

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

**Seventy-fifth Session  
January 27, 2009**

The Legislative Commission's Budget Subcommittee was called to order by Chair Morse Arberry Jr. at 8:28 a.m. on Tuesday, January 27, 2009, in Room 4100 of the Legislative Building, Carson City, Nevada and via simultaneous videoconference in Room 4401 of the Grant Sawyer State Office Building, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**SENATE COMMITTEE MEMBERS PRESENT:**

Senator Bernice Mathews, Cochair  
Senator Steven A. Horsford, Cochair  
Senator Bob Coffin  
Senator Joyce Woodhouse  
Senator William J. Raggio  
Senator Dean A. Rhoads  
Senator Warren B. Hardy II

**ASSEMBLY COMMITTEE MEMBERS PRESENT:**

Assemblyman Morse Arberry Jr., Chair  
Assemblywoman Sheila Leslie, Vice Chair  
Assemblywoman Barbara E. Buckley  
Assemblyman Marcus Conklin  
Assemblyman Mo Denis  
Assemblywoman Heidi S. Gansert  
Assemblyman Pete Goicoechea  
Assemblyman Tom J. Grady  
Assemblyman Joseph P. (Joe) Hardy  
Assemblyman Joseph M. Hogan  
Assemblywoman Ellen M. Koivisto  
Assemblywoman Kathy McClain  
Assemblyman John Ocegüera  
Assemblywoman Debbie Smith

**STAFF MEMBERS PRESENT:**

Steven J. Abba, Principal Deputy Fiscal Analyst  
Bob Atkinson, Senior Program Analyst  
Brian M. Burke, Principal Deputy Fiscal Analyst  
Joi Davis, Program Analyst  
Laura Freed, Program Analyst  
Gary L. Ghiggeri, Senate Fiscal Analyst  
Rex Goodman, Program Analyst  
Alex Haartz, Program Analyst  
Tracy Raxter, Principal Deputy Fiscal Analyst  
Mark Stevens, Assembly Fiscal Analyst  
Julie Waller, Program Analyst  
Sandra K. Small, Committee Secretary

**OTHERS PRESENT:**

Keith W. Rheault, Ph.D., Superintendent of Public Instruction, Department of Education  
James R. Wells, CPA, Deputy Superintendent, Administrative and Fiscal Services, Department of Education  
Gloria Dopf, Deputy Superintendent for Instructional, Research and Evaluative Services, Department of Education  
Paul Dugan, Superintendent, Washoe County School District and President, Nevada Association of School Superintendents  
Terry L. Hickman, Executive Director, Nevada State Education Association  
Mary Jo Parise-Malloy, President, Nevadans for Quality Education  
Jeffrey K. Weiler, Chief Financial Officer, Clark County School District  
Joyce Haldeman, Associate Superintendent, Clark County School District  
Alison Turner, President Elect, Nevada Parent Teacher Association  
William (Rob) Roberts, Ph.D., Superintendent, Nye County School District  
Daniel Klaich, Executive Vice Chancellor, Nevada System of Higher Education  
James E. Rogers, Chancellor, Nevada System of Higher Education  
Milton D. Glick, Ph.D., President, University of Nevada, Reno  
David B. Ashley, Ph.D., President, University of Nevada, Las Vegas  
Michael D. Richards, Ph.D., President, College of Southern Nevada  
Fred J. Maryanski, Ph.D., President, Nevada State College  
Carol A. Lucey, Ph.D., President, Western Nevada College  
Stephen G. Wells, Ph.D., President, Desert Research Institute  
Maria Sheehan, Ph.D., President, Truckee Meadows Community College  
Carl Diekhans, Interim President, Great Basin College  
Daniel H. Stockwell, Director, Chief Information Officer, Department of Information Technology  
Thomas Wolf, Assistant Director, Department of Information Technology  
Leslie A. Johnstone, Executive Officer, Public Employees' Benefits Program  
James T. Richardson, Nevada Faculty Alliance  
Harold Shrader, Retired Public Employees of Nevada  
Marty Bibb, Retired Public Employees of Nevada  
Roger Maillard, President, American Federation of State, County and Municipal Employees  
Danny Coyle, American Federation of State, County and Municipal Employees

**CHAIR ARBERRY:**

This meeting will begin with a budget overview of the Distributive School Account.

**KEITH W. RHEAULT, PH.D.** (Superintendent of Public Instruction, Department of Education):

The Subcommittee has been provided a copy of The K-12 School System Budget 2009-2011 ([Exhibit C](#), original is on file in the Research Library). These budgets were difficult to put together. We have had to make cuts in programs we would not have recommended in the past. Our intent was to try to maintain the per-pupil spending levels. There are four primary budgets known as K-12 School System Budgets, containing all pass-through funding for school districts.

JAMES R. WELLS, CPA (Deputy Superintendent, Administrative and Fiscal Services, Department of Education):

I will be going through each page in [Exhibit C](#). There are four budgets, including the Distributive School Account (DSA), which make up the funds provided by the State and passed through to the school districts and charter schools: Budget Accounts (B/A) 101-2610, B/A 101-2615, B/A 101-2616 and B/A 101-2699.

## EDUCATION

### K-12 EDUCATION

NDE - Distributive School Account – Budget Page K-12 ED-4 (Volume I)  
Budget Account 101-2610

NDE - School Remediation Trust Fund – Budget Page K-12 ED-22 (Volume I)  
Budget Account 101-2615

Incentives for Licensed Educational Personnel – Budget Page K-12 ED-1  
(Volume I)  
Budget Account 101-2616

NDE - Other State Education Programs – Budget Page K-12 ED-11 (Volume I)  
Budget Account 101-2699

The *Executive Budget* for the next biennium proposes to fund 11 DSA programs in B/A 101-2610; 1 program is proposed to be funded in the Innovation and Remediation Trust Fund, B/A 101-2615; no program funding is included in the Grant Fund for Incentives for Licensed Educational Personnel, B/A 101-2616; and 13 programs are funded in Other State Programs, B/A 101-2699. All non-pass-through funds have been transferred to other budget accounts within the Department of Education (NDE). These budgets previously contained certain administrative funding which has been transferred to appropriate Department budget accounts.

The DSA program details are on pages 2 through 28 of [Exhibit C](#). The Programs include: Basic Support, Special Education, Class-Size Reductions, National School Lunch Program Match, The Gifted and Talented, the Regional Professional Development Program, the Early Childhood Education, the Elementary Counselors, the School Library Media Specialists, the Adult High School Diploma, and the Special Transportation Program. The fiscal year (FY) 2007-2008 actual column for the Basic Support Program, on page 2 of [Exhibit C](#), represents all of the Nevada Plan expenses, including the General Fund portion, the Local School Support Tax (LSST) portion and the one-third property tax portion. It does not include the outside revenues, the two-thirds property tax and the government services tax collected at the district level. The actual Basic Support number, on page 3 of [Exhibit C](#), has been adjusted for the budget reductions implemented by the school districts and charter schools for the 2008 school year. Other columns on page 3 of [Exhibit C](#) include the FY 2008-2009 work program, the FY 2009-2010 Governor's recommended budget and the FY 2010-2011 Governor's recommended budget and the change percentage from FY 2007-2008 and FY 2009-2010. Information shown on page 4 reflects how the DSA budget is built from the

2008 reports required under *Nevada Revised Statutes* (NRS) 387.303, beginning with FY 2007-2008 actual expenses. Salaries were \$1,825,331,062, paid by the charter schools and school districts. Fifty-seven percent of the actual salaries was paid for licensed instructional personnel.

Another \$621.9 million was paid for benefits, \$402,000 for operating costs, \$17.5 million for equipment and \$222.8 million for other expenses. Other expenses paid by the school districts include outside programs such as special education, adult education and the retired employee group insurance. The total of those expenses is reduced by the amounts for the opening balance, transfers, local taxes, other specific DSA programs funded by line items and other revenues collected by the school districts. The resultant figure of \$2,145,247,156 is known as the Total Nevada Plan Expenditures. The Nevada Plan amount is divided by the FY 2007-2008 total audited enrollment to reach the Basic Support per student of \$5,098. The assumptions used to develop the Basic Support budget are outlined on pages 5 through 13 of [Exhibit C](#).

The adjusted Base Budget includes the roll-up of State salaries, including the 2-percent step and scale increases and the 4-percent cost-of-living increases granted for FY 2008-2009. It increases student-related operating costs covering textbooks, instructional and other supplies, instructional hardware and library costs by .3 percent in FY 2009-2010 and by 3 percent in FY 2010-2011 to match the consumer price index.

The adjusted Base Budget provides for utility inflation: heating by 9 percent and electricity by 6.8 percent in FY 2009-2010; and heating and electricity by 3 percent in FY 2010-2011, based on projections by the Public Utilities Commission.

Equipment is included at the actual FY 2007-2008 level. The recommended budget is \$1,263,215,306 in FY 2009-2010 and \$1,282,168,346 in FY 2010-2011. These include the M-101 and E-710 decision units. These figures vary slightly from the *Executive Budget*, because the *Executive Budget* includes class-size reductions at all high schools and other programs not specifically under the DSA support.

M-101 Inflation - Agency Specific – Page K-12 ED-5

E-710 Replacement Equipment – Page K-12 ED-9

Decision unit M-200 accounts for student enrollment growth. Page 6 of [Exhibit C](#) shows the budgeted number of students for FY 2007-2008 were 425,270.2 and for FY 2008-2009 were 436,675.2.

The actual number of students for FY 2007-2008 was 420,829.8, or a 1.83-percent increase from FY 2006-2007 versus the projected 3.15-percent increase expected. The actual number of students for FY 2008-2009 was 424,355.6, or a .84-percent increase versus the projected 2.68-percent increase.

The actual number of students for FY 2008-2009 is less than the budgeted number for FY 2007-2008. The projected student population increases are .53 percent for FY 2008-2009 and 1.26 percent in FY 2009-2010 in the

Governor's recommended budget. The Department of Education's latest projections are lower still. Our projections are approximately 425,500 students for FY 2009-2010 and 429,600 for FY 2010-2011. Student enrollment increases are slowing significantly.

#### M-200 Demographics/Caseload Changes – Page K-12 ED-5

Fourteen of the 17 school districts are in hold-harmless status which means they are shrinking in enrollment. This budget uses the one-year hold-harmless provision passed during the 74th Legislative Session except in instances where the enrollment decreases more than 5 percent, in which case there is a two-year hold-harmless provision. There is at least one school district where, in each of the two budget years this provision has been in place. The decrease has been greater than 5 percent.

Page 7 of [Exhibit C](#) contains the decision unit M-300 benefits adjustments. It changes the Public Employees Retirement System (PERS) retirement costs from 20.5 percent to 21.5 percent. The corresponding salary reduction is one-half of the amounts, consistent with the treatment of prior changes. All school district employees are enrolled in the employer-paid retirement. That change results in decreases to other fringe benefits such as workers' compensation, unemployment and Medicare. Health insurance expenditures are based on a rate of one dollar per employee per month, whereas all other benefits are calculated as a percentage of salary. There are no increases in decision unit M-300 for the coming biennium. All benefit rates except the PERS benefits remain the same as the FY 2007-2008 actual amounts.

#### M-300 Fringe Benefit Rate Adjustment – Page K-12 ED-6

Page 8 of [Exhibit C](#) specifies the temporary salary reduction in decision unit E-670, which is equivalent to the cost-of-living adjustments awarded in the current biennium. These are consistent with the calculations used for State agencies. The resultant savings would be \$135,603,855 in FY 2009-2010 and \$138,226,527 in FY 2010-2011.

#### E-670 Temporary 6% Salary Reduction – Page K-12 ED-8

Page 9 of [Exhibit C](#) describes decision unit E-671. The Governor's budget suspends merit salary increases. The 2-percent rollups are included to recognize increases in experience and education as well as veteran teacher retirements. This action is consistent with the suspension of step increases for State employees; however, teachers are different. An individual like myself, starting in the accounting series, can change positions and, with added responsibility, earn more money. Teachers get more experience and more education which benefits the children in their classrooms, but they do not change positions. The Legislative Counsel Bureau (LCB) requested information on the impact on contract negotiations. Some contracts expire June 30, 2009. The contract negotiations will be difficult for all school districts because they will need to finish the negotiations before the budget is passed.

#### E-671 Suspend Merit Salary Inc for FY10 & FY11 – Page K-12 ED-8

Page 10 of [Exhibit C](#) describes decision unit E-673 which implements the Spending and Government Efficiency (SAGE) Commission recommendations. Active employees would receive a reduction in the subsidization of health insurance premiums by 8.8 percent in FY 2009-2010. The budget leaves that amount flat in FY 2010-2011.

It eliminates the subsidies for Medicare-eligible retirees, or approximately 55 percent of school district retirees who participate in the State health plan. The retiree portion impacts the school districts' payments to the PERS who had joined the plan prior to the exclusion of nonState employees as of November 2008. It reduces the remaining subsidy by 25 percent in FY 2009-2010 and by 50 percent in FY 2010-2011, which will provide some relief to the school districts because it will reduce their payments to the PERS. As of the last biennium, that is rolled into the Basic Support, rather than a line item in the DSA. It would be a portion of the General Fund resources.

#### E-673 Implement SAGE Commission Recommendation – Page K-12 ED-8

SENATOR COFFIN:

Who decided on these cuts? The retiree reductions are the cruelest of all because they no longer have the income to pay for the increases in their insurance rates.

MR. WELLS:

These cuts were recommended by the SAGE Commission. The NDE saw the recommendations after its recommendations were submitted.

SENATOR COFFIN:

The professionals in the NDE had nothing to do with the recommendations in the Governor's budget. Is that correct?

MR. WELLS:

That is correct. The NDE budget was submitted in August 2008 following a list of recommendations and included the 14.12-percent reductions approved by the State Board of Education. Reductions to employee salaries and benefits were not part of our recommendations.

Page 11 of [Exhibit C](#) describes decision unit E-225 which is another SAGE Commission recommendation. This includes the addition, to the DSA, of 140 students at the Nevada Youth Training Center (NYTC) in Elko versus a direct appropriation to the Division of Child and Family Services of the Department of Health and Human Services. This decision unit was modeled after the M-200 decision unit for enrollment growth.

#### E-225 Eliminate Duplicate Effort – Page K-12 ED-6

SENATOR MATHEWS:

Was Elko County consulted regarding the SAGE Commission's recommendation to add 140 students from the NYTC to the DSA?

MR. WELLS:

There were ongoing negotiations regarding this change. I do not know how extensive the discussions were or whether or not the Elko County



superintendent has approved the recommendation. The NYTC was contemplating creating a charter school through the DSA.

ASSEMBLYWOMAN SMITH:

I am concerned that we appear to be cutting Elko County School District's budget in half according to a previous hearing. I am concerned about the special needs the NYTC students may have.

DR. RHEAULT:

I have the same concerns. I do not know if the superintendent accepted the recommendation. The SAGE Commission report said approximately \$300,000 would be saved by transferring the NYTC to the school district. The NYTC students need extra security and may have special counseling needs. These are additional expenses for a normal school. The per-pupil payment may not cover the cost of the NYTC students.

ASSEMBLYWOMAN SMITH:

Why are we calling the recommended salary reductions "temporary" when we are building a budget for a biennium? It will be up to future legislators to make salary readjustments.

MR. WELLS:

The salary reductions are intended to be temporary until the economy recovers. The Budget Division, Department of Administration, has indicated its intent, if revenues exist, to increase or reinstate salaries. For school districts, an additional problem is created due to collective bargaining issues. State agencies do not have those same obligations.

ASSEMBLYWOMAN SMITH:

The various school districts do not negotiate the same increases from the prior Legislative Session which creates discrepancies throughout the State. Some districts negotiated less than what was perceived as allocated by the last Legislature. Is that correct? Those employees have already received a smaller salary increase than employees in other districts. However, they are expected to take the same salary reductions as other districts under these proposals.

