A MESSAGE FROM GOVERNOR STEVE SISOLAK

To the Nevada State Legislature:

None of us could have predicted a pandemic of this magnitude and the global economic crisis that has followed. The world looks incredibly different since I first approved the State’s biennial budget back in June 2019.

As a State, we took immediate and proactive measures to preserve the health, safety and lives of our fellow Nevadans. I was filled with pride to see us all jump into action and rise to the challenge of this COVID-19 pandemic, whether that meant serving on the frontlines in our hospitals and grocery stores, delivering meals to elderly neighbors or simply staying at home to slow the spread. We helped flatten the curve and saved lives in the process, defying the forecasts set out by original models for our State. Right now, we are seeing a concerning increase in our data trends, likely as a result of both increased testing and reopening. Once again, Nevadans are stepping up and putting on their masks to help mitigate the spread.

Prior to this pandemic, I directed my Executive Branch cabinet to begin the momentous task of formulating ways to implement a child, family and community-centered Nevada government. Unfortunately, the COVID-19 pandemic created a new reality for all of us. State agencies were asked to adjust their budgets to reflect this reality, limiting to the maximum extent the impact on critical functions such as health, safety and education.

The difficult fiscal decisions for the Fiscal Year 2021 now lay ahead of us. My proposal preserves as much funding as possible for our most essential priorities: health, education and the State workforce, so they are able to continue providing the vital services on which Nevadans rely. We will do all we can to keep our communities healthy and safe and to provide a robust and vibrant future for our children by building a pathway forward.

As your Governor, I continue to advocate for federal support for our State, our counties and our cities by calling upon the federal government to pass a relief package, giving us the opportunity to restore some of the difficult decisions before us. But, the urgency of our current situation does not allow us to wait and see. We must act now and we must act together.

If that financial support materializes, or if our State revenues recover faster than expected, as Governor, my priorities for restoring funding focus on health care, education and supporting our State workforce to ensure we can deliver the services Nevadans rely on.
Our budget has changed, but our values remain the same. I look forward to working with you to amend our State budget to align with our new reality and our shared principles. We cannot predict when our economy will recover, but we can work together to set Nevada on the best path forward given the information we have at hand now.

Despite the uncertainty we are all facing in Nevada and around the country right now, I remain optimistic. For too long, there has been a discussion and overall agreement that our State needs to take a new approach to fix the structural issues that make us the most vulnerable state in the nation anytime the economy takes a hit. This unprecedented public health and economic crisis provides us with a unique opportunity to forge an innovative path that will propel Nevada forward.

Addressing this budget is the first step to get through the immediate crisis at hand, but then I look forward to partnering with all of you to take hold of this opportunity to reinvent our State so when Nevada’s children grow up and stand in the positions we are in now, they won’t have to make these same devastating decisions.

Nevadans have faced difficult challenges before, and we have always persevered in the face of obstacles – it’s the Battle Born way. I know that together, we can use that same spirit now to create a balanced budget and begin our pathway forward to recovery.

Thank you,

Governor Steve Sisolak
State of Nevada
# TABLE OF CONTENTS

Nevada’s pre-pandemic budget and economy.................................................................4
COVID-19 timeline........................................................................................................6
COVID-19 recession.......................................................................................................12
COVID-19 impact on State budget................................................................................16
Balanced approach to closing the Fiscal Year 2020-21 budget gap...............................18
Opportunities for restoration of proposed reductions....................................................28
Defining the path forward.............................................................................................33
Appendix A....................................................................................................................34
Appendix B....................................................................................................................38
NEVADA’S PRE-PANDEMIC BUDGET AND ECONOMY

At the December 2019 meeting of the State’s Economic Forum, the Chief Economist for the Research and Analysis Bureau, Department of Employment, Training and Rehabilitation (DETR), presented the State employment outlook. Based on October’s numbers, total employment, excluding farm-based employment, increased by 30,800 jobs over 2019 or 2.2 percent growth. This was a strong number, higher than the U.S. average of 1.4 percent. The unemployment rate at the time was roughly 4.1 percent—the State’s historical low. At that time, the data based on current conditions did not suggest a recession.

As a reminder of the economic conditions of 2019, consider Table 1, below, showing anticipated increases in total General Fund revenue, after tax credits, of roughly $195 million, or 2.2 percent over May 2019 forecasts.

