

**MINUTES OF THE
LEGISLATIVE COMMISSION'S BUDGET SUBCOMMITTEE
Seventy-sixth Session
January 27, 2011**

The meeting of the Legislative Commission's Budget Subcommittee was called to order by Chair Steven A. Horsford at 8:41 a.m. on Thursday, January 27, 2011, in Room 4100 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE COMMITTEE MEMBERS PRESENT:

Senator Steven A. Horsford, Chair
Senator Sheila Leslie, Vice Chair
Senator David R. Parks
Senator Moises (Mo) Denis
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Ben Kieckhefer

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Debbie Smith, Chair
Assemblyman Marcus L. Conklin, Vice Chair
Assemblyman Paul Aizley
Assemblyman Kelvin D. Atkinson
Assemblyman David P. Bobzien
Assemblywoman Maggie Carlton
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Crescent Hardy
Assemblyman Pat Hickey
Assemblyman Randy Kirner
Assemblywoman April Mastroluca
Assemblyman John Ocegüera

COMMITTEE MEMBERS ABSENT:

Assemblyman Joseph M. Hogan (Excused)

STAFF MEMBERS PRESENT:

Michael J. Chapman, Principal Deputy Fiscal Analyst
Rick Combs, Assembly Fiscal Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Mark Krmpotic, Senate Fiscal Analyst
Patricia O'Flinn, Committee Secretary

OTHERS PRESENT:

Daniel J. Klaich, J.D., Chancellor, System Administration Office, Nevada
System of Higher Education
Mark Stevens, Vice Chancellor, Finance, System Administration Office, Nevada
System of Higher Education
Michael D. Richards, Ph.D., President, College of Southern Nevada, Las Vegas
Carl A. Diekhans, President, Great Basin College, Elko
Matt Smith, President, Graduate Student Association, University of Nevada,
Reno
Romaine Gilliland, Administrator, Division of Welfare and Supportive Services,
Department of Health and Human Services
Jon Sasser, Esq., Statewide Advocacy Coordinator, Washoe Legal Services
Richard Whitley, M.S., Administrator, Nevada State Health Care Division,
Department of Health and Human Services
Michael J. Willden, Director, Department of Health and Human Services
Jeff Fontaine, Executive Director, Nevada Association of Counties

DANIEL J. KLAICH (Chancellor, System Administration Office, Nevada System of
Higher Education):

I will review the *Executive Budget* Recommendations and its potential impacts
on the Nevada System of Higher Education (NSHE) and the State of Nevada.
The Board of Regents has a plan for higher education that is consistent with
reform efforts for higher education in Nevada.

There are two stories told in the *Executive Budget*. I will refer to the *Nevada
System of Higher Education Executive Budget Overview* ([Exhibit C](#)) that you
have in front of you. The *Executive Budget* recommendation includes some new
approaches to supporting higher education that give NSHE needed flexibility.
However, it also includes budget reductions with the potential to impact NSHE
for years to come. Some of the new approaches include the redirection of

property taxes from Clark and Washoe Counties to support higher education, and allowing NSHE greater autonomy over tuition and fees. The Governor recognizes higher education as a key contributor to the economic health and diversity of this State and recommends coordination of efforts among the State, private business and higher education.

The *Executive Budget* recommends a 5 percent salary reduction, health benefit reductions and reductions in retiree health benefits. These recommendations will make recruiting and retaining top-notch faculty more difficult.

The *Executive Budget* recommends total funding of \$395.5 million in fiscal year (FY) 2012-2013. This funding level is comparable to FY 2003-2004 funding levels while student full-time equivalent (FTE) enrollment has grown 27.3 percent from 2003 to 2010. Page 8 of [Exhibit C](#) compares the current funding for NSHE and the recommendations for the coming biennium. The reductions are too large to be filled by tuition and fee increases alone. Fiscal Year 2010-2011 funding for NSHE is \$557.9 million. Over the coming biennium, the Governor recommends a cumulative reduction in funding of 29.1 percent. The most serious implication of these reductions is that \$395.5 million will become the new base budget for funding purposes going forward.

There have been significant impacts on NSHE over the last two years due to budget reductions taken in the interim. Actions taken since 2008 include: the elimination or deactivation of 24 programs; hiring freezes and workload increases; larger classes; longer lines; the elimination or reduction of services for students; and fee increases or surcharges. Further cuts to NSHE funding will continue to have consequences. The Regents will have difficult decisions to make.

The reduction of \$162 million in the *Executive Budget* is comparable to the instructional budget for the University of Nevada, Reno (UNR), its medical school, and the Desert Research Institute (DRI). Alternatively, the reduction could be accomplished by eliminating the University of Nevada, Las Vegas (UNLV), along with its schools of law and dental medicine, or all of the community college programs in Nevada. In terms of staff, \$162 million pays the salaries of over 1,850 professional and classified staff, 20 percent of graduate assistants, teaching assistants and resident physicians. None of these reductions or eliminations alone is recommended by the Regents. They are

examples used to express the scope of the impact the *Executive Budget* will have on NSHE.

There are also more intangible effects from reductions of this level. The NSHE will lose its ability to recruit and retain the best faculty and brightest students. Bond ratings may be negatively impacted and NSHE institutions may end up on national watch lists for financial instability. Institutional reputations will suffer, and NSHE will not be able to serve projected enrollment demand.

The Regents must find ways in which to offset the proposed cuts. One suggestion has been to increase tuition and fees. Nevada has been a low tuition and fee State as set by statute in the *Nevada Revised Statutes* (NRS) 396.540, and by policy of the Regents. Tuition and fees have been kept low because NSHE institutions are access institutions and are the only choices for higher education in the State. Raising fees and tuition for Nevada students and their families affects access and financial aid issues as well. The cumulative fee increases required to offset the budget cuts would equal 73 percent by FY 2012–2013. Many Nevada citizens will be denied the opportunity to attend college if this increase is implemented. The 73 percent increase assumes that all students currently enrolled will continue to attend NSHE institutions. Setting aside 15 percent as financial aid as the Governor recommends would raise the tuition and fee increases to 83 percent.

Over the last four years, Nevada students have already borne fee increases.

CHAIR HORSFORD:

How does tuition at NSHE institutions compare to peer institutions throughout the region?

MR. KLAICH:

The tables on page 28 and 29 of [Exhibit C](#) compare the current fees, the fees with a 73 percent increase and the Western Interstate Commission for Higher Education (WICHE) median for FY 2010-2011. Student fees in Nevada would be significantly higher than the WICHE median. While it is reasonable to ask students and their families to help with the State's budget crisis, increasing fees by 73 percent is not reasonable. If fees at NSHE institutions were raised to the WICHE median, that would be an increase of 13 percent to 15 percent at the universities and 24 percent to 26 percent at the community colleges.

CHAIR HORSFORD:

Which institutions are in WICHE?

MARK STEVENS (Vice Chancellor for Finance, System Administration Office, Nevada System of Higher Education):

The WICHE is a compact of 15 western states. The median fees referred to are a compilation of all the institutions of higher education in these states, both two-year and four-year institutions, including: the University of California, University of Utah, University of Arizona and Arizona State University.

CHAIR HORSFORD:

Nevada has two research-based universities. Are there comparable peer institutions in WICHE?

MR. KLAICH:

Yes. Institutions such as the University of Arizona, Arizona State University, Utah State University, and the University of Utah are comparable. They are peer institutions that have similar programs, governance, and problems.

CHAIR HORSFORD:

If NSHE raises tuition beyond the median level of these peer institutions, what incentives would students have to choose UNR and UNLV?

MR. KLAICH:

In-State students would still have a strong incentive to attend Nevada institutions to avoid paying out-of-state tuition at WICHE peer institutions. Out-of-state students would have less incentive to choose Nevada institutions. While some Nevadans have the option of choosing a college or university outside of Nevada, there are many who do not. It is part of the mission of NSHE to ensure those students have high-quality, affordable education at home.

ASSEMBLYMAN CONKLIN:

The 15 western states included in WICHE are Hawaii, California, Oregon, Washington, Alaska, Nevada, Idaho, Montana, North Dakota, South Dakota, Wyoming, Colorado, New Mexico, Utah and Arizona. Is some price elasticity associated with students' choices?

MR. KLAICH:

We have not tested specifically for elasticity. There is literature we can reference.

ASSEMBLYWOMAN CARLTON:

Does comparing NSHE to other states with more extensive college systems skew the picture? In Nevada, there is not a middle ground between the university and the community college system that exists in these other states.

MR. KLAICH:

We are using data to be consistent with what we have told the Legislature in the past; we have always relied on WICHE peer data. The point you raise is appropriate. We may have to find different ways to measure in the future.

ASSEMBLYMAN BOBZIEN:

Each NSHE institution has a different set of peer institutions, not WICHE as a whole. It would be helpful to provide this breakdown to the Subcommittees at future meetings.

MR. KLAICH:

We will do that.

ASSEMBLYMAN HICKEY:

What impact will the deficit have on staffing? The last round of salary reductions affected administrative staff and tenure-track faculty, but tenured faculty were not affected. Will tenured faculty face cuts in the future? You have previously indicated that NSHE has a higher percentage of tenured faculty than neighboring states.