MR. WELLS:

The rollback would not be the same in all 17 school districts, similar to what occurs when salary increases are negotiated. It would be part of the negotiations and will vary depending upon whether the school districts can spend down their ending fund balances to make up some of the shortfall, leave them flat or take more than the 6-percent reduction to make their budget balance.

ASSEMBLYWOMAN SMITH:

It is different with the school districts than with the State employees. There are as many as four contracts within a school district. This is a complex issue.

MR. WELLS:

Page 12 of [Exhibit C](#) depicts the FY 2007-2008, FY 2008-2009 and FY 2009-2010 average salaries for the categories listed on the left-hand side of the page. The average FY 2008-2009 salaries were determined by using a FY 2007-2008 average starting salary and rolled up for the 2-percent step

increases and the 4-percent cost-of-living increases granted. The average FY 2008-2009 starting salaries do not indicate the bottom of the salary scale but the average salary for the teachers hired, depending upon their experience and education. The proposed FY 2009-2010 salaries are reduced from the FY 2008-2009 salaries reflective of decision unit E-671 and the suspension of the 2-percent roll ups. Actual salaries would be reduced to approximately the FY 2007-2008 actual amounts.

Page 13 of [Exhibit C](#) reflects the student/faculty staffing ratios for the same classifications as shown on page 12. It also lists historical ratios from FY 2001-2002, FY 2003-2004 and FY 2005-2006. We found all but the instructional-licensed personnel decreased significantly. Some of that is due to the lack of enrollment inflation over the last two biennia compared to what was budgeted.

The Basic Support guarantee amounts, page 14 of [Exhibit C](#), do not include the outside revenues the school districts collect. The actual amount for FY 2007-2008 was \$5,098 per student. The original Legislatively approved budget was \$5,323 for FY 2008-2009. The 24th Special Legislative Session, in June 2008, removed \$49 million for textbooks which reduced the Basic Support per student to \$5,213. The proposed Basic Support budget is \$4,945 for FY 2009-2010, a 3-percent decrease from FY 2007-2008, and \$4,946 for FY 2010-2011 per student.

COCHAIR HORSFORD:

With the reduction of \$4,945 in FY 2009-2010 and \$4,946 in FY 2010-2011 for the per-pupil amounts as recommended by the Governor, where would Nevada rank nationally?

MR. WELLS:

This is a projected budget. With other states going through similar economic crises, the rankings will not be available for a while. Nevada was ranked 46th or 47th nationally in the last ranking list.

COCHAIR HORSFORD:

Has there been an analysis by the NDE of the anticipated reduction in property tax values in local jurisdictions and the corresponding impact on the State?

MR. WELLS:

The Department met several times with members of the Budget Office, the Department of Taxation and the LCB to determine the impact of decreasing property-tax values. The State guarantee makes up the difference for the one-third amount it funds. If the two-thirds piece does not come in, it is a budget shortfall to each of the school districts. The Department was much more conservative in this budget submission and believes it is reflective of what will happen.

DR. RHEAULT:

The numbers I have for 2009 indicate, even with the 4-percent salary increase we included this year, the State dropped \$300 from the national average for per-pupil payments. Utah, Arizona and one other western state, perhaps California, are lower than Nevada. I suspect Nevada will drop one or two places in the national rankings.



ASSEMBLYWOMAN SMITH:

Is Nevada maximizing the receipt of federal school meal nutrition funds for school lunches and school breakfasts?

MR. WELLS:

The Department has increased the collection over the last couple of years and exceeded the budgeted amount. There are a handful of other programs included as well.

ASSEMBLYMAN DENIS:

Would you provide more information about enrollment? The figure for actual enrollment in FY 2007-2008 was 420,830 increasing to 406,675 in FY 2007-2008, but then is projected to decrease again in FY 2009-2010. How is that affecting the budget?

MR. WELLS:

The number of students budgeted for FY 2008-2009 was 436,675; the actual number was 424,355. The student increases of the past have decreased to less than 1 percent. The FY 2009-2010 and FY 2010-2011 projections are based on the Base Budget actual numbers and a conservative estimate for student inflation.

DR. RHEAULT:

The enrollment represents full-time equivalent (FTE) numbers. Kindergarten students are counted as 0.6 FTE. The actual student body enrollment this year is 437,000. The actual payment piece is lower because of the factor used for Kindergarten enrollment.

ASSEMBLYMAN DENIS:

Do the ratio figures, on page 13 of [Exhibit C](#), indicate the number of students per licensed and unlicensed instructional employees?

MR. WELLS:

Yes. The number of students, 420,830, is divided by the number of the FTE staff.

ASSEMBLYMAN DENIS:

Can you tell us how the number of students per classroom will be affected by this budget?

MR. WELLS:

It is difficult for the NDE to answer your question. The school districts are the best source for that information. The NDE had originally requested an increase in the class-size reduction numbers by one which would have meant an additional student in Grades 1 through 3. That recommendation was not included in the Governor's budget. If the school districts decide to use salary reductions and keep the number of existing staff, the student-teacher ratios may not vary. If the school district decides to lay off staff, the ratios will increase.

ASSEMBLYMAN DENIS:

As we go through the budget process, I would like to have more information on the impact in the classroom.

ASSEMBLYMAN HARDY:

I am trying to understand what will happen to salaries. The theory would be to put as many resources as possible in the classroom for direct instruction. Mr. Wells stated 57 percent, or about \$1.02 billion, of total salaries go to licensed instructors. What was the percentage of salaries before class-size reduction? Have salaries improved with class-size reduction? How do some states get to the target of a 65-percent level in the classroom? Have we looked at the concept of resources going into the classroom versus outside the classroom?

MR. WELLS:

Class-size reduction is a separate line item. There are additional teachers coming from the class-size reduction line item. There are additional teachers beyond the 57 percent. The 57 percent is only the Basic Support amount going toward teachers.

ASSEMBLYMAN HARDY:

If we put the class-size reduction and the Basic Support amounts together, what do we have? Do we reach the 65-percent level?

MR. WELLS:

We would also add the full-day kindergarten teachers and class-size reduction.

DR. RHEAULT:

In FY 2001-2002, we had a student-teacher ratio of 19.65:1; in FY 2003-2004, the ratio was 20:5. A slight increase in statewide totals is a large number. Because the student numbers dropped in 2008, it looks like Nevada improved from 2006 to 2008. We can get national averages, by state, as to what percentage of a budget is spent on licensed teachers, and similar categories. In the past, the number of administrators has been an issue. Nevada's number of administrators is on target when compared to the national average. If there is a state averaging 65, it is a matter of switching between instructional aides to more teachers which are added together for instructional purposes.

ASSEMBLYWOMAN SMITH:

The Adequacy Study performed a couple of years ago indicated Nevada had a higher number of licensed teachers than the surrounding states. We specifically looked at teachers per student ratios versus administrators per student ratios.

DR. RHEAULT:

Nevada has one of the highest students-per-teacher averages in the country; we were down to about 42 or 43 in the per-pupil ratio. Nevada is at the low end in this comparison.

ASSEMBLYMAN HARDY:

If Nevada has a higher per-pupil teacher ratio, why is Nevada in 46th place for performance?

DR. RHEAULT:

Nevada's teachers are working with more students than most other states. Nevada is near average when looking at experienced and new teacher salaries. Nevada has a higher pupil-to-teacher ratio but pays higher salaries than the lower end states. When I referred to similar costs, I was referring to the

percentage of expenditures; you were referring to actual bodies and pupil/teacher ratios.

MR. WELLS:

The full-day Kindergarten and class-size reductions will be about \$169 million. That would put Nevada over the 60-percent level. I will get you an exact number. The Basic Support revenue projections are detailed on pages 15 through 17 of [Exhibit C](#). We calculate the expenditures necessary to continue school operations, back out the LSST and one-third of the school's operating property taxes. We add back the class-size reductions, special education, gifted and talented program, adult education, school lunch match, the Regional Professional Development Program (RPDP) centers, early childhood education and the elementary counselors program.

In this fiscal year there was a \$22.2-million reversion. That is added to determine the total amount due from the State. We subtract certain other revenues dedicated to the DSA. Those include the slot tax, interest on the permanent school fund, federal mineral lease revenues, out-of-state sales tax, estate taxes and prior-year refunds. Those calculations result in the total General Fund share paid for FY 2007-2008.

Page 16 of [Exhibit C](#) reflects the projections for increases in the LSST and property taxes. Although it is shown as one-third property tax, we calculate property tax as a whole. The one-third amount is a part of the guarantee. In FY 2009-2010, the budgeted sales tax is an 8.29 percent decrease from the FY 2007-2008 actual numbers. That is based on projections from the Economic Forum with the Linking Education and Economic Development applied. There is a further decrease of 3.12 percent from FY 2009-2010 to FY 2010-2011.

ASSEMBLYWOMAN GANSERT:

What happens with the federal mineral lease revenue after the 25th Special Session action which swept those funds into the General Fund?

MR. WELLS:

There will be more of it in this budget for FY 2008-2009 because of that change. Some of the funds were formerly put in the pool going out to the counties and then to the school districts. The school districts are no longer getting those funds; however, the DSA is offset by that amount. It is a one-year change.

DR. RHEAULT:

Shifting the funds going to the counties and the school districts to the State, as directed by the 25th Special Session, represents a loss of approximately \$3 million to the local school districts.

MR. WELLS:

Property taxes were impacted by a bill during the 25th Special Session related to the net proceeds of minerals collections. We are collecting next year's net proceeds in advance. Two years will be collected in one year and collected in advance for two years. This provision is scheduled to sunset in 2011. If it is not extended, there will be a year with little or no net proceeds of minerals collections. Property taxes were scheduled to increase from 2008 to 2010 at approximately 13 percent. In 2011, it increases by less than 1 percent. The

property tax collections are reflective of what you are seeing in the reduced housing market appraisal values. There is a lag between the appraisal completion and the allocation of property taxes.

COCHAIR HORSFORD:

Has the Department taken into account appeals to the Board of Equalization by property owners for property-tax adjustments? That figure may not be realized as anticipated.

MR. WELLS:

The NDE attempted to characterize delinquencies. In most cases delinquent taxes are collected. The Department projections are conservative but did not adjust the number of tax adjustments that were due to appeals to the Board of Equalization.

COCHAIR HORSFORD:

Please provide staff with the working papers you have on the property-tax assumptions.

MR. WELLS:

The revenue assumptions inside the DSA on page 17 of [Exhibit C](#), indicate the amounts are increasing slowly, except the sales tax. The estate tax has dropped off significantly. The sales tax uses the same increase as the in-state number used for the Nevada Plan guarantee. That concludes the Basic Support calculations.

Class-size reduction details are on pages 18 through 20 of [Exhibit C](#). Page 18 provides background for what the school districts use. Fourteen of the 17 school districts use traditional Grades 1 through 3 class size reduction funded at 16:1 for Grades 1 and 2 and 19:1 for Grade 3. Variances were requested for 13 of the 42 classes. None were more than 20.3:1 and 4 were less than 17:1. Three districts use the alternative class-size reduction program for Grades 1 through 6. Those are Churchill, Douglas and Elko school districts. Only 1 variance was requested for those districts for a 22.5:1 ratio for Grade 3. The numbers reflect the projected lower enrollment.

DR. RHEAULT:

In 2005, the Legislature passed a bill to eliminate team teaching in the class-size reduction programs by 2012. In 2006, 220 first grade classrooms were team taught, 11 percent of all classrooms in the class-size reduction program; in 2007, there were 86; in 2009, there are 63 classrooms team taught. The same thing has happened in second grade. In 2006, there were 192 team-taught classrooms, meaning there were 2 teachers with 32 students in a classroom. This year, there are 51 team-taught classrooms. The school districts have made a concerted effort to comply with the Legislative intent. This effort may slow due to revenue decreases.

Page 19 of [Exhibit C](#) lists the budget items related to class-size reductions, the adjusted Base Budget for this program, the salary roll-ups for FY 2008-2009, FY 2009-2010 and FY 2010-2011. The M-200 decision unit is grade specific. The class-size reduction program is also impacted by the M-300 benefits change, the E-670 salary reductions, the E-671 step suspensions and the E-673 benefits changes in the same manner as Basic Support was impacted.

Page 20 reflects the number of positions included in the class-size reductions. It includes the numbers for the current biennium and for the 2009-2011 biennium. The FY 2009-2010 number is smaller than the FY 2008-2009 number due to lower enrollment inflations than were projected.

Pages 21 and 22 of [Exhibit C](#) are the Special Education Program within the DSA budget. Special Education is comprised of two pieces. One is the number of units and the second is the amount per unit. The number of units grows at the same rate as enrollment inflation. The number of units is currently decreasing reflective of lower than anticipated enrollments.

The salary amounts for the individual units are also impacted by decision units E-670 and E-671 in the same manner as Basic Support.

Page 23 of [Exhibit C](#) reflects the Adult High School Diploma Program (AHSDP) another Program within the DSA. The 2008 actual enrollments for this Program were 22,234 students and 5,343 students in the Corrections Diploma Program. The increase was 16.29 percent over 2006 for the regular Program and 9.33 percent for the Corrections Program. The AHSDP is increased by the Kindergarten through Grade 12 (K-12) enrollment inflation rate through the M-200 decision unit, similarly to the Basic Support. However, in the AHSDP, the actual inflation numbers are larger than the actual student enrollment numbers.

The E-663 decision unit, in the DSA, reduces the AHSDP funding by 14.12 percent. This was part of the original recommendation from the State Board of Education and is included in the *Executive Budget* to offset the amount reduced from this budget overall.

#### E-663 Program Reductions/Reductions to Services – Page K-12 ED-7

The AHSDP is also reduced by the E-670 and E-671 decision units resulting in a decrease of approximately 14 percent in FY 2009-2010 from the FY 2007-2008 actuals. An increase of 1.49 percent is seen between FY 2009-2010 and FY 2010-2011.

COCHAIR HORSFORD:

I would like more information on the adult education reductions. Will you explain the reductions, outside the salary, merit and step suspensions? Why are those reductions being made? It is my understanding that adult education enrollment is up.

MR. WELLS:

That is correct. The first round of budget reductions, in January 2008, did not affect the adult high school program. In FY 2008-2009, as revenues continued to decline, the adult high school program was asked to participate in the budget reductions. Their budget was cut 4 percent for FY 2008-2009. The NDE intent was that the 14.12-percent reduction should impact all programs as evenly as possible. If we had not done so, the \$1.9 million would have come out of Basic Support.

COCHAIR HORSFORD:

Historically, the funding for adult education is not the same as the allocation for Basic Support. It is an apples and oranges approach. The adult education is not the same as the per-pupil investment for K-12.

MR. WELLS:

That is correct. It is a per pupil distribution, but differs from the Basic Support calculation.

COCHAIR HORSFORD:

Adult education receives approximately \$621 per pupil. Cutting 14 percent of \$621 has a big impact. Young adults 17 to 21, who do not achieve their high school diploma in a regular high school and ultimately attend an adult education campus, are not getting special education, English proficiency or any number of key services otherwise offered. Cutting 14 percent across the board is inequitable. Was that considered in the NDE methodology?

DR. RHEAULT:

We considered the concerns you mention as well as public input. I received a number of calls from irate individuals asking why we were not cutting adult education versus the K-12 students. I agree with you. The number of adult students served increased between 2006 and 2008, by 16 percent. When unemployment rates increase, so does the number of adult students. Normally, the Department receives a lump sum for the adult program based on actual expenses funded from the previous Legislative Session. The Department determined it was equitable to cut programs equally.

COCHAIR HORSFORD:

It is unfortunate to be pitting one education group against another. It is all important. Based on my experience in the nonprofit group I work with, approximately 60 percent of the people in adult education are 17 to 21 years of age. They are the ones we failed in the traditional school system. They are trying to get an education and attempting to get the skills to enter the workforce. Now we are disproportionately affecting that program. We need to do this in a way which is fair to all students.