Table 1. Economic Forum: General Fund Revenues, by Source—2019-2021 Biennium (Adjusted for Legislative Actions and Approved Tax Credits)

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2020 (Adjusted)</th>
<th>FY 2021 (Adjusted)</th>
<th>Biennium Total</th>
<th>Biennium Total (Adjusted)</th>
<th>Dollar Difference</th>
<th>Percent Increase</th>
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<tbody>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Mining Taxes and Fees</td>
<td>$5,373,000</td>
<td>$13,950,000</td>
<td>$10,321,000</td>
<td>$10,375,000</td>
<td>$52,010,000</td>
<td>$52,623,000</td>
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<td>Total Sales and Use Tax*</td>
<td>$4,757,000</td>
<td>$4,585,000</td>
<td>$10,210,000</td>
<td>$10,005,000</td>
<td>$52,005,000</td>
<td>$51,925,000</td>
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<tr>
<td>Total Gaming Taxes—State**(1)</td>
<td>$908,351,000</td>
<td>$826,582,000</td>
<td>$1,629,833,000</td>
<td>$1,625,400,000</td>
<td>$905,654,700</td>
<td>$921,880,800</td>
<td>$1,632,535,100</td>
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<td>Total Live Entertainment Tax (LET)**</td>
<td>$129,294,000</td>
<td>$136,440,000</td>
<td>$255,714,000</td>
<td>$259,340,000</td>
<td>$129,294,000</td>
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<tr>
<td>Total Commerce Tax*</td>
<td>$222,470,000</td>
<td>$231,527,000</td>
<td>$451,997,000</td>
<td>$453,997,000</td>
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<td>Total Transportation Excise Tax</td>
<td>$29,284,000</td>
<td>$37,053,000</td>
<td>$66,335,000</td>
<td>$66,335,000</td>
<td>$29,284,000</td>
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<tr>
<td>Total Cigarette Tax</td>
<td>$136,650,000</td>
<td>$131,826,000</td>
<td>$304,476,000</td>
<td>$305,805,000</td>
<td>$136,650,000</td>
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<td>Total Modified Business Tax (MBT)**</td>
<td>$673,750,000</td>
<td>$705,608,000</td>
<td>$1,381,362,000</td>
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<td>Total Insurance Taxes**</td>
<td>$467,920,000</td>
<td>$494,381,000</td>
<td>$961,301,000</td>
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<td>$494,381,000</td>
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<tr>
<td>Total Real Property Transfer Tax (RPIT)**</td>
<td>$105,083,000</td>
<td>$106,357,000</td>
<td>$211,440,000</td>
<td>$211,440,000</td>
<td>$105,083,000</td>
<td>$106,357,000</td>
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<td>Governmental Services Tax</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$24,164,000</td>
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<tr>
<td><strong>Total Other Taxes</strong></td>
<td>$183,552,000</td>
<td>$187,624,000</td>
<td>$371,176,000</td>
<td>$379,241,000</td>
<td>$183,552,000</td>
<td>$187,624,000</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL TAXES—BEFORE TAX CREDITS</strong></td>
<td>$4,188,815,000</td>
<td>$4,504,716,000</td>
<td>$9,082,531,000</td>
<td>$9,265,802,000</td>
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</tr>
<tr>
<td><strong>Taxes Credit</strong></td>
<td>$(593,128,000)</td>
<td>$(624,134,000)</td>
<td>$(1,217,262,000)</td>
<td>$(1,217,262,000)</td>
<td>$(593,128,000)</td>
<td>$(624,134,000)</td>
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<td><strong>Total Tax Credit Programs</strong></td>
<td>$(3,046,974)</td>
<td>$(3,175,130)</td>
<td>$(6,222,004)</td>
<td>$(6,222,004)</td>
<td>$(3,046,974)</td>
<td>$(3,175,130)</td>
<td>$(0)</td>
<td>0.0%</td>
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<tr>
<td><strong>TOTAL TAXES—AFTER TAX CREDITS</strong></td>
<td>$4,075,680,000</td>
<td>$4,215,544,000</td>
<td>$8,855,269,000</td>
<td>$8,843,578,000</td>
<td>$4,075,680,000</td>
<td>$4,193,690,000</td>
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</tr>
<tr>
<td><strong>Non-Tax Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Licenses</td>
<td>$141,267,100</td>
<td>$142,949,000</td>
<td>$283,196,000</td>
<td>$285,916,000</td>
<td>$141,267,100</td>
<td>$142,949,000</td>
<td>$0</td>
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<tr>
<td>Total Fees and Fines</td>
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<td>$68,153,000</td>
<td>$135,587,000</td>
<td>$135,587,000</td>
<td>$47,456,000</td>
<td>$68,153,000</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total Use of Money and Property</td>
<td>$18,722,005</td>
<td>$18,900,405</td>
<td>$37,712,410</td>
<td>$37,712,410</td>
<td>$18,722,005</td>
<td>$18,900,405</td>
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<td>0.0%</td>
</tr>
<tr>
<td>Total Other Revenue</td>
<td>$50,273,800</td>
<td>$51,153,000</td>
<td>$101,368,800</td>
<td>$102,725,900</td>
<td>$50,273,800</td>
<td>$51,153,000</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL NON TAX REVENUE</strong></td>
<td>$277,499,465</td>
<td>$281,304,605</td>
<td>$558,640,010</td>
<td>$561,212,410</td>
<td>$277,499,465</td>
<td>$281,304,605</td>
<td>$0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>TOTAL GENERAL FUND REVENUES</strong></td>
<td>$4,550,160,231</td>
<td>$4,496,580,795</td>
<td>$9,084,620,956</td>
<td>$9,084,620,956</td>
<td>$4,550,160,231</td>
<td>$4,496,282,105</td>
<td>$0</td>
<td>0.0%</td>
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</tbody>
</table>
The end of 2019 represented a highwater mark for Nevada’s economy, as it is now structured. Nonetheless, the structure itself has repeatedly demonstrated vulnerability, with significant overreliance on casino gaming and other tourism-related taxes. This unbalanced structure is important to note as a primary reason the COVID-19 pandemic caused the Nevada economy to retrench in such dramatic fashion resulting in substantial budget shortfalls, the highest unemployment rates of any state in the U.S. and the need to call for a special session of the Nevada Legislature.
COVID-19 TIMELINE