MR. KLAICH:

I do not remember if I said the NSHE has a higher percentage of tenured faculty, but I will get that information to you and the Subcommittee. When the Legislature imposed furloughs as part of the budget last biennium, the NSHE budget was reduced by 4.6 percent. Different types of employees were treated differently. Classified employees were furloughed and received a 4.6 percent decrease in salary. During the first year of the biennium, the remaining 4.6 percent reduction was taken out of other operating areas because our current contract and notice provisions did not allow NSHE to apply it to other employees. In the second year of the biennium, everyone took a furlough except

for tenured professors whose contracts and property rights preclude NSHE from changing their salary structure. Their workload was increased by a similar amount. Senior administrators, including myself, were asked to voluntarily reduce our salary by 4.6 percent in both years of the biennium.

I do not live paycheck-to-paycheck, but some NSHE employees do. These people at the bottom of our pay scale were hurt the worst. The Regents changed NSHE policy to allow pay reductions approved by the Legislature to be passed through to all employees regardless of their status.

The NSHE will need more flexibility to meet the challenges created by the proposed budget reductions. For example, NSHE will need authority to transfer funds between appropriation areas and exemption from oversight of the State Public Works Board. Budget reductions of this magnitude imply significant structural changes for the system. Students and their families will pay more. Access will be limited. The places education is offered and the institutions within the system will need to be carefully evaluated to determine if we can afford to do business the way it is currently being done.

CHAIR HORSFORD:

Please provide the Committee with an historical overview of the decision to move Nevada's two universities to Tier I research institutions and what effect that change has had on the mission of these institutions. For example, one of the changes was an increase in the required grade point average (GPA) to create more selective enrollment of students. Concerns were raised regarding the possibility that the increased GPA requirements would limit access to the universities for some students and alternative institutions would need to be made available. Do these policy decisions, coupled with the recent cuts to the budget, create long-term competitive disadvantages for NSHE and its role in economic development?

MR. KLAICH:

You do not remove the engine of the plane in mid-flight to reduce weight. The proposed budget appears to be cutting off the engine. The NSHE wants to be a full partner with the Legislature, the Governor, the business community and the people of Nevada to create economic diversity in Nevada. The current *Executive Budget* limits the possibility of NSHE being a full partner in this process.

This Legislature should ask some questions to determine if the investment in higher education is worthwhile. Does NSHE spend its allocation of taxpayers' money wisely and to its fullest utility? Are the leaders of NSHE aware of current reforms in higher education and are they implementing those reforms in Nevada? Is the NSHE a good investment for Nevada?

The NSHE provides critical services to the State of Nevada. The alumni of NSHE contribute human capital to the State. Our research institutions not only bring in out-of-state investment, they develop human capital and innovation that will ultimately bring businesses to diversify our economy. The community colleges and state college are critical to workforce development. They should and must assist Nevada employees in achieving their full potential. The institutions of NSHE produce nurses, teachers, engineers and construction supervisors.

CHAIR HORSFORD:

How do you answer those critics who say "these are nice ideals, but NSHE has not achieved these results?" What is NSHE doing to align results with principles? Is this a valid criticism?

MR. KLAICH:

The NSHE is doing a good job, even a great job, for the State of Nevada. Is it possible to do a better job? Absolutely, we must. Every institution in NSHE should do a better job of graduating its students. Graduation rates will be part of the evaluation process for every president in the system. Registration and attendance rates are not as important as completion and graduation rates. Going to college is an expensive proposition, not only for students and their families, but also for the State of Nevada. If students do not finish, the money invested by all parties, including the State, does not achieve its full potential.

The NSHE has joined a consortium of states called Complete College America (CCA). We are studying everything that other states are doing to increase college attendance and completion rates. Nevada's community colleges are revamping their remedial education. We have challenged the faculty of every NSHE institution to reduce the number of credits required for a baccalaureate degree to 120, and for an associate's degree to 60. Programs with low production rates will be eliminated. The NSHE has an improvement plan that is being implemented. I challenge critics of NSHE to examine the statistics over the recent past that highlight an increasing emphasis on the graduation rate at all institutions.

ASSEMBLYMAN HICKEY:

The improvements in NSHE over the last ten or fifteen years are obvious. The *Executive Budget* reflects public opinion that increased taxes are not an option. The bottom line, even for those of us who do not want education funding to be reduced, is how to raise taxes at this time. And, if we do, who should be taxed?

MR. KLAICH:

The Legislature has an obligation to answer the questions I posed earlier: how effective is NSHE currently at spending taxpayer dollars and educating its students? Are they a good investment? The second step is to determine if the proposed budget cuts are in the best interests of the State of Nevada. If you believe, as I do, that these budget cuts will not advance the economy of the State, but will retard it, then the question of increased revenue must be answered. I am not convinced the people of Nevada are opposed to taxes that will support education. We are running a twenty-first century economy with a mid-twentieth century tax code. The Nevada tax code has changed little since 1955. What comparison can we make between the State of Nevada in 2011 and 1955? I think the people of Nevada want a good, solid education system and they are prepared to pay for it. I do not know if that is with a tax on services or on some corporate earnings.

ASSEMBLYWOMAN SMITH:

Can you outline the ties between higher education and economic development?

MR. KLAICH:

Educating the citizens of Nevada leads to: increased tax revenue; greater productivity; greater consumption; increased workforce flexibility; decreased reliance on government financial support, including a lower incarceration rate; higher salaries and benefits; employment; higher savings levels; improved working conditions; and personal and professional mobility. Pages 50 and 51 of [Exhibit C](#) contain data from studies done by economists at UNR and UNLV. These studies show that every \$1 in State support invested in higher education results in \$4.39 of economic activity for the State. Conversely, a \$1 reduction in NSHE expenditures will reduce total Nevada economic output by \$2.

Are the interests of higher education aligned with the goals of the State of Nevada, or the goals of business in the State of Nevada? There may be some overlap by chance. This has never been a specific goal in the past. The State, NSHE and businesses must work together to formulate plans for the future.

ASSEMBLYWOMAN SMITH:

There is a direct tie between the higher education system and economic development. There are other states that have made significant strides in economic development by investing in ties with their higher education systems.

MR. KLAICH:

The state of Utah created a specific growth plan with a specific spending plan for its research institutions to increase income and productivity, spin off businesses and increase tax revenue to the state of Utah over a 10-year period. They set aside \$25 million for 10 years, with \$200 million of initial investment to reach their goals. Utah is now six years into the program and they are ahead of every one of their goals. It is a good solid plan and Nevada and NSHE should follow it. Utah invested \$200 million in infrastructure to support the human capital that accompanies it. The State of Nevada, private philanthropy and gifts and grants have opened a new science and engineering building at UNLV, a new math and science building at UNR, a cave facility at the DRI, and a molecular medicine building. This is more than \$500 million in infrastructure and technology that we have bought together.

ASSEMBLYWOMAN SMITH:

We know what we need to do. Doing it is the difficulty.

CHAIR HORSFORD:

Yes, we need to invest in higher education and we need effective programs that produce students who are ready to compete in a twenty-first century economy. We also need increased accountability and transparency. How are all revenues allocated? How much is reserved and how much is unrestricted?

MR. KLAICH:

As subcommittee meetings start, NSHE will provide information about all funding: State, federal, private, and tuition and fees. A full analysis of this information is appropriate and encouraged.

The Regents and Presidents of NSHE have a plan for higher education that is consistent with every significant plan for higher education in the country. The basic premise of this plan is NSHE must graduate more students in this State. Obstacles to graduation must be identified and eliminated. Further, an ongoing Efficiency and Effectiveness Initiative, headed by regents Jason Geddes and Kevin Page, investigates all expenditures by NSHE. Every program and system

within NSHE must be evaluated to determine if it is contributing to our policies, or if it is redundant. While the Legislature should demand transparency from the NSHE initiative, you should also allow us to return any savings we are able to find to the classroom rather than reverting to the State. We must have performance metrics that are agreed upon by the Governor, this Legislature and by NSHE. We need to increase our sponsored research and our workforce grants. The interests of NSHE must be aligned with private interests. This is the gist of our plan. If NSHE fails to achieve this plan, it will be obvious and you will need to replace us.

With respect to reforms, NSHE is reviewing the concept of remedial education. The community colleges in Nevada were formed 40 years ago. I have asked a statewide task force of Nevada businessmen to examine the community colleges and suggest ways they can be improved to meet the needs of the State of Nevada. Better means of delivering education must be developed. Technological solutions must be found to extend educational opportunities in both rural and urban areas.

What are the partnerships between school districts and NSHE? Are these partnerships providing opportunities for Nevada's children? There are career and technical academies in the Las Vegas area that can be utilized for afternoon and evening sessions for community colleges. We should encourage more dual enrollment and accelerated programs so our students are taking high school classes and community college classes and graduating halfway to an associate's degree before moving on to UNR, UNLV or a career. Working with the Legislature and the Governor, and especially private business, NSHE can assist in reinvigorating, diversifying and moving this economy forward.

ASSEMBLYWOMAN SMITH:

Anyone who operates with State funding should always be looking for opportunities for partnership, not just during a budget crisis.

MR. KLAICH:

One of the other tenets of collaboration among institutions is to make sure specific programs take advantage of all resources within its own institution as well as others within the system. This tenet must be adhered to as decisions are made about the allocation of scarce resources in Nevada.