ASSEMBLYWOMAN BUCKLEY:

In this budget cycle, administrators are trying to work within a target. The target does not make sense when you cut adult education at a time when people need to get their General Educational Development and we need a more qualified workforce. Nevada would go from 47th to 50th place, nationally, today if the cuts in K-12 funding, as recommended in this budget, were in place. We do not know what other states will do, but our children need better educational opportunities. This is what we saw yesterday. How does it make sense to close a prison and open another prison? How does it make sense to cut children out of health care at a time they need it more than ever? How does it make sense to close all of our mental health clinics just to reopen them in another two years? We can ask these same questions for every budget account in every budget item. There will be some cuts, but you cannot cut programs the State needs and will be reconstructed in two years. That is a waste of taxpayer dollars. The cuts result in programs which are no longer functional.



SENATOR COFFIN:

I agree with Assemblywoman Buckley. This Department's budget has been changed by people who are "educrats," not education professionals.

ASSEMBLYMAN HARDY:

I have not seen within the budget, how the 14.12-percent cut was made. I would like to see more detail: the budget generated by the 2007 Legislature, the adjustments approved at the 24th Special Session, the adjustments approved at the 25th Special Session, the 14.12-percent adjustments recommended by the educrats and the Governor's budget. It would also be good to know what the NDE's priorities were. I appreciate seeing the 2007 budget compared to the actual and then the Governor's budget, but we all need this additional information. No matter whose budget we use, there will be challenges. We need to know the priorities of the people in the trenches, in the schools, talking to the children and teaching them.

MR. WELLS:

It is important to look at making an adjustment for the adult education enrollment increase that would be more reflective of the Adult High School Program as opposed to using the statewide student population increase in decision unit M-200. Adult education increases differently than the K-12 population. It is the Department's intent to provide, at the Subcommittee hearing, something similar to Assemblyman Hardy's suggestion.

Page 25 of [Exhibit C](#) delineates the RPDP. Decision unit E-662 was a State Board of Education recommendation as part of the Agency requests to reduce the RPDP funding by 14.12 percent from the 2009 Legislatively approved budget.

E-662 Program Reductions/Reductions to Services – Page K-12 ED-7

Decision unit E-667 suspends the funding for the RPDPs for the upcoming biennium.

E-667 Program Reductions/Reductions to Services – Page K-12 ED-7

DR. RHEAULT:

The NDE recommendation was to keep the reductions equitable at 14.12 percent. The RPDP budget was not reduced in FY 2007-2008, but was reduced by approximately 4 percent in December 2008. This is one of the areas which needs to be reconsidered. The only professional development in the rural areas is the RPDP. The Legislature funded a Curriculum Alignment Study (CAS) which looked at the lessons teachers were giving in the classroom and how closely they matched the grade's academic standards. The key recommendation from that report was more professional development for the teachers to work on lessons rather than standards. Some bill draft requests put additional requirements on the RPDPs which have been in place for eight years. I do not know how those programs can be eliminated without devastating effects, particularly in the rural school districts.

SENATOR RAGGIO:

I am concerned with the depth of the impact of the *Executive Budget* on various accounts. I would hate to see us depart from the goal of teaching to the

standards which have been in place for many years. What will be the impact over the biennium of suspending funding for the RPDP? The CAS gave a strong recommendation to enhance efforts to teach to the standards. I would not like to see us go backward. We will do serious damage if we do away with this program.

ASSEMBLYWOMAN SMITH:

We need a cost-benefit analysis to see what this budget does. Are we going to wipe out all of the infrastructure and the training we have accomplished with the trainers as recommended in this budget? Since the Nevada Education Reform Act of 1997, we have tried to align the standards and improve professional development. A lot of money has been invested to develop these programs.

MR. WELLS:

During FY 2007-2008, 12,200 unduplicated employees went through at least 1 professional development class.

Page 26 of [Exhibit C](#) discusses the other programs within the DSA. The Gifted and Talented units are similar to Special Education in that their intent is to fund a teacher. A decrease was made during the 2007 Legislature to fund a Gifted and Talented teacher within the NDE. That position has remained unfilled due to the further budget reductions impacting the NDE.

The FY 2009-2010 decrease is \$3,279 from the FY 2007-2008 actuals. There is a 3.28-percent increase for FY 2010-2011. These positions were not impacted by the E-670 series decision units.

The School Lunch Match Program is a federal requirement and remains unchanged at \$588,732 annually. That is based on a FY 1980-1981 allocation number and has not changed for several biennia.

The Elementary Counselors Program continues without change at \$50,000 per school district, or a total of \$850,000 annually.

Page 27 of [Exhibit C](#) addresses additional compensation for certification of School Library Media specialists. That was continued at the FY 2008-2009 budgeted amount of \$18,798 annually.

The Special Transportation allotment pertains to Lyon County and one of the Indian reservations. It is continued at the FY 2007-2008 rate of \$170,908 annually.

The Early Childhood Education programs reflect an increase of \$164,085 or 5.11 percent over the FY 2007-2008 actual expenditures, and an increase of \$42,447 in FY 2010-2011, or 1.26 percent increase from FY 2009-2010. These programs are based on the K-12 enrollment growth and are not impacted by the E-670 series decision units.

Page 28 of [Exhibit C](#) reflects the Department's recently calculated shortfall in Basic Support of \$270 million for the supplemental appropriation request. The Governor's budget indicates a worst case scenario of a \$329 million shortfall based on the outside revenue shortfalls of more than \$270 million, certain DSA

internal budget account shortfalls of \$37 million, the FY 2007-2008 shortfall of \$85 million reduced by enrollment savings and prior-year refunds. That concludes the DSA budget.

Budget Account 101-2615 contains two basic programs, as shown on page 29 of [Exhibit C](#). The elementary and secondary innovation grant funds have been suspended for the upcoming biennium. The full-day Kindergarten for the existing "at-risk" schools' budget with a 55.1-percent or more free and reduced lunch counts will be amended to include the temporary salary adjustments. The recommended amount was \$27.9 million in FY 2009-2010 and \$28.5 million in FY 2010-2011. It includes enrollment inflation of .90 percent for FY 2009-2010 and 1.01 percent for FY 2010-2011. Despite the fact that this budget is strictly a salary budget, it was not adjusted for the E-670 decision unit series reductions. An amendment will be provided from the Governor's Office.

NDE - School Remediation Trust Fund – Budget Page K-12 ED-22 (Volume I)  
Budget Account 101-2615

ASSEMBLYWOMAN SMITH:

When we go to subcommittee, I would like to have the same information on the Innovation and Remediation Fund as discussed in the RPDPs. I would like to have more information on the amount invested in these programs, the infrastructure in place, hardware, and what will happen with staff. Many people have been employed in these programs. In these programs, decisions are being made by the professionals at the local level regarding what they need in the classrooms. We would be wiping this program out with the proposed budget.

MR. WELLS:

Budget Account 101-2616, the Grant Fund for Incentives for Licensed Educational Personnel is listed on page 30 of [Exhibit C](#). The final numbers for the one-fifth retirement credit purchase program and the program of incentive pays as outlined in NRS 391.166 were primarily cash payments to date. The budget recommendation is to suspend the program for the upcoming biennium. The one-fifth retirement credit figures were not available from the PERS on August 30, 2008, when our budget was closed. Whether this program is suspended or not, the Department would like to have a carryforward as a means of dealing with the last minute numbers we receive from the PERS.

DR. RHEAULT:

This is one of the items originally in the Department's budget. Eliminating this one-fifth retirement credit saved \$27 million and does not reduce the number of teachers in the classroom. It may make it harder to keep teachers in the "at-risk" schools and in the hard-to-fill positions for which the credit was intended. No staff would be eliminated. This action was taken to achieve the \$188-million budget cuts.

ASSEMBLYWOMAN BUCKLEY:

What happens to our "at-risk" schools? How will we attract the highest quality teachers to help our schools most in need? Money is not available to fund this program or it would already have been used, correct?

DR. RHEAULT:

That is correct. Most of the schools where individuals were eligible to receive the one-fifth retirement credit are also the federally funded Title I schools. The program was an incentive. Under the No Child Left Behind Act of 2001 (NCLB), we have to report to the federal government the number of experienced and highly qualified teachers in the "at-risk" schools versus the schools not at risk. We have been making steady progress since our first report in 2003. I cannot tie all improvement to incentives, but it has been a part of the reason we have been able to increase the number of highly qualified and experienced teachers in the "at-risk" schools.

ASSEMBLYWOMAN GANSERT:

Is there any other incentive built in the pay grid for the highly qualified teachers?

DR. RHEAULT:

There is no differential in pay for being highly qualified; it is a requirement for being in the classroom. Technically, every teacher hired and in the classroom should be highly qualified. The federal government has had a 100-percent requirement since 2006. There was not a state able to meet that requirement because of all the new teachers and the teacher shortages. The program was extended, but the goal is to have 100 percent of the teachers highly qualified.

ASSEMBLYWOMAN GANSERT:

What percentage of teachers in Nevada are highly qualified?

DR. RHEAULT:

The 2008 report showed Nevada at 86 percent in all elementary, secondary and special education classes. The problem is that each teacher has to be highly qualified in every subject taught. We are working with a number of special education teachers to get them highly qualified. For a teacher to become highly qualified in math, science, English, Special Education and the other required items is a struggle. No flexibility is built into the NCLB Act when it comes to special education teachers.

ASSEMBLYWOMAN GANSERT:

Could you give the Subcommittee an idea of how many people are applying for teaching positions and how many openings there are?

GLORIA DOPF (Deputy Superintendent for Instructional, Research and Evaluative Services, Department of Education):

Highly qualified is not equivalent to licensed. All of our teachers are licensed prior to entering the classroom. Highly qualified is an additional requirement in a specific content area. It is difficult for individuals not coming out of a Nevada training system to meet all of the requirements of the content and expectations for the Nevada highly-qualified specifications. Seventy percent of our teachers come from out of state. It takes time for them to become highly qualified which makes it difficult for Nevada to have 100-percent highly qualified teachers. Provisional licenses are not considered highly qualified.

MR. WELLS:

Page 31 of [Exhibit C](#) summarizes the other program accounts that have been moved into B/A 101-2699. This page lists the FY 2007-2008 actuals, the FY 2008-2009 work program and the 2009-2011 biennial budget. Five of the

programs are being transferred to NDE budget accounts because they are administrative functions of the NDE budget. They include the System of Accountability Information in Nevada (SAIN), the private schools, the charter schools, the Byrd Scholarship Operating Costs, and the School Support Team Contracts for nonTitle I schools.

NDE - Other Unrestricted Accounts – Budget Page K-12 ED-88 (Volume I)  
Budget Account 101-2706

NDE - Discretionary Grants - Restricted – Budget Page K-12 ED-94 (Volume I)  
Budget Account 101-2709

NDE - Education State Programs – Budget Page K-12 ED-26 (Volume I)  
Budget Account 101-2673

Other one-time funds include the Save the Children Program passed as part of the 23rd Special Session. There is some funding for Academic Standards Review. Project JASON was passed in the 2007 Session and there are miscellaneous program funds for which any carryforwards have all been moved from the one-time funds to the State Operating Budget Account.

ASSEMBLYWOMAN LESLIE:

Is there a year-end report for the Save the Children program? I have received hundreds of letters from people in rural Nevada regarding these services. Has there been a program evaluation? I would like to know what they have done to touch so many people.

DR. RHEAULT:

We have not received a report. The Save the Children group had planned an evaluation. I will contact them to see if it can be provided for the beginning of the Legislative Session.

MR. WELLS:

Six programs were maintained at the existing fund levels in the *Executive Budget*. The Geographic Alliance in Nevada is \$50,000, Teacher Certification reimbursements is \$70,000, Counselor Certification Compensation is \$750,000, certification bonuses for speech pathologists is \$706,443, the six vocational rehabilitation organizations are \$120,000 and the Peer Mediation Program is \$48,348. Three programs were decreased in the budget including the Apprenticeships Program, the public broadcasting funds and the LEA Library Books.

Four programs were eliminated as part of the *Executive Budget*. Those were the two programs for the deaf and hard of hearing, the limited English Proficient Program and the Disruptive Student Program.

Three programs were reinstated. These were programs reduced as part of the 2007-2009 biennium reductions. The Educational Technology funds of \$4,895,000 were not distributed during the biennium. Those funds have been added back. Funds were also added back for the KLVX and the Library Database Funds for FY 2009-2010 only.

The Career and Technical Education funds were distributed in FY 2007-2008, but were used as part of the budget reductions for FY 2008-2009. Those funds have been restored for each year of the upcoming biennium. The School Support Team Substitutes were unspent by the school districts because of the budget reductions and have been reinstated at \$200,000 annually.

The largest change in Other State Programs, B/A 101-2699, is the teacher's signing bonus program. Decision unit E-650 proposes bonuses will be provided for teachers only as necessary due to additional enrollment within a district. School districts and charter schools will be responsible for any signing bonuses for basic replacement teachers. Because 13 of the 17 school districts are in hold-harmless situations, none would be eligible for any teacher-signing bonus funds. Determination of which teachers would qualify will be difficult.

#### E-650 Program Limits or Rate Reductions – Page K-12 ED-14

ASSEMBLYMAN HARDY:

With respect to the program reductions indicated on page 33 of [Exhibit C](#), did the Governor's Staff have the Department's 14.12-percent budget reduction recommendations available?

MR. WELLS:

Yes. The educational technology funds and the career and technical education funds were originally proposed to be suspended in the coming biennium by the Department and the State Board. The Governor's budget reinstated those funds.

DR. RHEAULT:

The Department's 14.12-percent budget cuts were presented to the Budget Office and the Governor's staff in November or December of 2008 at a preliminary budget hearing.

ASSEMBLYMAN HARDY:

The Basic Support per student, on page 4 of [Exhibit C](#), is \$5,098. What would be the Basic Support with a 14.12-percent reduction per student? What is the percentage of reduction represented by the \$5,098?

MR. WELLS:

We did not calculate the 14.12 percent for Basic Support the same as we would for a flat program. The procedure to determine the reductions to Basic Support was twofold. First, we used projections for the expenditures to determine the Basic Support need. To meet the target budget for the agency request, we had to determine whether to cut Basic Support or cut other programs. We tried to preserve the Basic Support number and reduce the other programs to make sure the school districts had adequate support to get through the biennium. In doing that, the total dollar number we had to cut from Basic Support, as part of the Agency-recommended budget, was about \$45 million over the 2009-2011 biennium.

ASSEMBLYMAN HARDY:

If I just look at the \$5,098, what percentage was cut? If I look at the 14.12 percent the Department cut, what was that number? What was the per-pupil funding in either Basic Support or total? What is the difference



between the 14.12 percent and the total in the Governor's budget? I would like the difference in both the amounts and the percentages.

DR. RHEAULT:

We do not have that information today. We will put together a chart showing how the Department ended up with \$5,098, show all the 14.12-percent cuts and how they affected the DSA. The big difference between the Governor's budget, and what the press reported was turned in by the Department, was a reduction of only 7 percent. That is a reduction in programs from previous funding only. The big difference is the Department did not include any of the salary, health insurance or step-freeze reductions.

ASSEMBLYMAN DENIS:

What is the process the Department went through to present a budget to the Governor's Office?

DR. RHEAULT:

In April, the Department started reviewing the preliminary revenue numbers and met monthly with the school district superintendents. In July, we put together a draft budget and presented it for comments. We were also required to take input from the districts and look at what they were developing. Their proposals were the reason the Department tried to preserve the DSA. The first priority of the new Investing in Nevada's Education, Students and Teachers (iNVEST) program was to maintain the per-pupil Basic Support. We held a public hearing in August when the budget was presented to the Board. The agenda was adopted in early August and forwarded to the Budget Office.