In a little more than 90 days, the COVID-19 pandemic has become an all-consuming crisis for Nevada and states across the nation. As outlined in the timeline below, in an incredibly short period of time, the State was forced to take decisive action to save lives and protect the State’s healthcare system. As in other states, closures of businesses and state government, along with stay at home orders issued in efforts to follow the guidance of the medical community and the U.S. Centers for Disease Control and Prevention (CDC), dramatically impacted our State’s economy. During this time, the State worked to update revenue projections and determine the actions that would be necessary to adjust the State’s budgets in response to projected shortfalls for both Fiscal Years 2019-20 and 2020-21.

At times it can feel as though Nevada has been facing this crisis for years, when in reality the State saw its public health crisis turn into an economic crisis, which resulted in a fiscal crisis in less than 90 days. In order to understand this unprecedented and historic turn of events and the magnitude of their impacts, a timeline has been compiled below:

**Timeline of Events:**

- March 5: Clark County announced results indicating Nevada’s first presumptive positive COVID-19 case. On the same day Washoe County identified its first presumptive case as well.

- March 12: Governor Sisolak issued a Declaration of Emergency concerning COVID-19, which directed all State agencies to supplement the efforts of all impacted and threatened counties to save lives, protect property and protect the health and safety of persons in this state.

- March 15: Governor Sisolak directed the Executive Branch agency leadership to close State offices to the public – as soon as possible – and transition as much of the work as possible to online and over-the-phone services.

- March 15: Governor Sisolak and the Department of Administration issued an emergency regulation to expand the authorization of paid administrative leave for State employees in a state of emergency.

- March 16: Governor Sisolak directed an immediate hiring freeze for all Executive Branch agencies.

- March 16: Governor Sisolak closed all K-12 Schools, per Directive 001.

- March 17: Governor Sisolak announced the Stay Home for Nevada risk mitigation initiatives.
• March 18: Governor Sisolak signed Emergency Directive 002, which provided for the closure of casinos and gaming establishments within Nevada.

• March 21: Governor Sisolak’s Stay at Home directive for Nevadans became effective, which included the closure of non-essential businesses statewide, per Directive 003.

• March 21: DMV Closed, per Directive 004.

• March 23: Per Governor Sisolak’s request, State budget officials directed Executive Branch agencies to prioritize spending for essential activities and actively review budgets and operations to identify potential savings or make process changes to reduce expenditures.

• March 24: Governor Sisolak signed Emergency Directive 007, which limited gatherings to fewer than 10 people.

• March 27: President Trump signed the CARES Act into law. The law provides unprecedented economic relief to American citizens, small businesses, workers, healthcare providers, and State, local, and tribal governments and builds on the Families First Coronavirus Response Act. Additional Nevada allocation information is found below.

• March 31: Governor Sisolak submitted a Major Disaster Declaration request to the President through the Federal Emergency Management Agency (FEMA).

• March 31: Governor Sisolak issued a travel advisory for the State of Nevada, urging visitors or returning Nevadans to self-quarantine and monitor their health for 14 days after arriving or returning to Nevada.

• April 1: Governor Sisolak extended the closure of non-essential businesses, gaming properties and schools, per Emergency Directive 010.

• April 1: Governor Sisolak signed Emergency Directive 012, which activated the Nevada National Guard in support of Nevada’s response to the pandemic.

• April 3: Governor Sisolak and the Governor’s Finance Office sent a letter and memo to Executive Branch agencies requesting that they review their respective budgets and make recommendations for budget reserves up to four percent for FY20 and six to fourteen percent for FY21 due to the significant hit to projected revenue expectations.

• April 4: Nevada received Major Disaster Declaration from President.

• April 7: President Trump directed FEMA to fund 100% of the emergency assistance activities provided by Nevada National Guard personnel in Title 32 duty status, per Governor Sisolak’s request.
• April 8: Governor Sisolak signed Emergency Directive 013, which expanded earlier social distancing measures and Stay-at-Home emergency directives by closing retail showrooms.

• April 13: Deadline for Executive Branch agency to provide recommended budget reserves for Fiscal Year 2020 and Fiscal Year 2021 to the Governor's Finance Office.