ASSEMBLYMAN BOBZIEN:

What are the potential impacts of the cuts in the *Executive Budget* on the accreditation of UNR and UNLV?

MR. KLAICH:

Both UNLV and Western Nevada College (WNC) just emerged from an accreditation cycle, and were given high marks by their accreditation teams. Nevada State College is about to begin its accreditation process. The UNR was reviewed in 2007. Accreditation is the gateway to federal aid. Students who want to apply for federal financial aid must attend an accredited institution.

SENATOR KIECKHEFER:

Education is an investment in the future. At the higher education level, that investment is shared by the public, students and their families. When 30 percent of incoming higher education students are enrolled in remedial courses, the public makes that investment twice. These students were failed by the K-12 education system and they have to be resubsidized at the university level. Where in the process are students steered to the correct institution?

MR. KLAICH:

We need to deal with remedial education. That requires deep partnerships between public education and higher education. There must be a clear understanding of what is expected of a student who leaves twelfth grade to attend community college, state college or a university. These expectations must be communicated to K-12 students earlier and more clearly. There is currently nothing in the way higher education is funded that encourages us to steer students. That encourages all poles to fish in the same pond regardless of what is in the best interests of the student. There are no performance measures in our formula. It is time for a frank discussion about how the formula works and how it can be improved. I have hired consultants to assist in this conversation. When I receive their report, I will share it with the Legislature. I think there will be recommendations we can all use that will encourage putting people in the right place. Part of the answer will be testing of our students as they leave high schools to determine the level at which they should be enrolled in higher education.

SENATOR CEGAVSKE:

One of the concerns my constituents have raised is the amount of money received by student unions and how that money is spent. What are the options

if the community colleges were separated from the higher education system? The community colleges are sometimes treated as less important than the universities in the current system.

MR. KLAICH:

Our community colleges are critical to workforce development in the State. Separating the community colleges from NSHE would be a disaster. Governance is one of the strong points of NSHE; it is a vertically integrated system. Another layer of administration or another entity squabbling over resources is not in the best interests of the State. We should treat our community colleges better and fund them more fully. Equity issues must be addressed. Do not break up NSHE, find ways to make it better.

CHAIR HORSFORD:

I disagree. The discussion of NSHE governance should be on the table. When NSHE is facing cuts of up to 36 percent, it is important to talk about the mission of each of the institutions and what the best governance structure would be.

MR. KLAICH:

In this Legislative Session, everything needs to be on the table. I am willing to discuss anything.

SENATOR CEGAVSKE:

Nevada is the only State whose university system is an entity created in its Constitution. Can you provide the members of this Committee with information about what that means? Can you explain enrollment growth in the system further? The documents you have provided indicate stagnant enrollment; courses are not available; it takes students six years to complete a four-year degree. This is not just an economic issue. This problem has been ongoing. Why are classes unavailable?

MR. KLAICH:

I agree, this is an issue that needs to be discussed. We cannot increase access and enrollment in classes while \$162 million is coming out of the budget.

SENATOR CEGAVSKE:

There must be priorities. The economy is not the only factor in this problem. What is the cost for the instructor in the classroom?

CHAIR HORSFORD:

These are questions members of the Committee need to have answered.

SENATOR LESLIE:

Page 72 of [Exhibit C](#) discusses the percentage of change in public high school graduation rates by race and ethnicity. I am concerned about how higher tuition rates will affect minority lower middle-class income students.

MR. KLAICH:

I hired Dr. Magdalena Martinez to work with a partnership among private business, the Clark County School District and NSHE to investigate why we were failing to reach these students. She is now a permanent member of the NSHE staff. She organized the Diversity and Inclusion Excellence Council comprised of minority business leaders who are charged with telling NSHE how it is failing their communities. We are utilizing a grant with the University of Southern California's Center on Urban Education to track NSHE students, especially minority students, to discover where and why we are losing them. We know a disproportionate number of our low-income families are also in the minority communities; if NSHE raises tuition without taking this into account, we will lose those students.

ASSEMBLYWOMAN MASTROLUCA:

Page 89 of [Exhibit C](#) shows NSHE projected enrollment demand. Where are these increases expected?

MR. KLAICH:

The projected enrollment demands highlight NSHE's best estimates of the real demand for higher education to our institutions. In that process, enrollments are expected to grow. The budgeted enrollments are flat, however. That is not a reflection of demand, it is a reflection of economic reality. The NSHE budget for the coming biennium is built on flat enrollments.

SENATOR KIECKHEFER:

Does that mean that NSHE will keep enrollments flat, or will NSHE continue to enroll students and seek supplemental appropriations in the interim?

MR. KLAICH:

Once the Legislature closes our books, they remain closed. We can get authority from the Interim Finance Committee (IFC) to spend additional fee income, but NSHE does not get more money. The access mission of NSHE is in jeopardy.

SENATOR KIECKHEFER:

Will you enroll additional demand?

MR. KLAICH:

We may not be able to.

CHAIR HORSFORD:

Regarding enrollment, I read an article about students who were in line at 2 a.m., and after waiting 5 1/2 hours, some of them were still unable to get the class they needed. I understand this is because of the cap, partially due to the funding from the last biennium and the limitation on State support. The article stated that 5,294 students did not get into a class in the fall semester, 58 percent of whom were minority students. Why cannot we enroll more if there is a greater demand? Is this not counter to the objective of graduating more students with the skills they need in a more competitive work environment?

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

Students were lining up because the College of Southern Nevada (CSN) had purged the weekend before. Purging allows CSN an opportunity to open seats because students have not paid. Every time we purge there is a line like that. Is it counterproductive to our goals? Absolutely. Fall semester, 5,294 students walked away from CSN. We do not come back to the Legislature to ask for more money. We use the fee revenue we have to offer more sections; when those sections are full, we turn students away. We have no other option. The current demand is high. There are many people who want to retool their skills, and we are challenged to meet that demand.

ASSEMBLYMAN CONKLIN:

I have been teaching at CSN for several semesters. There are two sides to any budget. There are capital costs and operating costs. I cap the enrollment in my classes at 35 because more cannot fit into the classroom. It is not as simple as putting in five more desks. Everyone would like to add more classes, although not necessarily more students per class because it becomes cumbersome after

35. The alternative to adding operational revenue is to increase capital revenue to alter the physical setting of the schools.

CHAIR HORSFORD:

At the Nevada 2.0 Conference held at UNLV on January 7, 2011, the following statistics were highlighted: for every 100 students entering ninth grade, 48 will graduate from high school. Of these, 26 will enter college the fall semester after they graduate and only 18 will still be enrolled as sophomores. Of the initial 100 students, only 4 will graduate with either an associate's or bachelor's degree. What is happening to the students in Nevada's education programs, either K-12 or higher education? Given these statistics, what can higher education do, right now, to help put people back to work and grow the economy? Relate these answers to the missions of the various NSHE institutions. I agree with the Governor: the only way we will improve anything in Nevada is to put people back to work. Higher education plays an important role in putting people back to work, which is why I disagree with the Governor about the depth of the cuts to NSHE.

MR. KLAICH:

The bad news is not quite as bad as we thought: the number of ninth graders who attain college degrees is 10 out of 100, not 4. It is still a grossly unacceptable number. Community colleges must lead with workforce development and retooling for people who are out of work. Hopefully, people who need new skills can be educated and move into new jobs in Nevada. Because Nevada had such a low educational attainment rate at the beginning of this recession, our citizens' ability to move from job to job was low. Putting people back to work immediately will not only require community college training, but construction jobs to create critical infrastructure to serve the State when we emerge from this crisis. The jobs that will be generated out of the universities are an investment: there will be no payoff today. But, at some point, we have to make a decision to change the direction of this State and this economy.

CHAIR HORSFORD:

What work will we do in the next few weeks and months that will produce results over the next one or two years? Community colleges, the state college and research at the two universities are all drivers of the economy. The Legislature needs details about these connections in order to make policy. The

bottom line is not preserving institutions, or even campuses: the objective is to meet the needs of the people of Nevada through skills and education.

DR. RICHARDS:

The CSN Division of Workforce and Economic Development is largely self-supported. A State investment in workforce development, job assessment and building relationships with employers would contribute greatly to putting people back to work. We know what our deferred maintenance and capital needs are at all institutions in NSHE. There are real needs to keep these facilities active and to extend their useful life. A great way to quickly get people back to work would be investing in that infrastructure of the State.

There are things NSHE needs to do. College readiness must be improved; achievement on performance metrics must be increased. There is a 4.5 percent graduation rate at CSN. Out of 44,000 students, the cohort who want to graduate with an associate's degree in 3 years is 2,500. The Legislature and NSHE are telling CSN to increase its graduation rates; we will work on that. The other 30,000 students who attend CSN for other reasons cannot be left to languish, however.

CHAIR HORSFORD:

How is the graduation rate calculated? Are students who receive an associate's degree and then continue and obtain a bachelor's degree counted in the graduation rate both times?

DR. RICHARDS:

The cohort definition at CSN is those who are first-time degree-seeking students. Transfer students are a separate statistic.

SENATOR CEGAVSKE:

Please bring information about certification programs to the Subcommittee hearings. I am concerned that facilities are not being utilized to their fullest potential and being shared among institutions. There are opportunities for sharing space that would obviate the need for some capital improvements.