ASSEMBLYMAN DENIS:

How much of the budget you presented to and through the Board was actually adopted in the Governor's budget?

DR. RHEAULT:

Of the Department budgets, though not the four budgets we talked about today, about 99 percent were approved. The Department submitted the 14.12-percent cuts primarily for programs. About half of those reductions were restored by the Governor. The other half, which we did not turn in, consisted of the salary reductions to meet the massive State revenue deficiencies.

ASSEMBLYMAN DENIS:

As we go through these budgets, I would like to see the Department's recommendations which were not accepted by the Governor.

PAUL DUGAN (Superintendent, Washoe County School District and President, Nevada Association of School Superintendents):

The Subcommittee has received a copy of my statement, ([Exhibit D](#)), which I will read. Elimination of the RPDP and the Innovation and Remediation Grant Program, coupled with significant salary and benefit reductions, will reduce the ability of all districts to maintain rigorous academic standards while ensuring every child graduates career-and-college ready. The Legislature established and funded four regional centers to train educators to help students meet Nevada's academic standards. Professional development is a continual process. New mathematics and social studies standards are being implemented. The rural districts will be especially impacted by the elimination of RPDP.

Elimination of the Innovation and Remediation Grant Programs cuts programs such as New Horizons, mentoring for new teachers, dropout prevention and Jump Start. A school system's most important assets are its teachers, bus drivers, administrators, custodians and others who educate Nevada's children. The budget includes a reduction of salary and benefits for people in our most hard-to-fill positions and for those who can least afford a reduction.

TERRY L. HICKMAN (Executive Director, Nevada State Education Association):  
The contracts existing between teachers and support professionals in the school districts are legal and binding in nature, specifically as they relate to the Evergreen provisions which continue expired collective bargaining agreements in full force and effect until a successor agreement is negotiated. This extends the protections of the contract clause to these expired contracts including salary and benefits. To remain in accordance with expressed terms and conditions of our teacher and support professionals' collective bargaining agreements along with their school districts, the payment of salaries at current levels, step increases and other benefits must continue until successor agreements or terms are negotiated. We are confident that districts and the associations in each county will honor their commitments made in good faith at the negotiation table for 2007, 2008 and forward to 2009 and 2010.

MARY JO PARISE-MALLOY (President, Nevadans for Quality Education):  
My comments, which I will read, have been distributed to the Subcommittee ([Exhibit E](#)). Assembly Concurrent Resolution No. 10 of the 2005 Session authorized an adequacy study to determine the level of funding necessary for Nevada's children to reach specific expectations of the NCLB Act by the 2013-2014 school year. Programs that were approved in the 2007 Legislative Session and since have been lost through the various budget reductions.

JEFFREY K. WEILER (Chief Financial Officer, Clark County School District):  
The Clark County School District (CCSD) is cognizant of the State's dire financial situation and is prepared to work with you in any possible way to make the best of what is a challenging situation. Since we have just seen the budget, we do not know the impact on the CCSD. The CCSD has lost over \$133 million in State funding in the current biennium due to a number of budget cuts affecting funding for the expansion of all-day Kindergarten and empowerment schools; the elimination of grants for innovation and remediation; decreased funding for technology; the Gifted and Talented Programs; and a 50-percent reduction in textbook funding. The DSA is down 2 percent per student from the level included in the original 2007-2009 biennial budget.

To accommodate these reductions, we have held central office staff positions vacant; scaled back expenditures for travel and professional services; postponed replacement of buses and vehicles; stopped implementation of a large system; and reduced funding for textbooks and supplies to schools.

The Governor's budget includes three major reductions of concern to the CCSD: the proposed 6-percent salary reduction; freezing funding for step increases; and reducing funding for health benefit coverage. All of these represent funding reductions difficult to pass on to employees. There are many ethical, practical and legal reasons why this is not possible. Dr. Walt Ruffles and our Board have worked hard over the past years in concert with our employee associations, and with the support of the Legislature, to raise salaries for teachers and other staff.

This has helped the CCSD attract and retain highly qualified teachers. These three major compensation related cuts, if enacted, would result in a reduction in take home pay of as much as 11 percent for a beginning teacher. This would be devastating both to the employees and the long-term success of the CCSD. The proposed General Fund reduction is estimated at \$150 million, equal to 7.1 percent. We have already identified \$120 million in response to the request for a 14.12-percent budget reduction. We received public input and surveys from parents and administrators. From those, difficult choices were made and recommended to the Clark County Board of School Trustees. We identified 13-percent reductions in the central office, a reduction of 261 positions, reducing the fund balance to 1 percent; cut funding for block scheduling and our Advancement via Individual Determination programs; and reduced staffing to schools by 3 percent, representing 797 school-based positions. This proposed budget requires an additional \$30 million in annual reductions.

CHAIR ARBERRY:

Can you tell us the effect of an additional reduction of \$30 million on students, teachers, class size, books, libraries, and other areas?

MR. WEILER:

The effect of increasing class size by one student across the board is \$18.3 million. The textbook reduction made this year was \$30 million. In a sense, the textbook funds have been restored in the Governor's budget. The CCSD would need a waiver to the requirement to spend the funds on textbooks and supplies. The CCSD needs to look at the possibilities. The public surveys showed support for cutting administrators which we did in the first level of cuts. During the current biennium we made the one-time funding reductions. The reduction decisions were difficult to make. The next level of reduction is increasing class size. The CCSD cannot pass on the cost increases such as the salary reductions, the step holdback and the costs of health benefits to our employees even if we wanted to; those need to go through the negotiation process.

CHAIR ARBERRY:

Would the reductions involve closing or combining schools? The Nevada System of Higher Education (NSHE) has stated they may be required to close the entire business section of the University of Nevada, Las Vegas (UNLV) or other entire programs.

MR. WEILER:

Two of our small schools were considered for closing and the Board has approved that possibility for further study. We have not considered any other school closures. There would be some savings but, for the most part, the funding follows the students into the classroom. No optional educational programs are offered, other than things such as block scheduling, which enhanced staffing to schools. That reduction has had serious impacts.

SENATOR COFFIN:

Some of this Subcommittee's questions have to do with policy and philosophy. We do not get complaints about teacher pay. We do get complaints about administrator pay and the number of administrators. I hear complaints about the number of students who are children of illegal immigrants. Is the enrollment

dropping because immigrants and their children are returning to their country of origin due to lack of jobs? What is driving the drop in enrollment?

JOYCE HALDEMAN (Associate Superintendent, Clark County School District):  
Dr. Walt Ruffles, Superintendent, CCSD, was unable to be here today as he is a panelist at a Brookings Institute seminar.

There are federal cases preventing the CCSD from asking children if the parents are illegal immigrants. Any child with the proper forms of identification and proof of address is enrolled in school. The CCSD's job is to educate every child who appears on our doorstep. The CCSD is working with outside agencies to determine the reason for the drop in enrollment. Projecting enrollment is important to our building program and setting our budget.

SENATOR COFFIN:

Are we getting the maximum aid possible from the federal government for the education of children?

MS. HALDEMAN:

The District works consistently to make sure we get our share of the titled dollars set aside for children whose first language is not English. Because of the way the census is conducted, our counts are considered lower than actual. For a long time, these children were our fastest-growing demographic. We never did receive adequate funding for those populations. I do not know if it is still considered the fastest growing part of our population.

SENATOR COFFIN:

The teachers and principals could provide anecdotal information on the decrease in enrollment.

MS. HALDEMAN:

These are numbers we are looking at as we get ready for fall enrollment. As the information becomes available, it will be provided to the Legislature during the Session.

SENATOR COFFIN:

That information helps us remove some of the political obstacles to solving the policy problems.

ASSEMBLYMAN DENIS:

How many of the schools have eliminated block scheduling?

MR. WEILER:

Approximately 20 schools have eliminated block scheduling.

SENATOR COFFIN:

What is the doctrine as it concerns learning abilities between block and regular scheduling? What is the actual retention of data? There are more electives under the block schedule.

MS. HALDEMAN:

A study was conducted on the pros and cons of block scheduling. There are many advantages to block scheduling. The primary disadvantage is in math, as

children do worse without daily instruction. The primary advantage is children have the opportunity to take more credits. One intent of block scheduling was for children who needed additional credits to have the ability to schedule the credits without attending summer school. Unfortunately, many students who take advantage of the scheduling are the higher-end students on their way to college. I will provide copies of the study.

ALISON TURNER (President Elect, Nevada Parent Teacher Association):  
A copy of my remarks has been provided to the Subcommittee ([Exhibit F](#)). In addition to those comments, I want to specify enrollment in K-12 education across the State has declined slightly this year. Enrollment in the CCSD increased during this school year.

CHAIR ARBERRY:  
The next item on the agenda is the Department of Education's budget overview.

DR. RHEAULT:  
The Subcommittee has received a copy of General Overview Department Budget Accounts (not including K-12 School System Accounts) ([Exhibit G](#)), which I am going to present.

There are no enhancements, we are losing more staff than we are adding and there are no new programs. There are six main categories of work provided by the NDE. We provide information and technical assistance to many entities, distribute federal State and other revenues, set standards for a variety of items, monitor for compliance, assist with improvement efforts and intervene to correct deficiencies that fall under our purview. The general public believes the Department has authority to intervene on all kinds of issues, but there are limits.

When you consider the total K-12 budget and eliminate the four budgets already discussed, the appropriation from the State is 1.4 percent. It is a small amount of the total. The amount of funding provided by the State appropriation for staff operation of the NDE, the testing contracts and the school support team contracts is approximately \$13 million. Coincidentally, the RPDP elimination is approximately \$13 million.

Page 4 of [Exhibit G](#) shows the top six budget accounts that provide administrative support through the NDE. Most of the State appropriations we receive are placed in B/A 101-2673, the Education State Programs and B/A 101-2697, student testing programs. We have attempted to identify the amount of funding in each budget, how it is funded and the number of staff paid through each budget.

NDE - Education State Programs – Budget Page K-12 ED-26 (Volume I)  
Budget Account 101-2673

NDE - Proficiency Testing – Budget Page K-12 ED-59 (Volume I)  
Budget Account 101-2697

The next four budgets on page 4 are those State-funded budgets already discussed today. They are passed through to the school districts. None have staff positions associated with them.

The bottom five programs on page 4 are budget accounts that include federal funding which require some level of State matching funds. Those include the Student Incentive Grants, Occupational Education, Continuing Education, Nutrition Programs and Special Education funding.

Six budget accounts are funded 100 percent by federal funding. Page 5 of [Exhibit G](#) reflects those accounts, the number of staff supported and the approximate budget. The largest account is 101-2712. This is the NCLB Act funding for \$95 million. The final account is not a budget, but a holding account for the estate tax funds.

NDE - Elementary & Secondary ED - Title I – Budget Page K-12 ED-102  
(Volume I)  
Budget Account 101-2712

Throughout the budgets administered by the NDE there are 153.5 FTE who administer a budget of \$1.6 million.

Page 6 of [Exhibit G](#) notes the Governor's budget reduction requirement of 14.12 percent is \$13,695,775 for FY 2009-2010. The reductions were taken in four areas. Those include Student Testing contracts at \$5,653,996 in FY 2009-2010 and \$5,147,798 in FY 2010-2011. Those figures cannot be reduced. Our agency budget recommendations propose elimination of the norm referenced test (NRT), the only test required by the State that is not also required by the NCLB Act provisions.

Some positions approved for the 2007-2009 biennium were never filled, due to the economic downturn, and are recommended for elimination in this budget. The Department is limited in the areas which can be cut for reasons such as the NCLB Act requirements.

The NRT is eliminated in this budget. We can get similar data from the National Assessment of Educational Progress test in which all states are required to participate. The \$925,470 each year was eliminated in FY 2008-2009. An adjustment will be made in the *Executive Budget* to eliminate the same amount in FY 2009-2010 and FY 2010-2011. Although enrollments are lower, there are some added costs for new students and the contract costs for test administration have increased. The reduction we proposed did not cover the student growth and testing contract increases. Student growth and increased testing costs have impacted the State's requirements.

The Department receives State funds for consultant team leaders in schools which have not made adequate yearly progress (AYP) for three or more years. We estimate there will be 122 of those schools in FY 2009-2010 and 167 in FY 2010-2011. The budget is built on \$10,000 contracts for someone to work specifically with the school support teams.

Not much could be reduced in federal matching programs of \$1,900,000 annually. The only other areas that could be reduced were Department operating expenses and staff.

Page 7 of [Exhibit G](#) lists the Department staffing and operational expenses. The Base Budget contained 157.5 FTEs. Of that total 48.5 FTEs are funded directly



from State appropriations. The remainder is paid through federal funds, teacher licensing fees, or a combination of indirect costs. Nevada is staffed more leanly than most states in the nation. Wyoming took our place as 50th in staff.

Arkansas has 460,000 students and Nevada has a comparable 437,000 students. Arkansas, at 378 staff, has three times the number of Department staff as Nevada. Nevada is doing as much as possible with the staff we have been allocated. Even the smallest state, Vermont, is 49th with 94,000 students, approximately 20 percent of the number of students in Nevada, and they have 186 staff. My biggest concern, with the Governor's budget, is not with the cuts to programs but the cuts to salaries. The health-care subsidy goes into effect for those who do not retire by June 30, 2009. Twenty-six of the 150 staff could retire today; many people like Gloria Dopf, Deputy Superintendent, with 30 years of service, or Bill Arensdorf, Director, with 35 years of service, work in nearly every program area from special education, career and technical education, to fiscal and administration. One of every six experienced staff members could retire. Anyone can be replaced, but not overnight.

Page 8 of [Exhibit G](#) describes the ten staff eliminations. Due to the downturn in funding in FY 2007-2008, the positions approved for the 2007-2009 biennium were never filled. Because the Department does not have other options, we are recommending total elimination of those positions. Those include the empowerment school consultant position. The program was planned, but never implemented. The gifted and talented consultant was never filled. The parental involvement consultant should have been filled. The Department has a requirement to hold an advisory council on parental involvement. No funding was provided; Ms. Gloria Dopf oversaw it. The council was to bring recommendations to the Legislature. We have minimally met that requirement. The cultural diversity consultant position was vacated in FY 2007-2008. It was left vacant to meet required reductions and is recommended for elimination, as are other positions, because there is no other place to cut.

ASSEMBLYWOMAN SMITH:

The funding for the empowerment programs has been eliminated in addition to the school consultant as described on page 8 of [Exhibit G](#). Is pay-for-performance funding included in this budget?

DR. RHEAULT:

The pay-for-performance was in one of the earlier budgets discussed today. That funding was eliminated in FY 2007-2008. It never went beyond the planning stages in the local school districts.

ASSEMBLYWOMAN SMITH:

The funding for gifted and talented students has also been eliminated. Nevada is the only state not having a coordinator for the gifted and talented students. It is a population not served because there is no funding directed there. There was never funding for the parental involvement consultant; it is a perfect example of staff adding that function to their existing job. All funding, including staff costs, have been eliminated for those programs.

DR. RHEAULT:

The coordinator for gifted and talented was funded by the 2007 Legislature by using two special education units for gifted and talented to fund the consultant position. We lost the consultant position and the districts lost two of the positions they would have had previously for the special education units.

The Department received a \$9-million grant to enhance our longitudinal data systems within the State to support the SAIN system. The grant ends in 2011 and will eliminate three positions. I will be requesting the reinstatement of the consultants for career and technical education which were eliminated in the Governor's budget. The Department put these in the budget for elimination because we have reached the maximum administrative cap of 5 percent within the federal budget. The level of career technical federal funding has decreased slightly. The Department has enough carryover funds to fill these two positions through the 2010 school year. There are 10.5 positions in the career and technical education area proposed for elimination. The Department has requested four new staff: an auditor II for ongoing nutrition and charter schools paid 50 percent through federal nutrition funds and 50 percent through indirect cost funds; a budget analyst to oversee all of the grants paid with indirect cost rate revenues; and two assessment consultants who have previously been under contract but will cost less as employees. They were part of the contract for the high school proficiency and the criterion reference test. Funding sources for the assessment consultants would remain essentially the same.