• April 13: An additional 700 Nevada National Guard Soldiers and Airmen entered the fight against COVID-19, the largest State activation in Nevada National Guard history.

• April 15: The Department of Employment, Training, and Rehabilitation released the March 2020 jobs numbers, which showed an unemployment rate of 6.3 percent, only capturing a small amount of the COVID-related job loss that began in mid-March.

• April 21: Governor Sisolak announced the criteria and framework for Nevada's State-specific reopening plan.

• April 24: Last CARES Act installment reached Nevada, bringing a total of $1.25 billion to the state, $414 million of which was allocated directly by the federal government to Clark County and the City of Las Vegas for those communities.

• April 29: Governor Sisolak signed Directive 015, which extended emergency programs of distance education and the previous closure of K-12 school buildings through the end of the 2019-20 academic year.

• April 29: Governor Sisolak issued Directive 016, extending earlier Stay-at-Home measures until May 15 and relaxing certain restrictions on retail, faith activities and leisure activities.

• April 29: Nevada Gaming Control Board released the March 2020 Gaming Revenues and Collections, showing a 39.6 decline statewide, with declines of 38.1 percent in Clark County and 45.7 percent on the Strip.

• April 30: Governor Sisolak released Nevada United: Roadmap to Recovery Plan.

• May 9: Phase 1 of Nevada's reopening began, per Directive 018.

• May 11: Governor Sisolak declared a state of fiscal emergency due to the economic and budgetary impacts of the COVID-19 pandemic.

• May 11: Governor Sisolak and Nevada Legislative leadership signed on to a letter with the Western States Pact requesting direct and flexible relief via federal funding to states and local governments to assist in making up for lost revenue due to COVID-19.
May 13: The Interim Finance Committee voted to declare a state of fiscal emergency and to accept $836 million in federal CARES Act funds to support the emergency costs related to the COVID-19 pandemic response.

May 14: The Board of Examiners voted to approve moving the entirety of the Account to Stabilize the Operation of State Government (also known as the “Rainy Day Fund”) to the State's General Fund to help address the Fiscal Year 2020 shortfall.

May 18: Interim Finance Committee voted to approve transferring the entire Rainy Day Fund to the State's General Fund to help address the Fiscal Year 2020 shortfall.

May 22: The Department of Employment, Training, and Rehabilitation released the April 2020 jobs numbers, which showed that Nevada’s unemployment rate had grown to nearly 30 percent—the highest in the nation's history.

May 28: Governor’s Office made request of Executive Branch agencies to prepare additional reductions for Fiscal Year 2021, in part to reduce the number of potential layoffs.

May 29: Phase 2 of Nevada’s reopening began, per Directive 021.

May 29: Governor Sisolak adjusted the travel advisory for Nevada to reflect the beginning of Phase 2 of Nevada’s reopening.

May 29: Nevada Gaming Control Board released the April 2020 Gaming Revenues and Collections, showing a 99.6 percent decline statewide, with declines of 99.5 percent in Clark County and 99.3 percent on the Strip -- the lowest win total since records began being kept in 1983.

June 1: Final report published on monthly tax revenue from March 2020, including (but not limited to) sales tax, LSST, lodging, cigarette, liquor, commerce and marijuana. The report showed a 19.5 percent decline in statewide taxable sales, 19.1 percent decline in total sales tax collection, a 19.4 percent decline in sales tax revenue deposited to the State's General Fund and a 44.5 percent decline in excise tax revenue collections.

June 1: Final report published on quarterly tax revenue (Jan-March 2020), including MBT, business license fee and insurance premium tax, showing quarterly excise tax collections 2.6 percent lower than during the same period in Fiscal Year 2019.

June 1: Submission deadline for additional reductions for Fiscal Year 2021 from Executive Branch agencies.

June 4: Gaming establishments reopened statewide, per Directive 021.
• June 9: Governor Sisolak publicly released initial details on how State budget officials plan to address the Fiscal Year 2020 budget shortfall.

• June 10: The Economic Forum met and received briefings on revised tax revenue projections and statewide taxable sales data.

• June 11: Governor Sisolak sent a letter to State employees announcing the proposed budget reductions for Fiscal Year 2021, including limited layoffs, a merit salary increase freeze and one furlough day a month.

• June 11: Governor Sisolak announced a complete breakdown of federal CARES Act funding that will be distributed to local Nevada governments with populations of less than 500,000 outside of Clark County that had not yet received allocations to assist with unanticipated expenditures created by the COVID-19 pandemic. These funds will help in recuperation efforts, as they can be used for expenses already incurred as well as pandemic related costs moving forward. These local government allocations total $148,551,100.

• June 11: Governor’s Finance Office transmitted budget reduction proposal package for Fiscal Year 2020-21 to Legislative Counsel Bureau Fiscal Division.

• June 12: The Interim Finance Committee approved using agency operating cuts, reserves and redirecting other funding to help fill most of the projected $812 million budget shortfall for Fiscal Year 2020.