MR. KLAICH:

It is true NSHE does not adequately and fairly represent and report the contribution of community colleges to the State. Because graduation rates are a narrow metric, we are trying to define momentum points to measure the

accomplishments, successes and missions of the community colleges. Certificate programs are part of this discussion; they are truly a function of community colleges.

ASSEMBLYMAN HAMBRICK:

If the demand for classes is so high, why is the graduation rate so low? Where is the system failing?

DR. RICHARDS:

Students attend community college for many different reasons. Some are seeking to improve specific skills and take only one class. Other students are seeking degrees. This last group needs more help: more tutoring, more advising, more support. All community colleges in the State are seeking ways to dramatically improve graduation rates. There are things that can be done even without resources. To achieve the goals of CCA, we need resources. The counselor-to-student ratio at CSN is 2,400:1. Putting together an education plan for students is difficult with this ratio.

MR. KLAICH:

Currently, the graduation rate at CSN is 4 percent. The graduation rates of each institution in NSHE are listed on page 121 of [Exhibit C](#). The overriding goal of the CCA is to increase the number of students who complete a college degree or certificate program. Community college graduation rates are low, partially because of the demographics of their student populations: many are not seeking a degree. For those students who are seeking a degree, community colleges in Nevada are not doing an adequate job of helping them reach their goals. Part of moving students through the community college system is mentoring, advising and helping them overcome obstacles. One counselor cannot adequately serve 2,400 students.

CHAIR HORSFORD:

Facts matter. It is important to clearly understand where the appropriations are, where the cuts are, where the performance is, and to build a plan from the facts. This is a national problem, but what are Nevada and NSHE going to do to improve graduation rates? It is different at every institution and even at programs within institutions. The Legislature needs to understand what the needs are and who can best serve those needs. For too long, these graduation rates were known and the State kept funding NSHE without expecting different results. Now, we have an opportunity to examine the meaning of both the cuts

and the performance of the institutions. I do not understand how we can expect better results with fewer resources. There are critics who say NSHE is not worth investing in anymore. What that means is it is not worth investing in those students attending those colleges and universities.

ASSEMBLYMAN GOICOECHEA:

Great Basin College (GBC) has a graduation rate at or near the national average. Why does CSN have a graduation rate of 4 percent? What is different at GBC?

MR. KLAICH:

As part of CCA, NSHE has increased graduation goals at all institutions for every year of the next decade. The presidents of these schools have been charged with creating and submitting a plan addressing how these goals will be met.

CARL A. DIEKHANS (President, Great Basin College):

Graduation rates are slightly higher because GBC has a more captive audience. In rural Nevada, the students have no other opportunity. The GBC uses interactive video to tie several sites together. The students become a cohort. There are also many students who attend GBC for one class, or a series of classes, in order to get specific jobs. There is only one listed counselor for GBC, but in all of the centers, the directors act as advisors and counselors. The students get a little more personal attention. Throughout the GBC service area, class enrollment is 16 or 17 per section. In the last five years, there were eight people in Battle Mountain who entered the Bachelor of Arts in Elementary Education program. They remained in Battle Mountain with their families and obtained jobs in the area when they graduated.

MR. KLAICH:

There is also a greater graduation rate at Western Nevada College.

ASSEMBLYMAN CONKLIN:

The Legislature needs the complete picture. Data cannot be evaluated in isolation. While the graduation rate at CSN for the year 2008 to 2009 is 4 percent, the number of graduates increased 29 percent over 5 years. Why did we not ask that question? We must also ask the question about what the population growth rate means in relation to graduation rate. Understanding the problems in higher education and making a plan for the future requires asking more questions and evaluating the relationships among various data. Calling for

increased graduation rates without creating a context for those increases has been done in the public school system—with no good effect.

CHAIR HORSFORD:

Some states, such as Virginia, Kansas, Nebraska and New Jersey, have decided to either maintain or increase funding to higher education in their states. Why does not Nevada try to position its citizens for success as these other states are doing? Investment in higher education is one part of the picture. Reforms need to be made to align the goals of NSHE with the goals of improving and growing the economy of Nevada. A discussion of outcomes at all NSHE institutions must be based on data elements that present the complete picture, not merely snapshots.

MR. KLAICH:

Surveying the faculty from the University of Utah, researchers found 90 percent of the entrepreneurial output came from 5 percent of the faculty. That 5 percent of the faculty are now being recruited by institutions all over the country. The best, most entrepreneurial faculty at UNLV, UNR and DRI are also being recruited, some of them successfully. As we discuss the intangibles of the commitment of the State to higher education, the alignment of the goals of higher education and the State, we must remain aware that one potential result of not demonstrating commitment to current faculty is we could lose the best.

CHAIR HORSFORD:

That is a big picture understanding of how the faculty process works, not only in Nevada, but throughout the Country and all over the world. Nevada must compete with other institutions who want the best and the brightest just as we should.

MR. KLAICH:

The NSHE is saying: "Come to Nevada. Bring your family. Be a part of creating a new Nevada."

MATT SMITH (President, Graduate Student Association, University of Nevada, Reno):

I have spent the last 6 years at UNR as a student and staff member working in student services, as has my wife. We have based our careers and our studies on helping students succeed and graduate from college. I will graduate with a doctorate in educational leadership this year. I would like nothing more than to

stay here in Nevada and continue to work to give students the best possible educational experience I can. I will not be able to do that. Services and jobs that help support students so they can succeed and graduate have been cut. My wife and I, who represent the educated workforce, will have to uproot our family and our lives instead of staying here to serve students and the State. Far too many of our fellow students are in the same boat. As the Chancellor said, NSHE is a strong system that is getting better across the State. The persistence rates at UNR are above the national average, there are more graduates, and graduation rates have increased consistently.

My research focuses on low-income, first-generation Latino students. There are programs in place that have produced tremendous results, but resources are needed to expand these programs to help more of the most vulnerable students. If these kinds of programs continue to be cut, the gains already achieved will be lost. The trend of closing the higher education gap and increasing the number of graduates will be reversed. All ten of our student governments, the Nevada Student Alliance, stand together with the Chancellor and the Board of Regents' vision of leadership. More oversight and more accountability are needed for NSHE, but, continuing to improve the system requires investment in NSHE as well as students and families.

CHAIR HORSFORD:

The meeting is in recess until 1:30 p.m.

CHAIRWOMAN SMITH:

The meeting is called to order at 1:34 p.m. We will hear the budget overview from the Welfare Division.

ROMAINE GILLILAND (Administrator, Division of Welfare and Supportive Services, Department of Health and Human Services):

The Division of Welfare and Supportive Services (DWSS) has 15 district offices which serve nearly 4,000 clients every day. The DWSS has 322,000 cases. Ninety percent of the Temporary Assistance for Needy Families (TANF) cases are approved within the 45-day required timeline; 80 percent of the Supplemental Nutrition Assistance Program (SNAP) expedited cases are approved within the 7-day timeframe; 98 percent of recertifications are completed on a timely basis. The latest information indicates that Nevada is fourth in the Nation from a SNAP caseload growth percentage. The DWSS has

been meeting these requirements while concurrently implementing several initiatives designed to improve long-term performance to the client.

The chart on page 1 of the *Nevada Department of Health and Human Services Division of Welfare and Supportive Services 2011-2013 Biennial Budget Overview* ([Exhibit D](#)) reflects the total budget for the Department of Health and Human Services (DHHS). The Welfare Division represents 9.25 percent of the departmental budget. The Welfare Division receives 7.6 percent of the General Funds appropriated to the DHHS. The chart on page 3 breaks out the 2011-2013 biennial appropriation of \$562 million into the various programs administered by the Division. State General Fund appropriations for the Welfare Division account for 27.18 and 25 percent of its funding for FY 2011–2012 and FY 2012–2013, respectively.

The Welfare Division has changed the way it projects caseloads. Unemployment has been replaced as a variable with employment as a percentage of population. The trend in employment, as a percentage of population between 2000 and 2013, is highlighted in the graph on page 6 of [Exhibit D](#). In 2009, 13 percent of Nevadans lived below the poverty level. A family of 3 receiving TANF cash assistance receives \$383 a month. Currently, 31,670 participants are served. The Welfare Division projects a slight decrease in the number of TANF participants during the upcoming biennium.

Nevada is one of 15 states with no medically needy program. The Medicaid caseload at the end of the biennium is projected to be 311,000. Adults must meet one of the following criteria to participate in the Medicaid program: pregnant woman, Supplemental Security Income recipient, institutionalized, or a TANF cash-eligible family. There are currently 324,000 participants in the SNAP program. The Welfare Division expects 407,000 participants at the end of the biennium. The Energy Assistance Program administered by the Welfare Division served 25,458 households in FY 2009-2010 and is projected to serve 32,050 households in FY 2010-2011. To ensure adequate funding for this year, benefits were reduced from an average of \$915 to \$732. There is a possibility this benefit will be reduced further between now and June 30, 2011. It is anticipated there will be 11,000 households each year of the FY 2011-2012 biennium unserved due to inadequate funding at the current benefit level. The Child Care Development Fund currently serves approximately 7,000 clients. There are approximately 1,600 eligible children who are not served. Beginning

July 1, 2011, the number of children who will not be served will increase by 1,550 due to inadequate funding.