Page 9 of [Exhibit G](#) addresses a summary of the AYP. For me, 2008 was a better-than-expected year. The first chart shows the progression needed by FY 2013-2014 where 100 percent of students are supposed to be proficient in English and math. In FY 2007-2008 the percentage of students meeting the AYP increased. It went from 39.6 percent to 51.7 in English and math AYPs increased from 45.4 to 56.3 in the same period. The number of schools not making the AYP did not increase due to remediation trust funds every school received to add after school programs, mentors and new programs within the school. The percentage stays the same for this school year and then increases in FY 2008-2009 and FY 2009-2010. It is related to the \$1.22 million in the NDE budget for school support team leader contracts. We expect those to increase from 76 to 122 in FY 2009-2010. I do not know if any school can meet the 100-percent proficiency level, but we expect the number to rise. Funding provides \$10,000 for nonTitle I schools or schools not designated "at-risk" for federal purposes. This is a requirement of State statutes. In 1997, when Nevada put in place a requirement to designate schools in need of improvement, 26 schools were identified. Today there are 128 schools not making the AYP. There is a problem here in overidentification. Schools identified under the 1997 act were identified for a reason. There is a bill draft request that may review how we work with nonTitle I schools within the requirements. We cannot afford \$10,000 for each school identified, particularly if the school did not test 90 percent of their African-American students or other ethnicities.

If any category in the second chart on page 9 of [Exhibit G](#) does not have a "yes," the school does not make the AYP. We need to identify differentiation parameters.

SENATOR RAGGIO:

What causes the nonparticipation in these schools in various categories?

DR. RHEAULT:

There could be a number of reasons. We give the test at a certain time. If there is an illness going around, a large number of students could be absent which affects the percentage of students tested. One appeal I processed was from Arbor View High School in Las Vegas. In that case, the addition of one student was going to make the difference of whether or not they met the AYP. Some of these subpopulations are small, but 90 percent of each population must be tested. One student can make the difference.

SENATOR RAGGIO:

Of the 128 schools needing improvement, how many are due to nonparticipation? What effort is being put forth to improve this area?

DR. RHEAULT:

I will get the information to you. The problem is, when you break it out into the six ethnic categories, one student can make a difference.

MS. DOPF:

When a youngster shows up at school, regardless of the circumstances, the youngster is considered part of the participation pool. A student who does not speak English and knows the test is in English and knows he is unlikely to do well on the test may be withheld by the parent but is counted in the participation pool. Their performance score is not counted until they have been in the program one year and have the benefit of a year of language development, which we know is an insufficient time, but they are part of the participation pool. There are factors of compliance with the law which are counterintuitive.

SENATOR RAGGIO:

How could we change that requirement, as Dr. Rheault suggested, if it is part of the federal law?

DR. RHEAULT:

Federal law requires the AYP for all Title I programs. The nonTitle I schools are under State statute. Changes could be made for the nonTitle I schools.

ASSEMBLYMAN CONKLIN:

The Estimated Annual Measurable Objectives table, page 9 of [Exhibit G](#), contains some actual numbers. Which numbers are actual?

DR. RHEAULT:

This chart was put together when the NCLB Act first came into play. We used estimated numbers to show how we would get from our baseline budget for school year 2002-2003, where 27 percent of our students needed to be proficient in English in elementary school, to 100-percent proficient in 2013-2014. These are the measurable objectives we have to demonstrate for the NCLB Act provisions. They are the accurate levels we will be using at each school.

ASSEMBLYMAN CONKLIN:

This is the measurement we are testing against.

DR. RHEAULT:  
That is correct.

Page 10 of [Exhibit G](#) lists all federal programs with the categories specified at the bottom. Federal funding has been flat. For instance, in B/A 101-2712, it appears we will receive a \$5 million increase in Title I basic funding. That is a possibility but any increases we have received through the NCLB Act have been as a result of the elimination of other programs.

Page 10 lists all eliminated federal programs and contains the total federal funding in each program for the past ten years.

Page 11 of [Exhibit G](#) summarizes the U.S. House of Representatives' version of the proposed stimulus bill. I identified four areas where the bill could have an effect. The primary program is K-12 construction. If the bill is approved in this fiscal year, there may be a need for special consideration since it is hard to move funds quickly. Formula grant funds must be allocated within 30 days of passage and within the Interim Finance Committee authorization process; it is difficult to move funds that quickly at the State level. The discretionary funds allow 90 days for allocation. The most flexible area of the proposed stimulus bill is the special education funding. The bill states, "It will assist states with funding for the rising costs of special education students to revamp reducing funding for general education operations and programs." It sounds like we could replace a portion of the special education funding with stimulus funds and also save a portion in the general education operations. The U.S. Senate version I have seen looks completely different than the House version.

SENATOR RAGGIO:  
What is the status of the SAIN program?

DR. RHEAULT:  
A chart was provided to the Legislative staff. The Department went through the statutes to determine what SAIN has to do. If we are meeting the requirement, it is so noted in that chart. I will provide you with a copy. The SAIN system is going well. The Department uses some State appropriations, \$300,000, for maintenance and some federal assessment funds. A \$9-million grant is taking us into the next generation for longitudinal data, working with the NSHE to link our teacher licensure information. A new \$3-million grant has been received to work with higher education and the Department because the linkage of the systems and the data will be costly. A system which collects data on every student, every day, from every school district is complicated. I believe we have achieved 95 percent of the Legislature's data expectations. When the State Board is the sponsor of a charter school, they are treated almost as a separate school district. The seven charter schools must submit their data individually and we are working on that issue.

MS. DOPF:  
To answer Senator Coffin's question, we will provide to this Subcommittee and the LCB staff the counts during the last school year for immigrants and those with limited proficiency in English.

CHAIR ARBERRY:  
Please fax the information to Senator Coffin, in Las Vegas, today.

Ms. DOPF:  
I will.

WILLIAM (ROB) ROBERTS, PH.D. (Superintendent, Nye County School District):  
Nye County School District is the largest geographical school district in the 48 contiguous states. The services provided by Dr. Rheault and the NDE are exemplary. They are never too busy to take our calls and answer our questions regarding the NCLB Act. I can speak for the Superintendents of Nye, Esmeralda and Lincoln Counties; without the southern Nevada RPDP, there is no professional development for teachers in these rural counties. The funds are not in the budget and the expertise is not available.

CHAIR ARBERRY:  
The Subcommittee will now hear a budget overview on the NSHE.

DANIEL KLAICH (Executive Vice Chancellor, Nevada System of Higher Education):  
Members of the Subcommittee have received a copy of Nevada System of Higher Education ([Exhibit H](#), original is on file in the Research Library). The first one-third of [Exhibit H](#) focuses on the directions we received from staff to analyze the *Executive Budget*. Presidents of the NSHE's institutions are present in Las Vegas and Carson City and are prepared to address the budget's impact on their institutions.

JAMES E. ROGERS (Chancellor, Nevada System of Higher Education):  
I have learned over 30 years in private enterprise that when these shortfalls occur you cannot allow your basic product to go away. We are concerned a 50-percent cut will destroy the NSHE. We will keep you informed of everything we are doing; we will make suggestions for new sources of revenue and let you know what we have cut. If the College of Southern Nevada (CSN) were to sustain a 50-percent reduction, the population of students would go from 43,000 to 12,000. When times get tough, people go back to school. The enrollment at the CSN is up 15 percent this semester. The Chancellor's Office will not take the position that we want someone else's money; we do not want K-12 or the prison's money. We want everyone to survive and do well. At times, Dr. Ruffles and I will be here together to discuss how K-12 and higher education integrate in trying to solve the State's education problems. Our intent is to educate the Legislators about education before the beginning of the 75th Legislative Session.

MR. KLAICH:  
The materials in [Exhibit H](#) focus initially on the Governor's recommendations and the impacts on the NSHE. The second portion of [Exhibit H](#) addresses how education relates to Nevada's future and how we believe we are at a crossroads in education with the number of graduates provided to the State. It is a distillation you have seen previously. The final portion of [Exhibit H](#) talks about who we are and contains data on enrollments, education, demographics and population. We do not have time today to go through it all.

The Governor has recommended a 35.9-percent cut in the NSHE budget as indicated on page 12 of [Exhibit H](#). The actual cut is in excess of 38 percent and some of the instructional budget cuts exceed 50 percent as shown on page 13 of [Exhibit H](#). Most states will experience shortfalls if the economic situation continues to worsen, but we have not found a single state that has



reductions of the magnitude recommended for Nevada; nor have we found any state where higher education has been used as the primary budget-balancing tool. Nevada has proposed 75-percent cuts in all budgets for higher education. The Governor's remarks in his State of the State message were taken from the National Association of State Budget Officers and made it appear Nevada was doing fairly well in higher education. Nevada ranks near the bottom in the size of its General Fund budget. When the proposed reductions are calculated, Nevada could well have the smallest budget in the nation. Nevada is in the bottom one-third nationally on a per capita basis. Each Legislative Session we request an increase in the funding formula.

This budget threatens the existence of entire institutions. With cuts of \$475 million, we cannot run both universities the way you know them now. [Exhibit H](#) presents the four scenarios to meet the required reductions, none of them a solution. Potentially, 2,000 to 2,200 FTE faculty members will be lost. There are also considerations of binding contracts, agreements and tenured faculty. The NSHE will be placed on national watch lists and it will ruin our reputation for decades. [Exhibit H](#) lists other undesirable outcomes as well.

Student fees are discussed on pages 23-29 of [Exhibit H](#). The per-credit hour fee will nearly double. The fee increases at community colleges are particularly onerous. These students' fees could increase 2.5 to 3.5 times more than the current structure. Today the NSHE's fee structure is lower than our sister states. The Board of Regents has a specific policy aimed at keeping fees low to guarantee access for Nevadans to the NSHE. There must be money for financial aid to guarantee Nevada citizens in the low-income stratus, who are disproportionately persons of color, will not be excluded from the NSHE. Page 28 of [Exhibit H](#) reflects how Nevada compares to universities in nearby states, both currently and with the proposed fee increases. Page 29 reflects the same comparison for community colleges. If the fees are increased as proposed, the students, rather than the State, would carry the burden of higher education. Our accreditation status is in serious doubt with this budget.

With the budget cuts recommended, there is no question the research efforts at the University of Nevada, Las Vegas (UNLV), the University of Nevada, Reno (UNR) and the Desert Research Institute (DRI) would suffer and matching dollars would be lost. In the State of the State address, there was significant emphasis on building a new green, high-technology and diversified economy in Nevada. With cuts of this magnitude, you can hang out a "Closed for Business" sign at our borders. Those businesses do not come here because our taxes are low. They come because there is an educated workforce to support their business and because their employees will have good schools for their children. Diversifying our economy will not happen if the Governor's budget is approved.

ASSEMBLYMAN HARDY:

Have you done a study to determine if a 25-percent tuition increase is the breakeven or elasticity point?

MR. KLAICH:

National elasticity data indicates about 6 percent of the student population is lost as the result of a 10-percent increase in fees.



ASSEMBLYMAN HARDY:

There is some "wiggle room" to increase tuition.

MR. KLAICH:

Yes, but we have talked with some of you about the Letter of Intent on tuition. It is our desire to assume more control by bringing in higher revenues. We did not start that discussion in the context of the current situation. In the long run, as tuition has increased and as we try to shift a greater burden of the cost of education to students, we would like to be able to keep their money on their campus and improve the quality of their education.

ASSEMBLYWOMAN KOIVISTO:

What will be the budget impact on out-of-state tuition, particularly on the College of Hotel Administration at the UNLV which is one of the top in the country and attracts international students?

MR. KLAICH:

The information provided today relates to the fees. Tuition is the cost for out-of-state students to attend Nevada schools. If the cost of education is to be borne more by students, it is reasonable to expect it across the board and we would have to look at that elasticity.

ASSEMBLYMAN CONKLIN:

We are talking about elasticity as if there is no consequence other than the loss of students. While we may pick up some revenue through increased fees, we also diminish the size of some classes; some classes may be offered only periodically. When you stop offering those classes, the base continues to erode, which means you have to increase tuition again, which again erodes the base resulting in tuition increases. A residual effect takes place.

MR. KLAICH:

I agree. You imply people will not be able to graduate. The entire quality of their educational experience will be diminished. That will cost the State even more money.

ASSEMBLYMAN CONKLIN:

We are asking students to pay more and get less.

MR. KLAICH:

That is correct.

SENATOR COFFIN:

The UNR is a land grant institution. What is the obligation of a state to a land grant institution and to its students?

MR. KLAICH:

We have federal obligations to serve basic elements of education set forth in the Morrill Act. Cuts would be made to the basic minimum necessary to meet federal requirements. At that point, services to nonurban areas would shrink.

SENATOR COFFIN:

What was the price of education in the Land Grant Act?

MR. KLAICH:

I do not know. Free? It did what it was supposed to do at a time when this country was facing a greater crisis than we are facing today. We made an investment in the future and it paid off. The Chancellor was asking, in his remarks, for a show of the same courage displayed during the Civil War when the Land Grant Act was passed.

SENATOR COFFIN:

Our forefathers understood the value of easily accessible and cheap education. This budget could be devastating and is in total violation of the land grant legislation; it does not apply to every one of our campuses but the general principle applies.

MR. KLAICH:

What kind of State do we want for our children? This budget is bad for Nevada, bad for business and bad for families. If our youth are forced to leave Nevada, many of our best and brightest will not come back.

ASSEMBLYWOMAN LESLIE:

This budget would destroy higher education in Nevada. What can you tell us about faculty morale? Are they looking elsewhere? What are you doing to make sure we do not lose our best faculty to other states?

MR. KLAICH:

The faculty has a tendency to care more about the students than their pocketbooks. I am sure the faculty knows we are fighting for their institutions and their jobs. People are nervous, but they are working hard. We are asking the Legislature to provide adequate funding. If the budget is cut anywhere in the neighborhood of the recommendations, the best faculty will leave. There is a national market. Replacing them will be difficult.

ASSEMBLYWOMAN LESLIE:

Not only will we have to raise tuition, but we will be raising tuition for an inferior product if our best faculty goes elsewhere.

MR. KLAICH:

That was Assemblyman Conklin's point: pay more and get less. Nevada is not always the easiest market to recruit into; we will lose our best and they will not be replaced.

ASSEMBLYWOMAN LESLIE:

I would remind our faculty at all institutions, through you, the *Executive Budget* is one person's idea of what must be done.

ASSEMBLYMAN HARDY:

The NSHE has done its part for the people with tuition increases. Will there be a stimulus bill with a significant portion aimed at education? Nevada will get a share of that. It is dangerous to build an operating budget on those dollars unless we look forward to what comes after those one-shot dollars which will plug a hole for a period of time. We have tried to determine the high priorities and consider what is good for the entire State in the long range.

MR. KLAICH:

I believe there will be a stimulus bill; a significant portion aimed at education and a portion of that aimed at higher education. It is dangerous to build an operating budget on those funds unless we look forward to what comes after the one-time funding. I am sure any federal funding we receive will be welcomed, but we need to look at the long-range impact of what is good for Nevada at the same time.

DR. ROGERS:

On about February 10, the eight institutions will have a specific list of all the expenses we have cut during the last two to three years.

ASSEMBLYMAN DENIS:

What is the process and time frame for preparing the NSHE's budget?