• June 17: The Department of Employment, Training, and Rehabilitation released the May 2020 jobs numbers, showing that Nevada’s unemployment rate had fallen slightly to 25.3 percent.

• June 20: Nevada’s unemployment insurance trust fund balance stood at $1.04 billion, down from $2 billion in February 2020.

• June 25: The Interim Finance Committee approved a final package of $88.5 million in spending cuts to address the Fiscal Year 2020 budget shortfall.

• June 26: The Department of Employment, Training, and Rehabilitation announced that over 517,000 initial traditional unemployment insurance claims had been filed by Nevadans since March 14, that over 190,000 claims for the federal Pandemic Unemployment Assistance program had been filed since May 16 and that over $4 billion in federal and state dollars had been paid out to claimants. As of June 26, Nevada had paid 90 percent of eligible weekly traditional unemployment insurance claims filed and 67 percent of Pandemic Unemployment Assistance weekly claims filed.

• June 29: Final report published on monthly tax revenue from April 2020, including sales tax, LSST, lodging, cigarette, liquor, commerce and marijuana. The report showed a 29.1 percent decline in statewide taxable sales, 28.2 percent decline in total sales tax collection and a 29 percent decline in funds deposited to the State’s General Fund.
• June 30: Governor’s Finance Office transmitted revised budget reduction proposal package for Fiscal Year 2020-21 to Legislative Counsel Bureau Fiscal Division based on updated revenue reports.

• June 30: Nevada Gaming Control Board released the May 2020 Gaming Revenues and Collections, showing a 99.4 percent decline statewide, 99.3 percent in Clark County and 99.3 percent on the Strip -- the lowest win total since records began being kept in 1983.

• June 30: The Las Vegas Convention and Visitors Authority released tourism data from several entities including McCarran International Airport, the Nevada Gaming Control Board and the Nevada Department of Transportation. This data showed that visitor volume for the Las Vegas area was down 95.9 percent in May 2020 with 0 convention attendees and a 2.8 percent hotel occupancy rate (as compared to a 90.8 percent occupancy rate in May 2019). The average daily room rate for May 2020 was $60.70, down 56.8 percent from $140.52 in May 2019.

• July 1: Governor announced planned date of special session of the Nevada Legislature on July 8.

• July 8: *Planned date of 2020 Special Session*
COVID-19 RECESSION

What began as the COVID-19 public health crisis in early 2020 has rapidly become an economic and fiscal crisis for the State of Nevada. The speed and depth of the State’s decline are staggering and, in many ways, unprecedented. During the Great Recession, Nevada lost approximately 180,000 jobs over nearly three years. During the COVID-19 crisis, Nevada lost more than 250,000 jobs in the past three months. Following the events of September 11, 2001, Las Vegas visitor volume reported a peak decline of 12.4 percent. As a result of COVID-19 closures, visitor volume was off 97.3 percent in April 2020. Since February 2020, more than one in four workers have been displaced statewide, pushing the State’s unemployment rate to 30.1 percent, the highest level ever reported by any state in modern history and generating an unemployment insurance caseload orders-of-magnitude higher than anything the State has witnessed previously. In fact, more than half a million Nevadans have sought unemployment insurance in the last three months; and, as of June 27, 2020, nearly 300,000 traditional continued claims. Prior to the COVID-19 crisis, the record number of continued claims was just over 80,000 in May 2009.

Unemployment Insurance Claims
Historical 8-week Periods

<table>
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<tr>
<th></th>
<th>September 11th (9/15/01 to 11/3/01)</th>
<th>Great Recession (1/10/09 to 2/28/09)</th>
<th>COVID-19 Crisis (3/21/20 to 5/9/20)</th>
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<tr>
<td><strong>Initial Claims</strong></td>
<td>41,163</td>
<td>62,700</td>
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<tr>
<td><strong>Continued Claims</strong></td>
<td>35,835</td>
<td>80,429</td>
<td>369,041</td>
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</table>

Sources: Nevada Department of Employment, Training and Rehabilitation; Applied Analysis
Nevada’s State and local fiscal system is largely dependent on three sources of revenue: (i) sales and use tax, (ii) ad valorem (property) tax and (iii) casino gaming and other tourism-related taxes. Sales and use taxes are a function of consumer spending, which has been buoyed by federal stimulus but has nonetheless declined by an estimated 30 percent in the wake of the COVID-19 crisis. Property taxes are expected to remain relatively stable in Fiscal Year 2021; however, the combination of Nevada’s unique application of depreciation and legacy property tax abatements that will reduce property tax liability by $1.0 billion in Fiscal Year 2021 mean that total property tax collections in Fiscal Year 2021 will be roughly equivalent to the amount reported in Fiscal Year 2009. Casino gaming and tourism-related taxes, including gaming percentage fees, transient lodging (room) taxes, live entertainment taxes and other levies are predominately a function of visitor volume and visitor spending. While there are notable signs that Nevada’s reopened tourism industry is recovering, it is diminished.