In the priorities- and performance-based process of budgeting, the Welfare Division examined its strategic priorities. These priorities include: improving client access to public assistance programs; maximizing assistance from, and cooperation with, community partners; enhancing the eligibility determination process; promoting responsible parenthood; improving employment opportunities for public assistance participants; enhancing program integrity and fraud prevention; developing effective error rate corrective-action plans; reducing administrative costs of delivery; seeking out innovative demonstration projects with community partners; and collaborating between program and technology to achieve high performance. The linkage between these strategic priorities of what the Welfare Division has done and plans to do, should be obvious. There will be changes in each of the Welfare Division's programs over the next biennium.

The *Executive Budget* includes several changes to TANF. In the past, the Welfare Division has provided as much as \$4.8 million in emergency assistance to counties. This program will be eliminated. Funding for social service contracts that provide assistance in cases of domestic violence, substance abuse and low-level mental health assistance will be reduced by 50 percent. Kinship care payments will be reduced from \$894 to \$427 a month. The loan program to bridge the gap between the time a TANF participant begins to expect disability benefits and the date the benefits start will be eliminated. Page 17 of [Exhibit D](#) is a graph illustrating the TANF block grant reserve history. The estimated reserve at the end of FY 2010–2011 is \$8.3 million, decreasing to \$3 million by the end of the biennium. These figures vary from month-to-month. The projection from the end of December indicated the reserve will be \$6 million at the end of FY 2010-2011, not \$8.3 million. There is a risk that the TANF block grant reserve will be only slightly above zero at the end of the biennium.

In addition to the TANF block grant, the Division recommends the receipt of \$6.5 million of contingency funding. Under the continuing resolution for the TANF program, each state that is economically depressed has the opportunity to request contingency funding. The receipt of this funding requires identification of excess Maintenance of Effort (MOE) and application. The maximum amount that could be available to Nevada is \$8.8 million. These funds come from a common pool that has typically been exhausted before the maximum benefits

have been distributed. While the Division expects to receive the \$6.5 million included in our budget, it is possible not all those funds will be granted.

The Child Support Enforcement Program (CSEP) is another program administered by the Welfare Division. The Division currently serves 54,396 public assistance cases and 55,965 nonpublic assistance cases. The purpose of this program is to collect and distribute approximately \$190 million from noncustodial parents to custodial parents. Major program changes in the *Executive Budget* include elimination of the CSEP employment assistance program. The Division believes this need can be met by other employment opportunities and programs in existence. Ten CSEP FTEs collocated with the Clark County District Attorney (DA) will be eliminated. Two administrative and one State Collection and Disbursement Unit staff members will be eliminated.

CHAIRWOMAN SMITH:

What is the logic in reducing the effort to collect child support?

MR. GILLILAND:

Many difficult decisions were made in the production of this budget. The Division attempted to compromise each program a little bit. If Theresa Lowery, the Assistant DA for Clark County, were sitting here, she would tell you the impact of the staff reductions will be significant. The program has made great progress over the last several years. But, the decision has been to impact every program rather than eliminate programs completely.

CHAIRWOMAN SMITH:

What is the ratio of the 10 positions eliminated to the total number of positions?

MR. GILLILAND:

There are approximately 400 positions throughout the State in the CSEP. Some are State workers; others are from the various participating counties. The table on page 20 of [Exhibit D](#) outlines the CSEP case responsibilities for each county. For example, Clark County provides services for all functions for each category of cases.

The chart and table on page 21 of [Exhibit D](#) provide an understanding of the income eligibility for each of the Welfare Division's programs. The SNAP column shows that the first income eligibility criterion is 200 percent of the federal

poverty level. A family of three with income of \$3,088 a month would be eligible for SNAP.

CHAIRWOMAN SMITH:

Do you have any information about State workers who are eligible for SNAP?

MR. GILLILAND:

The Division does not currently track the number of State employees who are participating in SNAP. I have staff who participate in SNAP. Income is only one criterion of eligibility, but there are State employees who are eligible for, and participate in, the program. The poverty numbers could be compared to salary levels for position grades for analysis.

Page 22 of [Exhibit D](#) outlines the changes in federal funding between the last biennium and the upcoming biennium. The elimination of American Recovery and Reinvestment Act of 2009 (ARRA) funding reduces SNAP budgets by \$934,349 each year; CSEP by \$4,137,285 each year; and Child Care programs by \$8,378,370 each year. The TANF block grant was due for reauthorization by Congress at the end of last year. It was postponed for continuing resolution for consideration for reauthorization at the end of this year. During that process, the supplemental grant was suspended for one quarter and the State of Nevada lost \$933,384. This money is not in the *Executive Budget*, but the Division has assumed the supplemental grant will continue after reauthorization. The Division has applied for and received authorization for contingency funding of \$6,586,128. The Division is receiving monthly payments, but cannot guarantee receipt of the entire amount. Anticipated reductions in funding for low-income home energy assistance are approximately \$11 million each year. The federal funding for this program has been relatively volatile. It has ranged from \$4 million to \$19 million annually.

Reductions in General Fund appropriations from the 2009-2011 biennium that are expected to continue in the 2011-2013 biennium are listed on page 23 of [Exhibit D](#). The appropriation for child care has been as high as \$9 million in previous years; the current appropriation is \$2.58 million. Both child care and CSEP are requirements of the TANF program. The amount in the *Executive Budget* is the minimum MOE for the child care program.

CHAIRWOMAN SMITH:

Can you explain how the Division is using TANF funds to backfill some of the State MOE requirements?

MR. GILLILAND:

The State of Nevada has approximately \$27 million MOE requirements each federal fiscal year (FFY). Of the \$27 million, \$2.58 million supports the child care program and the remainder supports the TANF cash assistance programs. The \$27 million is required to be paid out over the FFY. In prior biennia, the \$27 million was allocated over the State fiscal year, making the funds available in the first 9 months of the FFY. The Division took advantage of a one-time opportunity to pay a portion of the \$27 million in the first quarter of the State fiscal year. Approximately \$6 million was deferred from one year to the next, recognizing the \$27 million MOE would be paid with funds over two State fiscal years. The funds do not have to be repaid, but it is a one-time deferral.

CHAIRWOMAN SMITH:

Will these funds have to be made up?

MR. GILLILAND:

It does not have to be made up. It has to be consistently paid, and the payment of the \$27 million must be paid over the FFY. The payments will be made in part with General Fund appropriations from each of FY 2011-2012, FY 2012-2013 and FY 2013-2014. The calculation of the TANF reserve balance is affected by this one-time deferral.

RICK COMBS (Assembly Fiscal Analyst, Fiscal Division, Legislative Counsel Bureau):

Although there is no need to repay these funds, there is a need for restoration of General Funds in the next biennium because it is a one-time option.

MR. GILLILAND:

Yes, that is correct. The current FY 2010–2011 MOE funding is \$27 million each year. It has been reduced for FY 2012–2013; it will have to be restored to \$27 million a year in FY 2013–2014.

CHAIRWOMAN SMITH:

We are postponing the problem. Using this option now means it cannot be used later.

SENATOR HORSFORD:

The problem with this kind of approach is when the revenue source is lost it is difficult for those who advocate maintaining services to fill the funding gaps created.

MR. GILLILAND:

Your assessment of the mechanics of the budget building process is accurate. The base budget will not include that reduction and a decision unit will be required to restore the MOE funds to \$27 million each year.

SENATOR KIECKHEFER:

Does the reduction of \$933,384 in federal TANF funds need to be replaced with other funds?

MR. GILLILAND:

The \$933,384 is not in the *Executive Budget*. It is not a hole that needs to be addressed. The concern is when TANF is again reviewed by the federal government the block grant is increased to a reasonable level. The block grant has not been reviewed since 2000. From a federal perspective, it is important that our delegation understands the importance of TANF reauthorization to the State of Nevada and the restoration of supplemental funding.

ASSEMBLYMAN HICKEY:

Does the Division track the number of noncitizens who receive TANF?

MR. GILLILAND:

Proof of citizenship is a requirement of TANF eligibility. "Citizen only" children of immigrant families are eligible for TANF cash. I do not have exact numbers, but I believe approximately 10 percent of TANF cash benefits are paid in the "citizen only" child category.

CHAIRWOMAN SMITH:

What are the residency requirements for benefits?

MR. GILLILAND:

There is a residency requirement for TANF cash recipients. In addition, there is a 60-month limit on the receipt of TANF cash benefits. In the State of Nevada, the 60 months is broken up as follows: 24 months of benefits; a 12 month sit-out; 24 months of benefits; a 12 month sit-out; and the final 12 months of

benefits. During the 60 months, Nevada coordinates benefits with other states; receipt of TANF benefits in another state affects eligibility in Nevada.

CHAIRWOMAN SMITH:

Is it true that there is not a residency requirement for a period of time?

MR. GILLILAND:

I do not have all the information about those requirements.

CHAIRWOMAN SMITH:

Let us clarify those issues at the budget hearings.

SENATOR HORSFORD:

Regarding SNAP, how does the fee process in the contract with JPMorgan Chase work? My understanding is that retailers who provide the Electronic Benefits Transfer (EBT) machines as well as the participants are both assessed fees. Is that true? What are those amounts?

MR. GILLILAND:

I do not have the specific amounts. The recipient can make a number of transactions without any fees. All the fee schedules are posted on our Website for TANF, SNAP and CSEP. I can provide this information at future hearings.