MR. KLAICH:

Typically, the budget-building process starts in December of the year the Legislature adjourns. A team goes to each campus to find commonalities and needs. We work through the budget process for the next six months and take it to the Board of Regents about April of even-numbered years. We went through that process at the same time we were cutting budgets. The budget we submitted was sparse with few enhancements. We had requested assistance to establish a health science infrastructure; restoration of \$10 million to modernize computer systems; and correction of an historical inequity in funding at the CSN.

ASSEMBLYMAN DENIS:

Did the Governor consult with the NSHE in submitting his budget?

MR. KLAICH:

Yes, to a degree. I was surprised when the budget recommendations came out.

SENATOR HARDY:

It is important that you put this information into a document we can understand. You do not have to spend too much time on the Governor's budget, which we know is not a workable solution. This is the beginning of a difficult process which may require systemic changes to the way we do business in higher education and this State. I am not going to participate in the dismantling of the NSHE. I will participate in the difficult decisions or systemic changes that may be needed.

SENATOR RHOADS:

Could you give us more information about the transfer between the UNR Fire Service Academy and the military?

MILTON D. GLICK, PH.D. (President, University of Nevada, Reno):

The Fire Academy, shown on page 95 of [Exhibit H](#), has a debt of \$42 million and loses money. The City of Elko, Elko County, the oil companies, the miners and other users have been asked for recommendations. They have provided a three-year proposal which helps, but does not drill down into the problem. The *Executive Budget* contains a plan to build, in the City of Elko, a new National Guard Readiness Center. It would use a combination of federal funds, already appropriated, and State funds.

The *Executive Budget* recommends the purchase of the Fire Academy for \$10 million and placement of the Readiness Center at the Fire Academy using many of the facilities already in place with the hope Nevada would eventually get a Western Regional National Guard Fire Academy. A combination of the stakeholders' proposal and the Governor's proposal would provide a \$10-million reduction to the debt we carry, prevent future losses and allow the Fire Academy to survive for the next 2 to 3 years. During that time, we would like to work with the National Guard to collocate. The UNR would still have a \$32-million debt. We will bring a recommendation to the Board of Regents next week.

MR. KLAICH:

I have asked each of the institution presidents to present a personal face of what these cuts will mean to their institutions.

DAVID B. ASHLEY, PH.D. (President, University of Nevada, Las Vegas):

The Governor's budget is an unacceptable starting point. The impact on the UNLV is a \$105-million reduction each year. To put that amount in perspective, if we eliminate all the professional schools and colleges at the UNLV on July 1, the savings would be 32 percent of the cut recommended. If we closed the three largest colleges, it would get us halfway to the budget cut and impact 50 percent of the student FTEs and 70 percent of the headcount students. If the UNLV eliminates all of the faculty salaries and benefits, it would almost equal the size of the recommended budget cut. If the UNLV puts the burden on students by increasing student fees and includes a portion for financial aid, the fees would go up to \$13,000 each year, three times what students currently pay and above any competitive institution.

The 6-percent proposed reduction in compensation on top of the shift in the cost of benefits, at least another 4 percent, and the fact there is no possibility of a cost-of-living increase or a merit increase in the foreseeable future means we will lose our faculty. Faculty will explore other options immediately. We have quality faculty highly desirable to other places. The UNLV has offered individuals on the faculty and professional staff an incentive package; 21 individuals have accepted. We recently offered the same thing to classified staff who have expressed an interest. We currently have 97 faculty staff positions open. We are leaving these vacated positions open to satisfy the current budget reductions. These vacancies impact the programs offered but, at this time, have not impacted students' graduation.

The UNLV has reduced more than 400 sections each semester, but the deans have been judicious in ensuring the necessary courses are available in a timely way. Classes are full. Any further impact will result in students unable to graduate not only in a timely manner, but never being able to graduate.

The UNLV's first priority for a capital improvement project was \$25 million to match \$25 million from a private corporation for a new academic facility for the William F. Harrah College of Hotel Administration. That industry is important to Nevada. This item was not included in the Governor's budget. That is a travesty, because this is an opportunity to receive leverage for a needed facility for our students.

The increase in student fees should be handled in a way the students will see a direct benefit. Right now, the Letter of Intent does not encourage or allow that; therefore, students do not support those increases. We need greater flexibility which includes the rollover of funds at the end of the year and the delegation of authority for capital projects from the State Public Works Board. An interim study on how we finance higher education in the future would be worthwhile and would make a long-term impact on education in Nevada.

COCHAIR HORSFORD:

Would you expand on the capital improvement project you referred to? What would that mean to the facility already on your campus?

DR. ASHLEY:

The Harrah's Corporation has pledged \$25 million to match a State contribution of \$25 million. They have made the commitment and are waiting for the State to provide its portion. The UNLV has an antiquated facility; the Hotel College has grown dramatically. The UNLV campus within a campus concept is innovative. This would be the academic core. We are working with a private firm to build a hotel conference complex to be utilized by both the UNLV and the DRI. This would allow us to build an integrated facility located on the northwest corner of the campus near the Stan Fulton Building.

COCHAIR HORSFORD:

The Governor's proposed budget is not a good approach as it relates to higher education. This private sector investment would help our major industry. It would be shortsighted not to take advantage of this public/private partnership. It is not a long-term approach to build up our institutions and ensure they are connected to the business and industry sector of the State. What the UNLV has done on its campus is a model for what we are trying to do in Nevada.

DR. GLICK:

Nevada is 50th in the nation for the likelihood of a 19-year-old going to college. We need more education, not less. The core infrastructure for the future is going to be education. Today, the UNR has the most students and research in its history. We have already cut \$24 million going into next year. In doing that, we have adjusted teaching responsibilities; reduced administrative costs; and eliminated critical services such as the Writing Center, the Math Center and the Career Resource Center, which gives me great pause. We have streamlined our centers and institutes because we have said student access must be at the top of our priority list. We do not have adequate student success in this State. Not enough of our students go to college; not enough of them complete college. We have metrics by which we judge ourselves and want to be held accountable.

I do not know how to cut the \$76 million recommended in the Governor's budget and still have a university to serve the State. There is some room to raise tuition, about \$5 million to \$8 million, before reaching the point of elasticity. That leaves us with a \$70-million problem. Eliminating all the health science programs, medicine, nursing and public health would result in a \$48-million reduction. In addition, we would give up \$110 million in clinical income and research revenue. The indigent care we provide would disappear. For example, last year 5,500 babies were delivered at the College of Medicine. Nevada is near the bottom in the number of health care professionals per capita.

A different approach would be for the UNR to eliminate the College of Science and the College of Liberal Arts which teach 56 percent of our student credit hours. That would save \$41 million. Or, to the extent federal law requires in the various land grant laws, we could eliminate our outreach functions, the experimental station and cooperative extension, to save \$20 million. Already we have nonrenewed 37 faculty and staff and eliminated over 100 additional positions. To reach the \$76 million needed, we would have to terminate an additional 330 people. We understand the difficult fiscal situation in the State and are prepared to do our part. We have made a good start. We need to agree that the educational infrastructure is critical to the future. Historically, the State has not been ungenerous to higher education; if these reductions are made, however, I will not be able to say that again.

Concerning faculty attitudes, with the first two reductions I was amazed at the way the students, faculty and staff understood the problem and worked with the administration to find the least damaging solutions. Since the recent announcement, their attitude is fragile. This is a watershed event, protecting what must be protected while making transparent and difficult decisions.

ASSEMBLYMAN GRADY:

Could you elaborate on the \$6.50 students are paying to cover the Fire Academy debt and what that revenue would mean to the UNR if it was not needed to cover a debt?

DR. GLICK:

The \$6.50 payment amounts to \$2.5 million each year in student fees that could be applied to their education. It is being applied to the capital debt of \$29 million rather than education. We have accumulated an additional \$12 million operating debt for which no payment is being made. That is why I am enthused about the National Guard option. If the Fire Academy is closed, that is another \$3.5 million that would not need to be budgeted.

ASSEMBLYWOMAN LESLIE:

The \$6.50 is a charge per credit. How many years will the students be paying on the Fire Academy debt?

DR. GLICK:

That is correct; a full-time student pays \$200 each year. There are 24 years left on this bond.

SENATOR COFFIN:

Adding the cost to student fees was the only option available. If the entire system had absorbed the debt, it would have thrown off the formula and the delicate balance between the institutions.

DR. GLICK:

My comments were not meant as criticism of those who made the decision; I was providing the history of the student charge.

MR. KLAICH:

The foot soldiers of our system of higher education are the community colleges. The CSN currently enrolls over 40,000 Nevadans every semester.



MICHAEL D. RICHARDS, Ph.D. (President, College of Southern Nevada):

The 2005 Legislature concluded the CSN was funded at a subsistence level, which is true today. This is not only true for the CSN; all of the institutions are starving. The CSN is starving for three reasons: unfunded mandates, unfunded growth and funding inequity. We are paying about \$1 million each year in utilities which are unfunded. There were 2,500 FTEs unfunded this year. While the CSN has cut its budget this year by 10 percent, we still grew 6.5 percent during the fall semester. The CSN receives the lowest funding per FTE student in the State and in comparison to peers across the nation. This problem has accumulated over ten years and today the CSN needs \$20 million to be brought up to the median of our peer institutions. This funding shortfall is magnified by unprecedented enrollment growth. The Regents adopted this particular item as one of the few enhancements the NSHE needs.

The viability of the CSN directly impacts students. Today we are seeing higher growth in all of our classes. We have 2,342 full sections. Last spring we had 517 full sections. The demand for classes at the CSN is enormous. Thousands of people are lining up to attend classes. We do not have the resources, the faculty or the support systems to adequately meet the demand. There are increased numbers of high school graduates. We are seeing more people returning to education for retraining and retooling of skills. Under the Governor's budget, the CSN would have adequate funding for 12,000 FTE students, but is projected to have 21,000 FTE students this year. That is a staggering difference. Under the Governor's budget, 18,000 individual students would be denied an education at the CSN.

The mission of the CSN depends on its resources. We are the principal provider of nurses, police officers, emergency medical technicians, paramedics and other healthcare technicians for Nevada. The State and the students need our colleges and universities. Higher education can make or break the quality of our workforce and the quality of life we enjoy. We have seen record numbers of students applying for financial assistance with a higher level of financial need being demonstrated. Community colleges, particularly, are the one sector of higher education putting people to work more quickly; with an investment we can do that.

We urge you to reaffirm our role of access and our mission for Nevada and to fund the CSN adequately by rejecting the Governor's budget recommendations and funding a new budget for the NSHE.

The CSN has three campuses. We have 11 learning centers across this valley. The Cheyenne Campus serves about 11,000 students. Parts of that campus need a major renewal which is our number one capital improvement priority. There are systems at Cheyenne which are obsolete and cannot be maintained.

FRED J. MARYANSKI, Ph.D. (President, Nevada State College):

A 50-percent reduction to the Nevada State College (NSC) budget would impact all of our programs. The nursing program would be severely cut. Nevada and California are the bottom two states in terms of nurses per capita. One of the major hospital systems in southern Nevada has told me they are thinking of closing their emergency rooms because of the nursing shortage. We cannot afford to turn off the spigot of new nursing graduates. Ninety percent of our nursing graduates stay in State. Ninety-five percent of our graduating students

remain in State. Clark County, even through budget reductions, has 600 vacant positions.

A typical teacher teaches at least 1,000 students throughout their career. Think of the multiplier of every student who is unable to graduate with a teacher education degree. Our psychology program is a major producer of new employees in the targeted case management area in mental health, dealing with the most underprivileged and severely ill.

One of the charges of the NSC is to reach out, serve and provide access to the baccalaureate for the underserved populations of the State. Forty-one percent of our students are the first in their family to attend college; 43 percent are minorities. Of all the students who attend the NSC, 70 percent are supporting themselves. The average salary of those students is \$26,000 a year. If the Governor's budget were approved, the tuition would be \$7,500 for the NSC. The proposed cuts would take away financial aid options, impacting many students. One example of the sacrifices of our students is a lady who tearfully thanked us a few years ago for a scholarship that would allow her to work one less job, while supporting her family and completing a teaching degree. She now teaches first grade in the Clark County School District and is a graduate student at the UNLV.

The NSC was created to allow the working citizens of Nevada not to get a handout but a hand up as they build a better future. President Obama spoke of opportunities for all citizens. The budget proposed by our Governor excludes Nevada from those opportunities by closing the doors at our higher education institutions. President Obama said we must not repeat the failures of old ways and fail to plan for the future. The proposed budget does exactly that. It is encouraging to hear that members of this Subcommittee are willing to work with us to find a solution permitting thousands of students to earn their education at the institutions of Nevada.

CAROL A. LUCEY, PH.D. (President, Western Nevada College):

There are four community colleges in Nevada; two have urban missions; two have rural missions. The rural institutions are Great Basin College (GBC) and Western Nevada College (WNC). The GBC has a 54,000-square mile service area. The WNC has an 18,000-square-mile service area. The WNC is the sole provider of higher education services in many communities in Nevada. A student in Yerington, Hawthorne, or Lovelock who is place bound and wants to become a nurse, school teacher, learn welding skills or get started on higher education has options through WNC. In higher education there is the question of a public good or a private benefit. A public education is a public good; it serves us all if we have more nurses; if we have more students with futures; if we keep our viable families from moving out of state; if we ensure our senior citizens are well served with good public services such as fire protection and health care. This budget is a problem not only for the NSHE but for the whole State.

STEPHEN G. WELLS, PH.D. (President, Desert Research Institute):

The DRI research enterprise is driven by independent research contracts and grants by nontenured faculty who receive no State salary resulting in a unique blend of academic background and entrepreneurial activity. To maintain that activity, the DRI must remain competitive nationally and internationally. The small amount we get from the State is critical. The DRI portion of the budget

has been 1 percent. For every dollar the State gives DRI, we have turned back four dollars. In order not to impact DRI's competitive edge for attaining grants, we would consider eliminating our services to the State through cloud-seeding efforts to meet the Governor's budget requirements. The cloud-seeding program has been maintained for 35 years. Over a decade, the DRI has brought in about 600,000 additional acre feet of water which, if purchased at rates existing 4 or 5 years ago, would cost \$25 billion. The climate is changing; the evening temperatures are warming. We are losing our water supply in our reservoirs. Programs are being planned for the Colorado River to gain an additional 800,000 acre feet of water through weather modification. These are examples of services the DRI provides which would be eliminated if the \$3-million cut occurs.

MARIA SHEEHAN, PH.D. (President, Truckee Meadows Community College):

During the 7 months I have been in this position, the budget cuts have gone from 6 percent, to 8 percent, to 14.12 percent, to nearly 40 percent today. The Truckee Meadows Community College (TMCC) already has 80 FTE vacant positions. We do not expect those staff to return. For a midsized institution, this number is substantial. The impact of a 40-percent reduction at the TMCC would force the closure of sites. The Edison/IGT Applied Technology site, our technical institute with a new solar technology program, would be closed. We would also look at closing the Nell J. Redfield Foundation Performing Arts Center, all of our music and the children's and community theatre programs. The Meadowood Center, housing the community education and workforce training program, would be at risk of closure. The Redfield campus, with a complete associate's degree program as well as other programs, would also be at risk of closure. We would eliminate the TMCC's involvement with the Fire Science Technology Regional Public Safety Training Center which is the major producer of firefighters, policemen and paramedics. There is a substantial investment in that program which is now at risk. Vital services such as counseling and advisement would need to be eliminated or reduced drastically, and we still would not reach the required \$17 million reduction.

CARL DIEKHANS (Interim President, Great Basin College):

The GBC would suffer cuts similar to those already mentioned. The GBC enrollment increased 10.5 percent in the fall and 10 percent this spring; we are in a growth mode. The GBC could cut its three most expensive programs, computer and office technology, education and the health and human services, including nursing. Or, we could cut our nine technical programs such as welding, diesel and industrial, along with cuts to student services. It would be detrimental to cut all five of the GBC's baccalaureate programs which would impact rural Nevada. The GBC covers a 62,000-square-mile area which includes 6 counties or half of Nevada. There are people who are place bound; the GBC is their only resort. In the last 5 years, we have put more than 110 teachers in rural Nevada. When the student comes from rural Nevada, they stay in rural Nevada.