Other significant revenue sources include general business taxes such as Nevada’s modified business (payroll) tax, commerce tax and business license fee, all of which are expected to produce significantly less revenue in Fiscal Year 2021 as businesses large and small struggle to regain their footing. Less significant revenue sources include taxes on net proceeds of minerals; excise taxes on cigarettes, liquor and marijuana sales; real property transfer taxes; governmental services taxes; franchise fees and several others. While some smaller sources of revenue may outperform their larger counterparts, the inescapable nexus between the structure of Nevada’s
economy and the structure of its fiscal system suggest Nevada’s economic crisis will continue to manifest as a fiscal crisis at the State and local levels well into Fiscal Year 2021.

The timeline of Nevada’s economic recovery is uncertain. The State’s economy, long associated with hospitality and tourism, is structurally different than that of other states. At present, this exposes a unique vulnerability and acute challenge. In fact, Nevada is a statistical outlier in the share of the workforce employed in the leisure and hospitality industry and unemployment rates, as depicted in the exhibit below. The State’s total employment in May 2020 is roughly equivalent to what it was in May 2013, with more than 50 percent of the job losses sourced to the State’s leisure and hospitality industry. The hope is that many of these jobs will come back quickly as the economy reopens while others may require an extended wait period as unemployment rates remain above historical averages during the next 12 to 24 months.

**Unemployment Rate vs. Percent Employment in Leisure/Hospitality vs. Size of Leisure/Hospitality Industry**

By Metropolitan Statistical Area

Sources: Bureau of Labor Statistics; Applied Analysis

Notes: Bubbles represent the relative number of people employed in the leisure and hospitality sector. Red lines represent axis averages.
Nevada Net Employment Growth (Loss) by Sector
Year-over-Year Change

<table>
<thead>
<tr>
<th>Sector</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>2,300</td>
</tr>
<tr>
<td>Mining and Logging</td>
<td>300</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-800</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>-1,900</td>
</tr>
<tr>
<td>Information</td>
<td>-2,400</td>
</tr>
<tr>
<td>Government</td>
<td>-7,800</td>
</tr>
<tr>
<td>Other Services</td>
<td>-9,100</td>
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<tr>
<td>Education and Health Services</td>
<td>-16,300</td>
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<tr>
<td>Professional and Business Services</td>
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<tr>
<td>Trade, Transportation, and Utilities</td>
<td>-43,600</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>-132,400</td>
</tr>
</tbody>
</table>


Nevada’s economy is currently being supported, in part, by the inflow of federal stimulus payments sourced to the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This, along with emergency actions taken by the State, appears to have held at bay some of the negative economic consequences typically present during a significant economic downturn. These include rising numbers of evictions, foreclosures, bankruptcies and homelessness along with rising demand for essential services such as food, rental assistance and Medicaid coverage. The effects of this stimulus will begin to burn off by late summer. Absent additional federal assistance, a slow recovery, or one in which Nevada lags behind the nation, will exacerbate the current economic and fiscal crises facing the State.
COVID-19 IMPACT ON STATE BUDGET

While the influx of federal dollars has assisted many Nevadans impacted by the economic crisis, the use of Coronavirus Relief Fund (CRF) dollars to replace lost government revenue is specifically prohibited. As noted in Guidance issued on June 30, 2020 by the U.S. Treasury:

*Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute. Although a broad range of uses is allowed, revenue replacement is not a permissible use of Fund payments.*

Legislation to assist State and local governments with the loss of billions in revenue is pending at the federal level, but to date, has not been passed. **As a result, Nevada and states around the country will be forced to take deep cuts in services and programs designed to help many of those most impacted by the COVID-19 pandemic.** As noted in the May 11, 2020 letter to congressional leadership that Nevada signed jointly with other western states, without federal assistance, states will be forced to make impossible decisions, including whether to cut funding to education or health and human service programs so desperately needed during this time, or to lay off or furlough the employees who have been working hard to support the State and the people of Nevada during these very challenging times, while trying to protect the health of themselves and their families as well.

Nevada’s projected revenue shortfalls span Fiscal Years 2019-20 and 2020-21. By May 2020, the projected shortfall for the remainder of Fiscal Year (FY) 2019-20 alone was estimated at $811 million. On May 11, 2020, the Governor issued a **Declaration of Fiscal Emergency** based on projections for FY 2019-20 and FY 2020-21. Subsequently, the Legislature’s Interim Finance Committee (IFC) took similar action. These steps allowed the State to access its Rainy Day Fund and transfer approximately $401 million to help address the projected FY 2019-20 shortfall.