SENATOR HORSFORD:

Please get that information to the Subcommittee. I am concerned the State's contract with JPMorgan limits the number of times a participant can use the EBT card. I do not understand the rationale of charging low-income families and single parents to purchase food. Additionally, why is the retailer charged a fee for the machine? Does this create an access issue for our participants to utilize these services in grocery stores?

MR. GILLILAND:

I understand the questions. I will get back to you with the answers. The specifics of the contract are negotiated at a State level. The fees charged by JPMorgan are funded 50 percent by General Fund and 50 percent by the federal government.

SENATOR HORSFORD:

The current contract was awarded in October 2009, for 9 years. The term of service seems excessive. Did the Administration try to get a reduction in fees on the contract, per the direction of the 26th Special Session?

MR. GILLILAND:

One of the reasons the contract is for such a long term is that an aggressive reduction of fees was negotiated.

SENATOR LESLIE:

What risks is the State exposed to because of the low TANF reserve? I am confused about the information you gave us regarding the population and the suspension of MOE payments. Can you bring more information to the hearings about this?

MR. GILLILAND:

Yes, I can. I have a chart that explains the deferral of the MOE. It is confusing. I am concerned that the projected reserves are only \$3 million. That amount of money covers weeks, not months. It could have a significant impact on cash assistance benefits.

SENATOR LESLIE:

The other area I want to discuss further is the child care assistance cuts.

SENATOR HORSFORD:

Can you elaborate on the Silver State Works program? How much of that will relate to training for TANF participants? Are there other work placements?

MR. GILLILAND:

That item is addressed later in the presentation.

Returning to compliance, page 24 of [Exhibit D](#) lists requirements for all the Welfare Division's programs. We are required to process 95 percent of applications for TANF and SNAP within specific time frames. These requirements are 45 days for TANF and 30 days for SNAP. Expedited SNAP applications must be processed within 7 days; expedited claims are those for an individual or family with less than \$150 in resources. The Welfare Division projects a 53-day and 36-day timeliness for TANF and SNAP, respectively. The second compliance requirement is to meet or exceed quality control standards

for accuracy. The federal error rate for SNAP is 6.19 percent and 3.61 percent for Medicaid in FFY 2010. I have projected error rates of 4 percent and 3 percent, respectively. Projected caseload and processing capability are inadequate to meet both timeliness and accuracy expectations. Recognizing this, the Division will focus on accuracy first and timeliness second. I understand that both of these are important, especially to the client in need of services. But, I also believe that addressing each person's needs in an accurate manner is most important.

ASSEMBLYWOMAN MASTROLUCA:
Whose requirements are these?

MR. GILLILAND:
The SNAP is a federal requirement. The TANF requirements have been set by the State. There is also some civil litigation from prior years regarding SNAP timeliness. This has always been a benchmark for the Division.

ASSEMBLYWOMAN MASTROLUCA:
How successful have you been in meeting these benchmarks?

MR. GILLILAND:
Timeliness varies from month-to-month. The Welfare Division has met the 45-day requirement for TANF applications over the last several months at the following levels: 91 percent for July, 90 percent for August, 82 percent for September, 91 percent for October, 94 percent for November and 88 percent for December. It has been roughly around the 90 percent level. We want that number to be as high as possible, but I do want to stress our emphasis has been accuracy first and timeliness second.

ASSEMBLYWOMAN MASTROLUCA:
Are the projected days realistic?

MR. GILLILAND:
These projected days are consistent with the numbers I have given you and they are realistic.

ASSEMBLYWOMAN MASTROLUCA:
Are these projections based on caseload and lack of staff?

MR. GILLILAND:
Yes.

CHAIRWOMAN SMITH:
I understand we have been engaging outside trusted partners to assist in this work.

MR. GILLILAND:
Yes, we are engaging trusted partners. That is detailed later in the presentation.

Another area of compliance requirements involves employment related activities participation by the New Employees of Nevada (NEON) clients. These are work eligible parents. The requirement for participation for NEON clients are 50 percent of single-parent, and 90 percent of two-parent, families. The majority of TANF cash clients are single parents. In 2008, we passed the technical 50 percent requirement with an actual work participation rate of 42.1 percent. The State of Nevada received a case modifier of approximately 20 percent. The participation rates for 2009 and 2010 were 39.4 percent and 37.5 percent, respectively. With the federal case modifier, the State passes the federal requirements and will not be subject to a penalty.

CHAIRWOMAN SMITH:
Was this contracted out in the last budget to try to increase the participation rate?

MR. GILLILAND:
There was a pilot project to contract that out to a community partner in both northern and southern Nevada. The results obtained by the pilot project and within our office were comparable. At the end of the project there were suggestions for improving the program.

SENATOR HORSFORD:
Is this the program I was referring to for employment?

MR. GILLILAND:
No, it is not. You are referring to Silver State Works.

SENATOR HORSFORD:

This is the program we have now. Are these percentages for unsubsidized employment?

MR. GILLILAND:

Yes, these are the percentages for unsubsidized employment.

SENATOR HORSFORD:

Is there another program that is subsidized?

MR. GILLILAND:

Yes. It is a client work experience program. Clients are placed in our offices and with other community partners for a limited number of hours a week so they can obtain work experience and are better prepared for the employment community.

SENATOR HORSFORD:

Can you provide the Subcommittee information about how many people are served and what types of placements have been successful?

MR. GILLILAND:

Yes, I can.

The chart on page 25 of [Exhibit D](#) shows the SNAP error rate trend for the Nation and for Nevada. While both rates are in decline, the Nevada error rate has not come down as rapidly as that in the rest of the country. In 1996 and 1997, we received monetary sanctions. Unless we are able to bring the error rate below 6 percent in the current FFY, we could be subject to a financial sanction. There is an aggressive corrective action plan in place.

The DWSS Investigation and Recovery Services performs investigations for all public assistance programs including Medicaid. Over the last 12 months, this group has identified \$2.3 million worth of inappropriate claims; \$2.1 million of those funds have been collected. We have also identified \$6 million in benefit payment avoidance by recognizing claims that should not be paid going forward. We have conducted 4,600 investigations and detected fraud in 4,200.

CHAIRWOMAN SMITH:

Who does the collection?

MR. GILLILAND:

That collection is done initially with the Welfare Division. It is coordinated with the Nevada State Controller's Office. We are requesting some exemptions in the CSEP. Page 26 of [Exhibit D](#) shows the CSEP data reliability. The Division anticipates passing data reliability in 2010. The one number I would like to highlight is the Paternity Establishment Percentage number. We anticipated 90 percent performance, but we achieved 100 percent. It is a significant improvement over prior years.

The anticipated staff changes between the current fiscal year and FY 2011-2013 are detailed in the table on page 27 of [Exhibit D](#). The Division has not requested any caseload staffing increases. However, between 2009 and 2013, caseload is expected to increase by approximately 80 percent. There are 1,247 field service positions. The number of cases it is reasonable to expect each person to handle accurately and on a timely basis is currently 196. Using productivity enhancements, that number is projected to increase to 260 in FY 2012-2013. The number of cases received exceeds these numbers creating a service gap. Until the gap is eliminated, the Division will struggle with both timeliness and accuracy.

SENATOR CEGAVSKE:

What is the average amount of time a client spends with a staff person?

MR. GILLILAND:

I do not have a specific answer. The typical amount of time is several hours, but those hours are spread over as many as 30 to 40 days. One way to improve efficiency is to see the client as few times as possible while completing all necessary activities. It is better to see a client once for four hours than to spend shorter amounts of time over several days. Each time the case is touched, it takes longer to process it.

SENATOR CEGAVSKE:

What are the reasons for making these changes?

MR. GILLILAND:

There are two expected outcomes: the first is increased efficiency for the Division; the second is to improve the experience for the client.

SENATOR CEGAVSKE:

The changes would benefit everyone. Currently, the amount of time spent with any one client is variable and you cannot identify that amount of time.

MR. GILLILAND:

Yes, that is correct. We do not measure that metric, but it would be a good one to measure.

ASSEMBLYWOMAN CARLTON:

How do you manage the long lines of people waiting for services? If one worker spends four hours with a single client, how does that impact the people waiting in line? Do you know how long the client spends waiting to be seen?

MR. GILLILAND:

There is a lobby management system that tracks everyone in line. There are often 100 to 150 people waiting in line at 8 a.m. The goal is to greet every client within the first 10 or 15 minutes to ascertain why they are there and to register them in the system. The supervisor knows how long each person is waiting in the office and can redistribute resources to handle the caseload. It is a balancing act.

ASSEMBLYWOMAN CARLTON:

Does the supervisory staff go into the lobby to assess the workload?

MR. GILLILAND:

Each person registers in the lobby management system. The supervisor accesses this information through the system; they do not have to go out into the lobby. Supervisors are encouraged to remain at their desks and shift the activities being accomplished at the service windows in response to the information in the lobby management system.

ASSEMBLYWOMAN CARLTON:

What is the ratio of supervisors to front line staff?

MR. GILLILAND:

There is a typical ratio. One of the challenges is each office has a different number of service windows. Some offices are better situated for initial contact. For example, in the Las Vegas area, the Owens office has a limited number of

contact points while the Flamingo office has more and is better able to manage client contact.