ASSEMBLYWOMAN SMITH:

The community colleges are good at providing apprenticeship programs and on-the-job training. What will be the impact on those programs?

DR. LUCEY:

All of the colleges have reached out with occupational programs. If we lose programs such as construction, automotive and surgical technology, which the WNC closed a year ago in response to the budget crisis, our families and State will suffer. Families will vote with their feet and leave the State. Young people will look for education elsewhere in the country. Nevada will be the loser.

DR. SHEEHAN:

The TMCC has major partnerships with businesses. The Edison site is named after a major partner for a manufacturing program. The TMCC also has a major relationship with our K-12 partner who uses the facilities. We respond to the training needs of local businesses.

SENATOR COFFIN:

This is the 14th and final budget I will handle. This is the worst budget I have seen, but these are the worst times. This is the third recession I have seen; it is cyclical; it will go away. I worry that the funds received from the federal government will keep us from performing our duty. Things have changed in the institutions of higher education. There used to be bright lines between the missions of the campuses. The lines are now blurry with mission creep. There are community colleges that want to host four-year programs. There is a four-year institution which became a research institution by declaration but not by budget. I urge the institutions to reevaluate their missions and where they are going. The Board of Regents is responsible for saying no to the schools when they come forward with programs which the State cannot afford.

CHAIR ARBERRY:

The next item on the agenda is the Department of Information Technology (DoIT) budget review.

DANIEL H. STOCKWELL (Director, Chief Information Officer, Department of Information Technology):

The Subcommittee has received a copy of the Department of Information Technology Budget Overview ([Exhibit I](#)) which I will follow. As the DoIT prepared its biennial budget, given the financial constraints facing the State, we relied heavily on our strategic plan to establish priorities. The DoIT's vision, page 3 of [Exhibit I](#), is to deliver cost-effective enterprise-wide solutions. To accomplish our mission, we adhere to the following guiding principles: citizen focus by ensuring the security of data, enterprise-wide solutions benefiting all customers; adoption of commonly accepted information technology (IT) standards; allowing competent staff to make decisions at the most effective level; and ensuring investment decisions optimizing our capabilities and technology with maximum value. Our strategic focus as we refine our budgets was to satisfy customers' IT requirements while supporting the enterprise-wide IT infrastructure.

Our service delivery is focused around the core competencies in areas of high-availability server platforms, high-speed network transport services, 24 hours per day, 7 days a week (24/7) operational support and shared operations and information security.

To maintain our customers' data processing demands, we have increased our mainframe capacity by 10 percent and a second enterprise process for

continuity of operations is being located in Las Vegas; both funded by the 2007 Legislature. Data storage capability has increased as customers' needs have increased. This is accomplished through redeployment of existing resources. The Integrated Financial System (IFS) server consolidation targeted for completion the end of this fiscal year will have a disaster recovery component in the southern data center.

The high speed network transport, SilverNet, blankets the entire State to meet the State's demand for data flow, voice communications, video conferencing and shared public safety radio traffic. The network has been upgraded with more fiber capacity and we are integrating a wireless ring and mesh technologies when opportunities are available. Traditional leased communication lines are being replaced with higher-speed State-owned wireless microwave links. The infrastructure has been upgraded. A fiber project with the NSHE and the Nevada Department of Transportation (NDOT) to increase north/south capabilities has been completed. We are in the final stages of the Phase 4 initiative; 24 of the 28 sites have digital microwave installed and are active. Work will be completed on all sites by June 30, 2009.

The DoIT provides 24/7 operations and support at the State computer facility in Carson City. This facility houses our traditional operations and most of the high-availability equipment. The DoIT enterprise services and agency-owned equipment are hosted in this facility to maximize availability and efficiency. The newly renovated Carson City Computer Facility provides a secured operational, energy efficient, cost effective way for the State to manage its equipment. The southern data center, located in Las Vegas at the Switch Communications Network Access Point, provides a second communication hub for the Las Vegas area. The final steps will be relocating the fully operational suite of disaster-recovery equipment which includes data storage, a mainframe processor and additional server platforms. This will complete our continuity of operations plan. The DoIT recognizes that information security is an essential part of the State IT infrastructure.

According to the Department of Homeland Security, 11 new cyber threats are identified daily. By implementing proper information security policies and procedures, the risks can be mitigated. Proactively working through the State IT Security Committee, we have revised, simplified and implemented the State's security policy and standards. We have expanded the security awareness of State employees through collaboration with the Department of Personnel. A consolidated approach with the NDOT has been implemented to enhance physical security at some State-owned and leased facilities using the enterprise card access system. Requests for our support from State agencies has increased over fourfold consistent with a greater understanding of security issues and increased collaboration.

The major issues in putting together the biennial budget are outlined on page 8 of [Exhibit I](#). Maintenance continues to be challenging with flat and declining budgets. All equipment have life cycles that need to be considered. Replacing older systems such as phone equipment, servers and routers before the risk of outages, dropped vendor support and increasing operating costs is a balancing act. We have extended the replacement schedules of many of our systems where we felt the risk was acceptable. The statewide personal computer replacement cycle was extended from four to five years. Ensuring the security

of customer data is always a top priority. Every day the threat levels increase in the IT world and are more sophisticated. All data have unique methods of security protection. This ongoing challenge will continue to require knowledgeable staff, state of the art tools and a hardware and software layer of protection.

As a provider of IT service to this State, it is essential to provide services at the lowest cost possible. In addition to reducing our budgets where feasible, we work closely with our customers to forecast future utilization to maintain stable rates. The DoIT has proposed a 2009-2011 budget of \$57.5 million with 128 full-time positions. This was accomplished by consolidation of IFS and programming staff, AIX server upgrades and support, agency enhancements and continuation of the wireless ring. We have requested a \$300,000 capital improvement project. The \$2.75-million assessment for the Planning and Research Division has been eliminated. We will continue to provide planning and technology investment, commonly known as the TIR, support through the operational managers. The proposed efficiencies within the DoIT result in a net decrease of 13 positions with 3 layoffs projected as seen on page 10 of [Exhibit I](#). The reductions are primarily from vacancy savings in FY 2007-2008 and FY 2008-2009. The FY 2009-2010 and FY 2010-2011 budget reflects 15.2 percent budget reductions with \$10.3 million in biennial savings. We accepted a greater risk of equipment failure, eliminated dedicated planning support, and certain support for customer growth will be eliminated.

We approached our budget process comprehensively and focused on our core business, incorporating customers' future needs, streamlined our operations, extending the life service of certain systems, reorganized our staff for maximum efficiencies and redeployed other systems for shared usage.

ASSEMBLYMAN DENIS:

Page 11 of [Exhibit I](#) indicates the DoIT is accepting a greater risk of equipment failure. What is meant by the limited support for customer growth?

THOMAS WOLF (Assistant Director, Department of Information):

In many instances, we get a longer life span out of a piece of equipment. The DoIT assumes some risk in vendor support when the equipment is used longer. Personal computers are being refreshed every five years instead of four years. Some software tools are being utilized on an as-needed basis. Once a month we meet with major customers to do capacity planning. Based upon their flat projected growth, we reduced staffing. We are an internal service organization.

ASSEMBLYMAN DENIS:

Will your customers have to wait longer for service?

MR. WOLF:

Yes, if they grow quickly; but that is not projected. In the past we have grown at a rate of 10 to 15 percent. We are now looking at flat to perhaps negative growth in many customer agencies.

CHAIR ARBERRY:

The Public Employees' Benefit Program (PEBP) is next on the agenda.



LESLIE A. JOHNSTONE (Executive Officer, Board of the Public Employees' Benefits Program):

The Subcommittee members have received a copy of the Public Employees' Benefits Program ([Exhibit J](#), original is on file in the Research Library) which I will follow. Much of this presentation is a repeat of what was presented at the December 2008 Interim Retirement Benefit Committee meeting. The projected realized funding available for FY 2008-2009 is \$5 million, or 7 percent greater than the current work program. We continue to practice conservative estimates. The most expensive claim month falls toward the end of the fiscal year. The projection detail summary is on page 2 of [Exhibit J](#). Page 3 lists the long-standing issues regarding subsidy collection for retirees enrolled in the plan who retired from local governmental entities. The largest outstanding balance is \$670,842 from the Las Vegas Metropolitan Police Department (LVMPD). Approximately \$525,000 of that amount is considered past due. The amount consists of past due penalties and subsidies that occurred prior to July 2005. The Attorney General (AG) has tried to assist the PEBP through direct negotiations with the Sheriff of the LVMPD. We are hopeful those discussions will settle this matter. The City of Caliente and its utility district has paid in full its past due amounts under protest. The PEBP is asking for assistance through its housekeeping bill, [Senate Bill \(S.B.\) 103](#), to strengthen our argument with both of these jurisdictions as to our authority for these collections.

[SENATE BILL 103](#): Revises provisions relating to the Public Employees' Benefits Program. (BDR 23-422)

The reserves for the program ending in 2008 represented the fifth straight year having a fully funded, incurred, but not reported reserve for that liability. The reserve for rate stabilization was formally established in the 2005-2007 biennium. The excess reserves of \$6.3 million have been incorporated into the budget to be spent during the next biennium. The Governmental Accounting Standards Board (GASB) Summary is the first formal evaluation completed at the close of FY 2007-2008. The valuation estimated the total present value of the benefits, on a pay as you go basis, is approximately \$4 billion. The annual required contribution for FY 2007-2008 was approximately \$287 million, of which \$228 million was unfunded.

Looking forward to FY 2008-2009, we have requested the actuaries to provide an estimate of these same numbers using the PEBP proposal reflected in our agency request for a reduced contribution from the State and changes in our Plan design. In total, the present value of benefits was reduced approximately 10 percent. Nearly 8 percent was due to the Plan design and subsidization reduction. The remainder was due to changes in assumptions for mortality and higher rates. The annual required contribution was reduced approximately 16 percent. Approximately 6 to 8 percent of that calculation was due to changes in assumptions. We have asked the actuary to update what the GASB evaluation would be using the Governor's recommended budget. We expect that update in mid-February.

[Senate Bill 103](#) contains a request for clarifying language on how the program implemented by S.B. No. 544 of the 74th Session for the constraint eligibility of nonState retirees to join the plan is to be addressed. We have requested cleanup language for S.B. No. 547 of the 74th Session for the Retiree Trust Fund. We have requested stronger language for collection of nonState retiree subsidies.

Page 6 of [Exhibit J](#) is a grand total of the budget each fiscal year including the reserves of the program broken out in two different ways. Much of the growth concerns enrollment in past years and medical trends and claim costs that are not under the control of the program. Approximately 83 percent of the funding is the contributions from the participants and the State subsidy for both active and retired employees. The operating expenses are 1 percent of the budget; the cost of the PEBP staff, the actuary consultant and office expenses. The self-funded administration is the cost of the network, the third party administrator and the pharmacy benefit manager.

The largest portion of the budget consists of claim costs and the fully insured products such as life insurance. The budget consists of a Base Budget, the maintenance costs and the reductions in funding representing a shift in premiums from the State subsidy to the participants. The overall reduction in expenses between the fully insured and the self-funded claims consist of plan design changes; another cost shift of the plan; benefits the plan would otherwise pay would be shifted to out-of-pocket costs of the participant. Slide 15 on page 8 of [Exhibit J](#) is the split between the budgeted reserves for the rate stabilization and the incurred, but not reported categories. These reserves have been maintained in the Governor's recommended budget at the levels requested by the program. The budget reductions have not eroded the reserves below what is actuarially recommended. Slide 16 is the enrollment projections included in the budget.

Slide 17 on page 9 of [Exhibit J](#) describes the basic assumptions of 9- and 9.5-percent growth in medical and prescription costs, a 6.5 percent increase in dental claims, adjustments in the reserves and the estimated fully insured product inflation.

The next few slides summarize the Program budget decision units. Decision units E-660 and E-661 are the units of most importance.

## SPECIAL PURPOSE AGENCIES

### PUBLIC EMPLOYEES' BENEFITS PROGRAM

Public Employees Benefits Program – Budget Page PEBP-1 (Volume III)  
Budget Account 625-1338

E-660 Program Reductions/Reductions to Services – Page PEBP-4

E-661 Program Reductions/Reductions to Services – Page PEBP-5

In June 2008, the PEBP asked for and received a target from the budget office for the total subsidy we could add into the Agency request. That required a \$50.8 million reduction in the State subsidy. The PEBP Board, in discussing how to address this problem, recognized that health benefit plans are complex. It is more than looking at the employer's subsidy because different plans have differing designs: benefits they pay for, demographics, whether they cover actives and retirees, comingling policies when looking at claims expense for different subpopulations and regional costs. There are different regional costs in northern and southern Nevada. Recognizing these complexities, the Board decided to split the reductions between the employer subsidy and costs of the

benefits. Both represent cost shifts to the participant. The reduction in subsidy impacts just about every participant in the plan. The reduction in plan design, or what benefits the plan pays for, will have a much deeper impact on the users of the plan. The targeted subsidy is shown in page 11 of [Exhibit J](#). When the PEBP requested and received the target from the Budget Office, it was established in total, between the active and retired participants. There was a policy change in the last biennium on how expenses would be comingled. The Governor's budget includes both plan design changes and subsidy changes, pages 12 through 27 of [Exhibit J](#).

The reduction in subsidy during the summer, when our budget requests were identified, was approximately \$55 million. Changes in enrollment projections and cost projections reduced that to approximately \$50 million when the updated estimate was provided to the Governor's office in late November 2008. The Board continued in its approach of splitting reductions by approximately 50 percent through plan design and 50 percent through subsidization levels. Slide 22 on page 11 of [Exhibit J](#) lists the changes in cost shifts and plan design changes. The Governor's recommended budget includes Plan design changes in addition to the subsidy changes. The PEBP Board made the adjustments for subsidy the State would provide to active participants, their dependents, retirees and their dependents for an overall savings of \$23 million of the \$50 million in reductions. These represent approximately a 5-percent reduction in the composite paid from the subsidy. In decision unit E-660 the subsidy for active employees would be reduced from 90 percent to 85 percent.

The overall subsidization for retirees would be reduced from approximately 60 percent to approximately 57 percent. The PEBP Board approved, with the implementation of Medicare Part D, from the federal government in 2006, this plan has taken advantage of the receipt of subsidization. Heretofore, the subsidy was passed through to the Medicare retirees. With the comingling of the expenses, approved by the 2007 Legislature, we deemed it more equitable to split the subsidy between the plan and the retirees. That resulted in a reduction of the State subsidy of approximately \$2 million.

Also in decision unit E-660, the PEBP Board made long-term policy recommendations regarding the eligibility for retirees to receive a State subsidy. Slide 27 on page 14 of [Exhibit J](#) summarizes the current subsidy rules. A State employee with at least 5 years of service and a qualifying retirement plan is eligible to receive a subsidy. The amount of the subsidy is dependent on their date of retirement and their years of service.

Slide 28 on the same page summarizes the Board's long-term proposal. The savings for the upcoming biennial budget is estimated at \$100,000. It would eliminate the subsidy for anyone who retires after June 30, 2010, with less than 15 years of service. The intent of the subsidy was to encourage and reward longevity of service. The proposal is somewhat a middle of the road approach compared to other State jurisdictions. The proposal would not take effect until July 1, 2010, allowing planning time for future retirees. Because nonState retirees receive the subsidy in the same manner as State retirees, it would impact them in the same way.

The program has used the Health Assessment Questionnaire (HAQ) since 2006 to encourage involvement in the wellness benefit, reduction in the participant

deductible by 50 percent and increasing the annual maximum on dental benefits. This is an expensive incentive for which we propose to take a more targeted approach. The recommendation is elimination of the HAQ and to remove the incentives with a \$12 million impact on the State subsidy over the biennium.