During this short period of time, the Governor’s Finance Office (GFO) and State agencies worked rapidly to identify and propose additional actions, including General Fund reversions, to address the projected FY 2019-20 shortfall that did not significantly impact the services provided by the State. At its June 12, 2020, and June 25, 2020, meetings, the IFC reviewed and approved the majority of the proposed actions to address the remainder of the projected shortfall in FY 2019-20 after the transfer of the $401 million from the Rainy Day Fund, including one-time appropriations and capital improvements identified for reversion, more than $65 million in operating budget reductions and over $30 million in reimbursement for personnel costs and expenditures incurred due to the COVID-19 public health emergency.
On June 29, 2020, the Nevada Department of Taxation released revenue statistics for April 2020. Based on this information, consensus revenue projections developed jointly by the Legislative Counsel Bureau’s (LCB) Fiscal Analysis Division and the GFO were updated to reflect a total estimated General Fund shortfall of approximately $1.2 billion in FY 2020-21.
BALANCED APPROACH TO CLOSING THE FISCAL YEAR 2020-21 BUDGET GAP

It is important to recognize that, typically, the process for developing the Governor’s Executive Budget takes months of extensive analysis, review and preparation by the Executive Branch before it is presented and acted upon during the 120-day biennial session of the Nevada Legislature. In this current emergency situation, the proposals to address the large shortfalls across Fiscal Years 2019-20 and 2020-21 were prepared quickly and scrutinized by both the GFO and the Fiscal Analysis Division of the Nevada Legislative Counsel Bureau (LCB) under extreme time constraints and constantly changing economic conditions and projections driven by the COVID-19 public health emergency.

The GFO worked diligently with State agencies to identify General Fund reductions to fill the shortfall, along with the appropriate use of federal Coronavirus Relief Funds (CRF) for costs or personnel whose services were substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

The actions proposed to address the current shortfall are similar to the actions taken by the State during prior recessions in Nevada and include reductions to agency budgets, reversion of one-time appropriations, adjustments to or cancellation of Capital Improvement Projects (CIPs) and transfers from other funds and accounts. An overview of the proposed actions to address the FY 2020-21 budget shortfall follows.

2020 Special Session of the Nevada Legislature

Many of the proposed actions necessary to address the shortfall in Fiscal Year 2019-20 require statutory action by the Nevada Legislature to implement. Pursuant to the Nevada Constitution, the regular sessions of the Nevada Legislature are biennial and convene on the first Monday in February in odd-numbered years. Under Article 5, Section 9 of the Nevada Constitution, the Governor has the authority to convene a special session of the Legislature on “extraordinary occasions.” To address the FY 2020-21 shortfall, the Governor has called a special session of the Nevada Legislature.

Overview of Budgetary Proposals to Address the Fiscal Year 2020-21 Shortfall

Similar to prior recessions, the proposal to address the Fiscal Year 2020-21 shortfall includes the following:
• **Reduction in One-Time Appropriations (approximately $24 million)** – Proposed reductions in one-time General Fund appropriations from the 2019 Legislative Session include a radio system upgrade with the Nevada Department of Transportation, the Statewide Financial System upgrade for SMART 21 and an alpha migration project with the Gaming Control Board.

• **Reversions from the IFC Restricted Contingency Funds (approximately $26 million)** – Proposed reversions from the IFC Restricted Contingency Funds include funds appropriated under legislation from the 2019 Legislative Session for a specific purpose that have not yet been expended, including a statewide case management system for the Nevada Supreme Court (AB 543) and human resources and financial system costs associated with SMART 21 (AB543).

• **Transfers from Other Funds or Accounts (approximately $84 million)** – State funds or accounts that include General Fund revenue may be “swept” to assist with the State’s budget shortfall. These accounts include the Tax Bond Account, the Bond Interest and Redemption Account and the Healthy Nevada Fund.

• **Tax Amnesty Program (estimated $10 million)** – Under a tax amnesty program, similar to the one passed during the February 2010 Special Session, the Department of Taxation operates a program that allows a waiver of penalty and interest to businesses and individuals who have taxes prior to the start of the program that have not been paid. Under the program, the tax debt must be paid in full to take advantage of the waiver of penalty and interest.

• **Accelerate Net Proceeds of Minerals (estimated $54 million)** – Similar to legislative action in prior recessions, accelerate the payment of the net proceeds of minerals tax based on estimated net proceeds and royalties.

• **Attorney General Legal Settlements (approximately $11 million)** – Move a portion of the dollars received by the State from legal settlements into the General Fund.

• **Governmental Services Tax Increase into the General Fund (approximately $24 million)** – Redirect a portion of the Governmental Services Tax (GST) revenue from the 10% depreciation factor change (approved in S.B. 429, 2009 Session) from the Highway Fund to the General Fund. Currently, 25% of the GST proceeds are deposited in the
General Fund. Increase this percentage to provide that 50 percent of the proceeds be deposited in the State General Fund and 50 percent in the State Highway Fund in FY 2020-21 only. (Similarly, Senate Bill 483 of the 2015 Session required that 50 percent of these proceeds be deposited in the State Highway Fund and 50 percent in the State General Fund in FY 2017 only.)