ASSEMBLYWOMAN CARLTON:

I am more concerned about the ratios between front line staff and supervisors.

CHAIRWOMAN SMITH:

Please provide information about those ratios at the Subcommittee meetings.

MR. GILLILAND:

Page 30 of [Exhibit D](#) lists the Division's offices. One office is scheduled to be closed and staff will be redistributed throughout other offices.

There are several program initiatives the Division is planning to implement over the biennium. In accordance with the Affordable Care Act (ACA), an integrated eligibility system is being developed. The program will start on January 1, 2014, and will integrate eligibility access through health insurance exchange with Medicaid and other public assistance programs. The projected cost of implementation is \$23.4 million. The Division requests General Fund appropriations of \$494,838 for FY 2012-2013.

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E-400 Access to Health Care and Health Insurance – Page DHHS DWSS-5

CHAIRWOMAN SMITH:

Is there a projected savings when the program becomes active and eligibility processing is streamlined?

MR. GILLILAND:

We did not calculate a savings as a result of this program. This program is incrementally required to be in compliance with the ACA.

CHAIRWOMAN SMITH:

I understand it is required, but cost savings have to be factored in somewhere.

MR. GILLILAND:

Access Nevada, an electronic application process, was mandated by S.B. No. 4 of the 75th Session. Medicaid, TANF and SNAP applications are currently functional. The interface for the State Children's Health Insurance Program is being finalized. A link should be available on the DWSS Website in February 2011. The Application Modernization and Productivity Services (AMPS) program is operational in four pilot offices. An electronically submitted Access Nevada application automatically populates the Nevada Operations of Multi Automated Data System (NOMADS) eligibility tool. The key functional elements of AMPS are a simplified NOMADS overlay and interface, automatic case registration from Access Nevada, document imaging of client files, and universal case management. The Division has submitted a work program request to the next IFC of \$553,448 for expansion of AMPS to the remaining offices by June 30, 2011.

Several program initiatives have been implemented: a lobby management system, bar-coded case file tracking, telephonic interviewing of SNAP clients, community partner assistance with application processing and replacement of a 23-page redetermination document with a single page review of eligibility.

CHAIRWOMAN SMITH:

What is the fiscal impact on our staff by increasing the workload, and do we get compensated for that?

MR. GILLILAND:

I will bring an answer to those questions to the Subcommittee.

Programs that are close to implementation include a telephonic case management and support center. District managers will be transferred from district offices to the call center. The expectation is a client will have a 95 percent probability of speaking to a person. The Division is working on shifting from an assigned case management model to a process flow case management model. Currently, applicants visit a district office or a limited number of community partners. In the future, access will be expanded through Internet applications and routine change reporting, telephonic case management and continued ability to visit offices when necessary.

Program enhancements for CSEP include: improved State and county collaboration; performance dashboard and management reports; document

imaging and workflow; improved electronic interfaces with the DHHS Office of Vital Statistics and the Department of Employment, Training and Rehabilitation (DETR); enhanced electronic funds transfer; employer web services; customer service voice response; and county outreach programs. We are in the process of creating alternative payment options and child support case management assessment.

The final item is Enhancement Unit E-737.

HHS – Welfare – TANF – Budget Page DHHS DWSS-10 (Volume II)
Budget Account 101-3230

E-737 New Programs – Page DHHS DWSS-14

This program seeks to increase employment outcomes for the TANF population through Silver State Works. In collaboration with DETR, the Welfare Division will integrate employment programs and job referrals. For someone to become fully employed, temporary assistance and child care must be supplemented with employment training and employment search activity. The program focus is to create employment outcomes utilizing job search, employment incentives, on-the-job training, community work experience, and vocational training. The Welfare Division has requested \$6 million in FY 2011-2012 and \$4 million in FY 2012-2013. An additional \$14 million in funding comes from DETR. One hundred percent of this funding will be utilized for direct client services. The success of this program will require some changes in culture for Division staff. Shared and targeted training with DETR will be necessary. Two performance measures have been identified: increase work participation rate of TANF clients to 50 percent by June 30, 2013, and support 10,000 incremental employment opportunities. Subject to Legislative approval, the Silver State Works program will begin on July 1, 2011.

SENATOR CEGAVSKE:

On page 34 of [Exhibit D](#), you list county outreach programs. Are those programs only with county and city governments? Are there any community outreach programs?

MR. GILLILAND:

The most successful outreach programs have been in Clark County. They have been sponsored with the Clark County DA. They performed significant outreach

to the community to create awareness. The objective was to get people into the office to address all the issues of a child support case in one location.

SENATOR CEGAVSKE:

Many entities in the community would be willing to help.

MR. GILLILAND:

Part of our program is to enhance community outreach and optimize the work with our community partners.

SENATOR HORSFORD:

There are two items I would like to have more information about in Subcommittee. The first is the child care assistance issues in regard to the Silver State Works program. The second is housing. Under Welfare-to-Work regulations, there is a provision that denies those who are released from prison the ability to live in public housing with their families. I know this is a federal rule, but the negative impact on paternal responsibility is great.

MR. GILLILAND:

I would like to collaborate with you to understand the perspective. It is important this is clearly communicated to Nevada's Congressional delegation so they understand these concerns.

CHAIRWOMAN SMITH:

Once we get into Subcommittee and budget hearings, it will be important to have specific information about how Silver State Works funding will be used and tracked.

JON SASSER, ESQ. (Statewide Advocacy Coordinator, Washoe Legal Services):

We are concerned about the elimination of the Kinship Care Program funding. The State does not only have a spending problem, it has a revenue problem. The Governor has chosen not to raise taxes, but to do creative things. One is to pass costs or responsibilities to the counties. We are concerned about the counties' ability to continue those services. The counties face difficult choices because of the cuts detailed today.

SENATOR HORSFORD:

Have you been able to ascertain the total amount of cuts projected by the *Executive Budget* and how many will affect the working poor?

MR. SASSER:

General Fund cuts to DHHS total \$276 million. Many of those cuts also eliminate matching federal funds. Of those items shifted to the counties, we do not know which will be funded at previous levels and which will be eliminated, so we cannot determine the total cuts.

CHAIRWOMAN SMITH:

We will now hear from the Nevada State Health Division.

RICHARD WHITLEY (Administrator, Nevada State Health Care Division, Department of Health and Human Services):

I will refer to the document *Department of Health and Human Services, Nevada State Health Division, Agency Budget Highlights SFY 12/13* ([Exhibit E](#)) during my presentation. The priorities and performance budget framework we utilized in developing our budget was a useful tool. The priority rankings were based on federal and State mandates, consideration of potential harm to the public and a commitment to efficiency and leveraging of resources. Page three of [Exhibit E](#) outlines the four functional areas of the Health Division: Direct Services, Planning and Data, Resource Provision and Regulatory. The biennial budget request emphasizes a variety of health protection activities from service needs, like early intervention for children with disabilities, assuring population-based prevention approaches and protecting the public's health through regulation of the health care delivery system. The three themes of the Health Divisions' budget are to provide, to assure and to regulate.

The Health Division represents 5.8 percent of the total DHSS revenue for the FY 2011–2013 biennium. The Health Division receives 2.69 percent, approximately \$51 million, of the total DHHS General Fund appropriations. The Health Division receives approximately 54 percent of its funding from federal sources, 14 percent from General Fund and 32 percent from other sources. The graph on page 10 of [Exhibit E](#) shows an overall decrease in the General Fund appropriation from the last biennium. As shown on page 12 of [Exhibit E](#), there has been a corresponding increase in federal funding during that time. The Health Division does not have a grant-writing unit. Competitive grants that become available are secured by staff who undertake the extra duty to write those grant proposals.

CHAIRWOMAN SMITH:

If the Health Division is applying for and receiving more federal funds, why do you not have a grant writer on staff?

MR. WHITLEY:

The federal funding we receive comes from categorical grants. Our agency leverages off the grants we receive. For example, we have an HIV prevention grant. When other funds become available that target those same at-risk populations, the HIV program manager will step up and write that grant. It is an additional workload, but the Health Division has been successful in obtaining additional funds.

Approximately \$6 million in ARRA funding will expire between FY 2010–2011 and FY 2011–2012.

The *Executive Budget* recommends the elimination of 10 FTEs at the Health Division. All of these positions are currently vacant and will not create layoffs. There will be FTE additions as detailed on page 17 of [Exhibit E](#). These positions will be funded with grants; there are no General Fund appropriations related to these positions.

CHAIRWOMAN SMITH:

Are there other Public Information Officer (PIO) positions being eliminated at the DHHS?

MICHAEL J. WILLDEN (Director, Department of Health and Human Services):

The DHHS has three PIO positions. One will be eliminated, one will be in the Health Division for public health information and the other will be in the Director's office for all HHS matters. Each Division has a liaison who acts as spokesperson for that specific division or program.

MR. WHITLEY:

The PIO position that is being eliminated was funded from the Public Health Preparedness program grant. The priorities in that grant changed and the PIO function was no longer required.

Regarding the FTE additions, there are some fee-funded positions related to the Medical Marijuana Program registry. The Health Division currently uses

contractors to help with the workload in that program, so we have requested additional State FTEs.

ASSEMBLYWOMAN CARLTON:

The Health Division has one FTE for the Marijuana Health Program registry and expects federal funding of \$1.7 million?