The Board considered the deductible levels in the self-funded plan. Most actuaries would say to make the reductions necessary in this budget the program must look at the cost-sharing of contributions or the deductible levels. Currently, the participant has a deductible choice between a low option of \$500 and a high option of \$2,000. Those amounts were reduced by 50 percent if the participant completed the HAQ. The Board considered various options for increasing the deductible amounts. To achieve the savings necessary, the recommendation was to eliminate the deductible options in the self-funded plan with a single deductible rate of \$725. Family amounts are double that amount. Most of the participants are in the low deductible self-funded plan. A majority of those individuals complete the HAQ. Those participants' individual deductible would increase from \$250 to \$725.

There is a long-standing PEBP Board policy concerning the indexing of co-payments when participants seek a physician, emergency room or hospital and the annual deductibles for medical, dental and pharmacy services.

The proposed Board policy, effective July 1, 2010, is to increase the annual deductibles according to medical trends and to increase the annual out-of-pocket maximum by one-half of the medical trends. A major mission of the plan is to protect individuals financially from catastrophic medical events. Only one year of savings would be realized because of the effective date of the change. The State subsidy savings is approximately \$1 million.

Additionally, the recently authorized enhancement for neurotherapy and psychotherapy would be eliminated, with a subsidy savings of \$1 million over the coming biennium. Most of these changes impact the self-funded plan. Slide 33 on page 17 of [Exhibit J](#) highlights the HMO plan increases. Those would be contained to a 5-percent increase or one-half of what was included in the maintenance budget. We are working with the HMO vendors to determine what effect the plan design changes would have. The subsidy savings is estimated at approximately \$5 million for the biennium.

Recognizing risks associated with the plan has been shifted from the plan to the participant, the stabilization reserve was reduced approximately \$2.2 million for the biennium.

Decision unit E-661 contains the additional reductions from the Governor's recommended budget. I will first discuss the effects to active employees. The SAGE Commission recommended the subsidy for active employees to be based upon a survey of private sector employees in Nevada with greater than 100 employees. The Governor's recommendation lowers the composite subsidy percentage to 75 percent from the current 90 percent. This decision unit would override the savings from the subsidy reductions included in E-661. This policy would supersede the policy in decision unit E-660. The two-year subsidy savings as a result of this action would be approximately \$50 million. The amount required to maintain the current fund design would be \$455 million

reduced by \$45 million by decision unit E-660 through the PEBP Board and further by \$50.6 million with the Governor's recommendation through decision unit E-661. The funded amount is \$359 million.

The subsidy information on page 19 of [Exhibit J](#) is an update according to the Governor's recommendations. For the record, "It does not reflect any increased costs and risks to the self-funded plan that may occur due to adverse selection." With a lower subsidization level there may be some adverse selection against the plan. Reductions in enrollment of dependents or migration to the health maintenance organizations are forms of adverse selection against the self-funded plan.

A fair question that has been asked repeatedly concerns the impact on the contribution rates to the active participants in the plan. Those are summarized on slide 39, page 20 of [Exhibit J](#). I am uncomfortable, at this stage, in turning the subsidy percentages into rate tables for participant planning.

The PEBP sets its rates in March based on the most current claim information. If the 75-percent subsidy level were in place currently, the monthly contribution for all employees would increase approximately \$112. We have requested the actuary to create rate tables based upon the *Executive Budget*. We expect those to be ready by mid-February.

The retirees contribution rates under decision unit E-661 are found on pages 22 and 23 of [Exhibit J](#). It would eliminate the State subsidy for all Medicare retirees effective July 1, 2009. This affects both current and future retirees. The State subsidy for current, nonMedicare retirees would be reduced 50 percent over a two-year period. There would be no subsidy for anyone retiring July 1, 2009, or later. The nonState retirees would be impacted in a similar fashion. The two-year subsidy savings for this change is approximately \$39 million, in addition to the PEBP proposal. To maintain the current benefit structure and the current subsidy levels would require approximately \$78 million for the retirees. The PEBP proposal reduces that amount by approximately \$7.5 million and the Governor's recommendation is a further reduction of \$39.7 million. The funded amount would be \$31.2 million. Slide 42 is somewhat misleading because it is only a composite for the current nonMedicare retirees as no other category of retirees would receive subsidies. The current nonMedicare retirees' subsidization would be reduced 45 percent in the first year and 30 percent in the second year.

ASSEMBLYWOMAN BUCKLEY:

With regard to changing the funding for retirees, have you done an analysis of a forthcoming lawsuit? We are changing the rules in the middle of the game for many retirees and teachers who depend on the benefits plan.

MS. JOHNSTONE:

We have not. We will work with the AG to determine any grounds for suit. The impact on contributions for retirees from the perspective of the current plan year is on Slide 43, page 22 of [Exhibit J](#). The nonMedicare retirees, on the low deductible, self-funded plan, for anyone who retires after July 1, 2009, would be paying 100 percent of the costs, ranging from \$546 for a single participant to \$1,280 for a participant and spouse. The existing nonMedicare retirees are more complicated and shown on Slide 44. The rate would increase by



approximately \$65 monthly in the first year and by approximately \$163 monthly from the current level. The retiree plus spouse rate would experience a \$116-monthly increase in the first year and \$300 monthly in the second year. These amounts are base figures at a 15-year service level.

Slides 45 and 46, page 23 of [Exhibit J](#) reflect the same computations for Medicare retirees. They would pay 100 percent of the costs; however, the cost is lower because the PEBP plan is secondary for medical expenses. The monthly increase would be approximately \$300 for individuals and \$720 for those with a spouse on the low-deductible plan.

The retiree subsidies only apply to the retirees who are not eligible for Medicare, but have retired prior to July 1, 2009. All other retirees' subsidy percentages would be zero.

Overall, the reduction from the maintenance subsidy funding would be 21 percent for active participants and 60 percent for retirees.

Slide 49, page 25 of [Exhibit J](#) reflects the pass-through account for the Retired Employees Group Insurance, B/A 680-1368 and the Active Employee Group Insurance Subsidy, B/A 101-1390. These decision units are reflected in our operating budgets, thus there is no programmatic or participant impact.

Retired Employee Group Insurance – Budget Page PEBP-9 (Volume III)  
Budget Account 680-1368

Active Employees Group Insurance – Budget Page PEBP-15 (Volume III)  
Budget Account 625-1390

Slide 52, page 26, [Exhibit J](#) lists the performance indicators. These will be updated based on the final adoption of the budget. Many of the categories are consistent with past years. We are most proud of the generic drug utilization indicator. It has increased from 60 percent to more than 65 percent in 4 years.

The PEBP program would normally consider the overall medical trend and the final changes in the plan design in February; the Board would adopt their rates in March; open enrollment activities would be held in May; changes from open enrollment would be processed in June; and the new plan year would begin on July 1. This year, staff is recommending to the Board at their February meeting to consider extension of the current plan year by three months, to be in a better position to estimate the final State subsidy, eligibility changes and plan design changes incorporated into the rates. If the Board agrees to the extension, which will incur a cost to the Plan, the Board would set their rates for the next plan year at the June meeting. The additional costs would be offset by the shorter plan year that would follow. Open enrollment would be conducted in August and the new plan year would begin in October. That requires adoption of a temporary regulation by the PEBP. The workshop for the proposed regulation will be held at the February Board meeting.

ASSEMBLYMAN GOICOECHEA:

The State subsidy for all Medicare retirees will be eliminated July 1, 2009. Those presently retired and enjoying a subsidy will lose it. I do not know how the PEBP can legally take away that benefit.



COCHAIR MATHEWS:

Is it possible for the federal government to take away a similar benefit from its retirees?

MS. JOHNSTONE:

I will get that information. There is coverage for military retirees.

COCHAIR MATHEWS:

All of the retirees will look for a secondary carrier because Medicare does not pay for everything. Is that the intention of the PEBP? That is a concern for individuals on a fixed income who must now spend more for secondary coverage.

MS. JOHNSTONE:

This proposal is for the Medicare retirees eligible for Parts A and B. The retirees would be able to show continuous coverage with the PEBP. Many will find it necessary to find supplemental coverage.

ASSEMBLYMAN GOICOECHEA:

Could you expand on the amount the rates will increase on Slide 44?

MS. JOHNSTONE:

On page 22 of [Exhibit J](#), there is an example of the impact on rates for an existing nonMedicare retiree who retired before July 1, 2009. Using the current year costs and the current policy, the State pays 67 percent of the cost; the participant then pays \$180 each month with the State subsidy being \$365.81. Under the Governor's budget, the subsidy would be reduced by 25 percent in the first year; the participant's cost would be \$245 for a \$65 increase. In the second year, the State subsidy would be reduced another 25 percent to \$202; the participant's cost would be \$343 each month; over a two-year period an increase of \$164.

ASSEMBLYMAN GOICOECHEA:

Would the lost subsidy be \$303 in year two? The deductible level has changed.

MS. JOHNSTONE:

The retiree plus spouse would pay \$887 monthly using the current costs, a \$303 increase from their current cost. These are not the numbers that will be used; but an example of how the premium would change. The benefits are still available under the Governor's budget, but they may be more expensive than a private product. The change would be their lack of eligibility for a subsidy.

COCHAIR MATHEWS:

Did you say the State's insurance may be more expensive than a private product?

MS. JOHNSTONE:

It depends upon what happens with adverse selection. It could be similar to the Consolidated Omnibus Budget Reconciliation Act costs. Only those who truly need it pay those costs.

COCHAIR MATHEWS:

The ones who truly need it are typically ill.

Ms. JOHNSTONE:

Because it is self-funded, it would be passed back through the premiums.

ASSEMBLYWOMAN GANSERT:

What is the typical cost of secondary coverage? Is the coverage the State provides for Medicare-eligible people redundant, or is it formulated as a secondary insurance?

Ms. JOHNSTONE:

The typical cost varies by geographic area. There are Medigap policies which cover co-payments and coinsurance for Medicare-eligible expenses. I will bring more information to the budget hearing in February. Retirees would also look for prescription coverage under Medicare Part D. There are some benefits received through the PEBP which are not Medicare eligible, such as vision, dental and life insurance.

The PEBP provides an ultimate Medicare supplement plan. We coordinate benefits with Medicare; the PEBP is secondary. The Medicare-eligible retiree incurs the PEBP deductible, and then the PEBP benefit pays co-payments and coinsurance not paid by Medicare.

ASSEMBLYWOMAN GANSERT:

The State covers the gap and also provides expanded benefits.

COCHAIR MATHEWS:

During the budget hearings, will the PEBP provide suggestions for other insurance providers?

Ms. JOHNSTONE:

The PEBP is not in the business of counseling people for their personal choices. Health insurance is personal. I will have information about typical Medigap plans, typical Medicare advantage plans and prescription plans so you know what choices are available.

JAMES T. RICHARDSON (Nevada Faculty Alliance):

During the NSHE budget hearing, someone asked a question about morale at the universities and community colleges. "Terrified" is the word I would use, particularly when the Governor recommends a 6-percent pay cut and then we learn the details about the health plan under which we work. The PEBP Board made a good-faith effort to find ways to cut \$55 million and maintain service at the current levels. The SAGE Commission focused a great deal of attention on the health plan, using faulty data combining State and local government employees and then attacking the State health plan even though only 25 percent of the people in the SAGE study are State employees with salaries significantly lower than local government employees. The salaries of higher education employees in Nevada are 80 percent of the national average. There are a number of unintended consequences of these recommendations. We will find it difficult to hire and retain good faculty. We are also concerned about the welfare of the classified employees whose salaries are lower than the professional employees. The SAGE Commission appeared to be happy with the thought if all subsidies were cut by July 1, 2009, the State's payroll would be reduced significantly. That is true; a lot of people will retire. Some people will decide not to retire because they would lose their health benefit subsidy. Some

people receive a PERS check which does not cover the cost of health coverage. These recommendations amount to a tax on State employees. There are human beings on the other side of these cuts. They are elderly school teachers, who retired when their salary was \$16,000 annually. How will they cope with the changes?

HAROLD SHRADER (Retired Public Employees of Nevada):

The SAGE Commission report was based upon a comparison of current public employees' wages and benefits with current private employees. There was no mention of the fact that public employees have had fewer benefits and lower wages than private sector employees in comparable positions. I took a 16-percent pay cut going from the private to the public sector in the same job. In the 1970s and 1980s, public sector employees were lower paid and had fewer benefits. That is one of the reasons the 1979 Legislature granted the first health care subsidy to retirees: because wages were going up in the private sector. Double-digit wage inflation occurred in the late 1970s and 1980s. The public sector could not meet the wage increases occurring in the private sector. To retain and attract employees, the State granted future benefits. It would be unfair to now take those benefits away. The SAGE Commission only uses the current comparisons between the private and public sector assuming retirees were also making substantial wages when we were active employees. That is not the case for most of us.

Federal retirees and their surviving spouses retain their eligibility for the Federal Employees Health Benefits Program coverage at the same premium cost as current employees, which is 25 percent of the premium cost. Medicare eligibility is not factored into the rates for federal employees. The total amount of the State's subsidy is set in the budget process; the eligibility requirements are embedded in the NRS 287.046 which states the portion of the cost of retirees' premiums that must be paid by the retirees' fund is based upon the years of service for those who retired after 1994. No other criteria, such as age, income level or the color of our eyes are mentioned in the NRS. There should be a bill to change the eligibility requirements. The subsidy was established by the Legislature in 1979 and amended by subsequent Legislatures. The eligibility requirements should not be changed at the whim of one person. This should remain a part of the Legislative process.

MARTY BIBB (Retired Public Employees of Nevada):

Over the course of years, there have been several times when employees have taken a health benefit in lieu of salary increases. Since the health benefits were provided in lieu of salary increases, making the subsidy provisions for Medicare retirees retroactive seems particularly harsh. Initially, the SAGE Commission recommended July 2010 as the effective date for certain proposals. Since then, those dates have been changed to July 2009, approximately five months from today. A couple eligible for Medicare could pay as much as \$400 more each month for the same health care currently received. That would have a devastating impact. Forcing people to use the emergency room rather than having medical coverage is a mistake. The Subcommittee has already heard testimony concerning the intense stress regarding the indigent care funding. We supported the PEBP Board's difficult decisions to cut back benefits and decrease subsidies in their 2009 plan change.

ROGER MAILLARD (President, American Federation of State, County and Municipal Employees):

We concur with the testimony given. Ms. Johnstone has worked closely with the retiree groups, including us, in some of the planning. It is difficult for an individual with preexisting conditions to find another health plan. The cost would be double or triple the amounts presented.

DANNY COYLE (American Federation of State, County and Municipal Employees):

I am a retiree eligible for Part B, but not Part A of Medicare, which covers outpatient clinic and that type of treatment. I am not eligible for hospitalization under Medicare. I have cancer. Thank goodness I was covered under Part B. The Governor's plan is draconian. The SAGE Commission recommendations were faulty.

SENATOR RAGGIO:

Is there any distinction made between Medicare Parts A and B coverage? Is a person eligible for some subsidy if only covered under one part?

MS. JOHNSTONE:

The intent was crafted around Medicare eligibility for Parts A and B. Under this proposal, you would be considered to be non-Medicare eligible if only eligible for Part B.

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CHAIR ARBERRY:  
There being no further business to come before the Subcommittee, this meeting  
is adjourned at 4:33 p.m.

RESPECTFULLY SUBMITTED:

\_\_\_\_\_  
Cynthia Clampitt,  
Committee Secretary

APPROVED BY:

\_\_\_\_\_  
Assemblyman Morse Arberry Jr., Chair

DATE: \_\_\_\_\_

\_\_\_\_\_  
Senator Bernice Mathews, Cochair

DATE: \_\_\_\_\_