [Exhibit M](#). We have completed the ramp up; we have 24 beds remaining that we have not filled with children. The reason is our juvenile accountability incentive block grant funds were significantly slashed by the federal government. The facility was budgeted to receive \$292,365 from that grant to fund SVYCC to open up the last 24-bed unit. However, the grant has been reduced at the federal level by almost \$500,000. Therefore, for the SVYCC budget, we only had available approximately \$100,000, and have not completed the final ramp up due to fiscal concerns.

On page 19 of [Exhibit M](#) there is a general overview of our spending, by program, which shows you not only our three disciplines of service delivery, juvenile services, child welfare and children's mental behavioral health, but also our administrative budgets. Page 20 is an organizational structure of the DCFS. It shows the primary leadership structure. The next tab contains our biennium budget highlights, starting on page 21. I will highlight a couple of things I did not mention in our budget-building process. One is an FTE to support child care licensing required under statute. Carson City requested we take over that role and transferred it to us. Another is our capital improvement projects, one of which is at NYTC and the other at Desert Willow Treatment Center. I will highlight, under children's mental health and behavioral services, continued funding for wraparound in Nevada for our intensive case management program. We are currently serving 462 children which is over 300 more children and families than we served at this time last year. We have set a goal of serving up to 500 children and families by March 1, and we should meet that goal.

On page 22, I will highlight a couple of other key elements not in the overall presentation. One is a special education teacher at NYTC. Another is the Avatar Information System for clinical case management. We plan to move Avatar to our clinical stations February 1, 2005, and there is money in our budget request to complete that technology upgrade.

Under the next section, Progress Summary from the 2003 Legislative Session, I will be happy to answer questions now or in future committee or subcommittee meetings. One of the things we are particularly excited about was the establishment of the ombudsman unit. We call it the systems advocate unit. There are three staff in that unit, two of whom are professional staff. They investigate consumer concerns, consumer complaints and assist families in achieving fair resolution. They have been instrumental in helping promote a quality improvement feedback loop within the entire Division. They also serve as hearing officers for DCFS, to ensure decisions are made based on the evidence presented. This could be with respect to adoptive parents who are of the opinion their adoption subsidies are not set appropriately. It could be licensing applicants who may not have received a license or have had their license revoked.

CHAIR RAGGIO:

With respect to SVYCC, I am looking at page 24 of [Exhibit M](#); you are estimating the per-bed cost at \$149. Is that in line with what was anticipated when we approved this?

MICHAEL J. WILLDEN (Director, Department of Human Resources):

We can bring the numbers back to you, but it is in line. The previous operation of that facility was through a contractor and it was close to those numbers.

ASSEMBLYMAN DENIS:

On page 18 of [Exhibit M](#), in the chart on the budget summary overall funding, could you explain to what the Other category refers?

Ms. BOSWORTH:

Yes. The Other category is primarily federal grant funds.

ASSEMBLYMAN DENIS:

What is the distinction between federal funds and federal grant funds?

Ms. COMEAUX:

The federal funds you see here are funds we earn through eligibility or are a funding source to a particular program. The other funds are discretionary grant funds that we typically sub-grant out.

ASSEMBLYMAN SEALE:

Could you succinctly explain to me what we are trying to accomplish with this spending? I see all of the pieces, but I would like a better understanding of what we are actually trying to accomplish with the services you provide.

Ms. BOSWORTH:

What we are trying to accomplish is the strategies we mentioned. We want to ensure we increase families' access to mental health services. The reason for that is we have chronic wait lists, both in southern and in northern Nevada. When children and families do not get access to mental health and behavioral services in a timely manner, we find the seriousness of their family situation escalates and often, they may end up in child welfare custody. For example, if a family does not receive some kind of intervention, there may be abuse or neglect that would come to the attention of the child welfare agencies. Certainly, we want to keep families from coming into either state or county

custody. By getting them the services earlier in the process, we hope to keep these families out of that formal custody governmental involvement.

With respect to the child welfare service delivery system, we had the primary federal review that looked at safety and permanency, and for safety I will give you an example. An example of safety is repeat maltreatment of children. If a child has been in a home where he or she has been abused, does it happen again? That is one of the things the federal government looked at. Is Nevada keeping children safe, meaning stopping that maltreatment from happening? In order for us to achieve better outcomes in that area, you must have the appropriate number of caseworkers working with families as families intersect with our system in order to help them find ways to keep themselves safe without coming in to state or county custody. That is another thing we are looking at in terms of strategies.

With respect to juvenile services, similarly we want the same outcomes for all the children with whom we work. We want them to be safe, emotionally and physically well and getting the right education. We also want them to live in permanent homes, meaning not be bounced around in the government system, and we want to ensure our communities are safe, meaning we have to do our jobs to make sure children have the opportunities if they are committed to our state-operated training centers. We need to give them the opportunity to work with our staff at a low ratio to help rehabilitate them, to help with their cognitive ability. Children are often impulsive, and some of them need a lot of mentoring within our facilities that will help them make better decisions in the future. All of our strategies have to do with how we can get to a better outcome. We know we have not done well in the past; we are at the bottom of the nation in terms of obtaining desirable results. We believe, through these strategies and strategically targeting these strategies, we can achieve these goals.

ASSEMBLYWOMAN LESLIE:

On page 28 of [Exhibit M](#), is a breakdown of what the Committee has done so far, the areas it has identified that need to be addressed. Our information from staff indicates we have almost \$200,000 in the bank; we have only spent approximately \$3,500 on travel. Is there a spending plan to go with the priorities you have identified?

MS. BOSWORTH:

Yes, there is a spending plan the Executive Committee has set. They had a meeting last Friday, January 30, 2005, to finalize that plan. I am not on that Committee, I am on the administrative team. The Executive Committee has looked at our need for media strategies, and they have allocated a certain amount for that. We would be happy to bring that to the next meeting. We have a clear budget for that plan, and we brought in national technical assistance that was free to us and included training for both the administrative team and the Executive Committee.

ASSEMBLYWOMAN LESLIE:

I just do not want to see a repeat of A.B. No. 94 of the 71st Session with this funding source. I would like to see the budget and the time frame.

ASSEMBLYMAN MARVEL:

How many children are awaiting adoption?

Ms. BOSWORTH:

I do not have that information but will provide it to the Committee. Currently, we have 2,500 children in the foster care system, and I do not have a breakdown of percentages of the numbers that are available for adoption.

ASSEMBLYMAN MARVEL:

How long does it take to get a child adopted? A complaint I often hear is that it takes forever.

Ms. BOSWORTH:

I would have to say too long. There are a number of reasons for delays. Sometimes it is a delay related to the court system in terms of terminating parental rights. Sometimes it is difficult for us to find some of the parents in order to have them go through the court process. We have a number of different issues with that. The bottom line is, we want to get to permanency for children as quickly as we can. I, too, hear concerns at times from perspective adoptive families about the delay. We have used strategies in the last calendar year. For example, we hire contractors to complete one component of the work that was holding up permanency: social summaries. We have worked to shorten that time period. We, as a Division, do not have control over the court system, but we have implemented different components to try to reduce that time frame. We can analyze that again and bring that information to you.

CHAIR RAGGIO:

There being no further business to discuss at this time, the Committee is adjourned at 4:03 p.m.

RESPECTFULLY SUBMITTED:

Jo Greenslate,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____

Assemblyman Morse Arberry Jr., Chair

DATE: _____