MR. WHITLEY:

We have not been able to keep up with processing applications. There are 311 pending applications. We do not expect this workload to diminish.

ASSEMBLYWOMAN CARLTON:

Will the new FTEs be paid with fees received by the program?

MR. WHITLEY:

Yes.

Page 18 of [Exhibit E](#) highlights the transfer of one budget account from the Department of Children and Family Services (DCFS) to the Health Division.

DHHS – HEALTH – Child Care Services – Budget Page DHHS HEALTH-7
(Volume II)
Budget Account 101-3149

E-325 Deliver Public Services Directly and Efficiently — Page DHHS HEALTH-9

This program is responsible for licensing and monitoring child care facilities for five or more children. If this transfer is approved, our intent is to house this function with the Bureau of Health Care Quality and Compliance. Functions like environmental and food safety are similar to those performed in other kinds of facilities. The Health Division believes it can achieve some economies by combining these similar regulatory functions.

SENATOR KIECKHEFER:

Would the function of the employees transferring into the Health Division be exclusively for childcare? Or would they be commingled?

MR. WHITLEY:

Because these functions are fee funded, we do not commingle them. We would explore the possibility of reducing fees for the environmental and food safety monitoring functions, if economies could be achieved. The Health Division anticipates a reduction in administrative oversight costs.

The budget account for the Office of Minority Health will be transferred from the Health Division to the Director's Office.

HHS – DO – CONSUMER HEALTH ASSISTANCE – Budget Page DHHS
DIRECTOR-30 (Volume II)
Budget Account 101-3204

E-230 Reduce Duplication of Effort – Page DHHS DO-31

CHAIRWOMAN SMITH:

This is an item we will discuss further at the Subcommittee hearings.

MR. WHITLEY:

Some services are being transitioned to the counties. Consumer health protection is a food and environmental inspection that occurs in the rural and frontier counties. In urban areas, it occurs in colleges and universities. The State currently assumes this responsibility. In Clark, Washoe and Carson counties, the local health authorities assume this responsibility.

SENATOR LESLIE:

This was discussed in previous Sessions but not implemented because the rural counties did not have the technical expertise. Can you explain how that has changed? What if the counties decide not to perform this function?

MR. WHITLEY:

The proposal in the budget is to have the counties fund the Health Division to perform this function. The counties currently contribute to the public health nursing program in the rural areas.

Continuing with page 20 of [Exhibit E](#), the State will pass the requirements for medical care related to Tuberculosis (TB) and Sexually Transmitted Diseases (STD) to the counties. Historically, the State has contributed General Fund dollars to the counties for these programs. Laws currently exist for testing

and reporting. This is not an unusual model; Washington state does not pass money to its counties for TB treatment. Currently, the State does not fund Clark and Washoe Counties and Carson City for STD treatment programs. The Health Division proposes to adjust the current contracts with the rural counties to include payment for their county residents who need treatment of STDs.

SENATOR LESLIE:

Did you provide estimates of expected costs to the counties?

MR. WHITLEY:

Specifics have been sent to the counties now that the budget is public. There is a meeting scheduled with local health authorities to address the challenges with implementing these changes. The final item to be transitioned to counties is Emergency Medical Services (EMS). This impacts all counties except Clark County which funds and regulates its own EMS and staff with a combination of fees and county General Fund. There may be a burden in the rural frontier counties where the fee to license Emergency Medical Technicians (EMT) is only \$5. Many of these EMTs volunteer their time. In the past, when raising fees was considered, it did not seem practical to pass these costs to the counties. The model we used was population based. It is more complicated.

Page 21 of [Exhibit E](#) provides a snapshot of the consolidation of biostatistics and epidemiology into a single budget account.

HHS – HD – BIOSTATISTICS AND EPIDEMIOLOGY – Budget Page DHHS
HEALTH-90 (Volume II)
Budget Account 101-3219

This formalizes combining biostatistics and epidemiology. The Health Division received approval and funding for a data warehouse two sessions ago. The collection of data is essential to evaluate public health programs. Much of this activity is funded with federal money and the data was previously housed with the various programs that generated the data. The consolidation of data was a strategic decision to create efficiency. The State will benefit not only by being able to utilize the data collected, but it will make us more competitive for federal funding. In relation to the Hepatitis C outbreak, the Centers for Disease Control (CDC) released funding for health care-acquired infections. Nevada did not receive one component of the funding because the State did not have a robust-enough epidemiology office.

Early Intervention Services are guided by the State's acceptance of funding from the U.S. Department of Education Individuals with Disabilities Education Act (IDEA) Part C. Even though Nevada contributes more General Fund than the federal grant, we are required to follow the rules of the program. One regulation is that every child eligible for this program must have an individualized family service plan. The goal of IDEA is to improve the development gains and reduce future costs of special education, rehabilitation and health care needs. The program serves children from birth to age three. Services include a variety of medical, therapeutic and educational services provided at no cost to families. The provision of services at no cost is one of the rules of IDEA Part C. The Legislature assured sufficient funding this biennium to serve all children waiting for services and new caseload growth. There will continue to be caseload growth in the upcoming biennium.

HHS – HD – EARLY INTERVENTION SERVICES – Budget Page DHHS
HEALTH-41 (Volume II)
Budget Account 101-3208

M-200 Demographics/Caseload Changes – Budget Page DHHS HEALTH-43

Changes have been made to partner with the private sector that ensures continuity of treatment teams for the children as they age out of IDEA Part C and move into IDEA Part B which is administered through the school districts.

The other program the Health Division administers that is caseload driven is the AIDS Drug Assistance Program (ADAP). Nevada does not have a waiting list for these services, although caseload has increased. Innovations such as rebates from pharmaceutical companies have helped ensure the program does not have a waiting list.

CHAIRWOMAN SMITH:
Why is there caseload growth?

MR. WHITLEY:
Tragically, people continue to become HIV positive. Some caseload growth is driven by people who had not previously sought care. The demographics are fairly scattered.

SENATOR LESLIE:

This program has been a Legislative priority. Senator Raggio, Senator Parks and others have made the decision that the State of Nevada is not going to consign AIDS patients to death.

MR. WHITLEY:

Page 25 of [Exhibit E](#) lists the various fee funded programs administered by the Health Division. There are three categories: Regulatory, Direct Services and Registries.

Page 26 of [Exhibit E](#) focuses on health facilities.

HHS – HD – HEALTH FACILITIES HOSPITAL LICENSING – Budget Page DHHS
HEALTH-70 (Volume II)
Budget Account 101-3216

Due to the Hepatitis C outbreak associated with ambulatory surgery centers, the Legislature discovered that the Health Division had not been in some health facilities for multiple years. The Health Division budget for the 2009-2011 biennium was created with the intent of examining all health facilities every 18 months, with the exception of those with statutory annual investigations. The Health Division has now investigated all facilities. The next step is to determine the right balance of investigation for each facility type and to find ways to reduce costs and incentivize good behavior.

Page 29 of [Exhibit E](#) is a partial list of alternative funding mechanisms identified to replace General Funds in some programs.

SENATOR LESLIE:

Will these alternative funding mechanisms create additional MOE?

MR. WHITLEY:

We can discuss this further at the Subcommittee hearings.

Page 30 of [Exhibit E](#) contains an outline of the bills being introduced to make the statutory changes required by some of these budget changes.

Page 31 of [Exhibit E](#) highlights some accomplishments of the Health Division. Nevada's ranking for immunization rates has improved from last place to 45th

nationally. Policy has driven this improvement. The legislation requiring the use of the Health Division registry is directly responsible for the improvement. Nevada is one of the first states to implement the EBT card for the Women, Infants & Children USDA Special Supplemental Food Program (WIC) consumers. The benefit has been two-fold: there is no stigma attached to the consumer and it is a benefit to the retailer. The cost to the retailer is only for the initial electronic hook-up. The transaction costs are 100 percent federally funded. The WIC transaction fee was negotiated down to \$2.10 from \$2.35. Neither the consumer nor the retailer pays that cost for WIC transactions.

SENATOR HORSFORD:

Taxpayers pay it. The profit benefits a major company.

JEFF FONTAINE (Executive Director, Nevada Association of Counties):

Public health is a basic governmental service. We would hope the State would continue to provide leadership in these programs, which are important to all counties. We hope the State would not pass along costs for these services to the counties. I would like to focus on the regulatory functions and the proposal to charge counties a fee for those regulatory services, such as inspecting restaurants and septic systems. Fees are already charged for these services. If the fees are not sufficient to cover the cost of the service, the fees should be raised. But, the proposal is to pass the cost onto the counties which would have to raise fees.

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CHAIRWOMAN SMITH:

As there is no further comment, this meeting is adjourned at 4:14 p.m.

RESPECTFULLY SUBMITTED:

Patricia O'Flinn,
Committee Secretary

APPROVED BY:

Senator Steven A. Horsford, Chair

DATE: _____

Assemblywoman Debbie Smith, Chair

DATE: _____

EXHIBITS

**Committee Name: Senate Committee on Finance/Assembly
Committee on Ways and Means**

Date: January 27, 2011

Time of Meeting: 8:30 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Daniel J. Klaich	NSHE Executive Budget Overview
	D	Romaine Gilliland	DHHS DWSS Biennial Budget Overview
	E	Richard Whitley	DHHS NV State Health Division Budget Highlights