**Agency Budget Reductions (approximately $549 million)**

Again, working closely with State agencies, the GFO and Governor’s Office strategized to develop proposed budgetary actions necessary to address the projected FY 2020-21 shortfall with the goal of limiting the impact on services provided and those who provide the services. However, with General Fund shortfall projections this large and absent federal or other assistance with declining State revenue, the proposed reductions will unavoidably and significantly impact the services and programs provided in FY 2020-21. The Governor’s Office and GFO also worked to identify proposed actions or reductions that could readily be added back in during the current fiscal year if revenue projections improve or additional dollars are received.

In analyzing potential actions, the State asked its agencies to prepare multiple options based on percentage reductions in their State General Fund appropriations. For reference, the following chart from the [2019 Nevada Legislative Appropriations Report](#) sets forth the distribution of General Fund appropriations by functions:
As reflected on the chart above, the majority of General Fund appropriations are distributed among health and human services (33.5%), K-12 education (34.9%) and higher education (15.5%). As a result, the proposed actions to address the current General Fund shortfalls necessarily impact these areas more significantly.

During the unprecedented short timeframe available for developing proposals to address the shortfalls of this magnitude across both fiscal years, agency proposals were revisited and updated with the overarching goal of preserving services and avoiding layoffs, especially in the current situation in which Nevada has one of the highest unemployment rates in its history and in the nation. Upon initial review, over 450 layoffs were projected, and agencies were subsequently asked to revisit their budget proposals. In May and June, the U.S. Treasury continued to issue updated guidance regarding the use of CRF dollars, and the GFO and agencies worked extensively to identify expenditures and payroll expenses for public safety,
public health, health care, human services and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. With this information and the appropriate use of CRF dollars, proposed layoffs were reduced to less than 50.

Proposed agency reductions to address the Fiscal Year 2020-21 shortfall include the following for consideration by the Nevada Legislature in 2020 special session:

- **State Employees** – State employees are critical to the successful operation of State government and the services provided to Nevadans. They have been on the front line and dedicated long hours to serve and protect the health of our State throughout this public health emergency. With the appropriate use of CRF dollars for personnel whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency, as well as other fiscal actions, the impact on State employees was mitigated, but not fully removed and the proposed reductions include the following:
  
  - A furlough of 12 days a year for State and NSHE employees effective July 1, 2020;
  - Freezing merit salary increases for State and NSHE classified employees during Fiscal Year 2020-21; and
  - Holding vacant approximately 700 positions in State government to produce salary savings to reduce costs and avoid layoffs.

- **Nevada System of Higher Education** – Similar to its approach during the recent recession (2009-2013), the Nevada System of Higher Education (NSHE) adopted a shared sacrifice model in response to the COVID-19 economic crisis and the request for budget reductions. A total of $190.6 million has been identified for reduction within NSHE, including reduced operating costs, not filling vacancies and repurposing capital funds. Furloughs are also included for NSHE academic and administrative faculty.

- **K-12 Education** – The 2019 Legislature, working with the Governor’s Office, approved total State, local and federal funding of $10.1 billion for the 2019-2021 biennium, a significant increase from the total funding of $8.9 billion in the 2017-2019 biennium.

The GFO and Governor’s Office worked closely with the Nevada Department of Education, local superintendents and the State Public Charter School Authority to identify the potential reductions for FY 2020-21 necessary to address the shortfall. The unfortunate task of identifying these reduction proposals was developed jointly in
consultation with school district leaders and the Nevada Department of Education. The necessary reduction of education funding is one of the main reasons the Governor continues to strongly advocate for federal dollars to address the revenue shortfalls with the hope of restoring these reductions and others during the fiscal year.

In brief, the Governor’s proposed reductions do not impact the basic support per pupil of $6,288 in FY 2020-21 provided under the State’s Distributive School Account (DSA). In addition, categorical funding appropriated in Fiscal Year 2020-21 for Zoom ($44.9 million) and Victory Schools ($25 million) is not reduced, although approximately $1.8 million is balanced forward from the Fiscal Year 2019-20 approved funding for Victory Schools is part of the overall reductions outlined below.

To address the shortfall, a total of approximately $166 million in General Fund reductions and additional reductions in certain one-time appropriations is proposed for K-12 education, including the following:

- Nevada Department of Education – approximately $10 million
- K-12 Categorical Funding – A reduction of approximately $156 million from the $711 million in legislative approved categorical funding for FY 2020-21, including:
  - Class size reduction (approximately $6 million out of the $165 million legislatively approved for FY 2020-21 for class size reduction, in addition to an estimated $12 million balanced forward from the prior fiscal year)
  - Read by Grade 3 (approximately $31 million)
  - Funding for the New Nevada Education Funding Plan (approximately $70 million)
  - Teacher school supply reimbursement funding ($4.5 million)
  - Reductions to certain teacher incentives, college and career readiness programs, school safety, financial literacy and other categorical programs (approximately $29 million)
- One-time appropriations from the 2019 Legislative Session, including:
  - SB 458 – School Gardens ($205,000)
  - AB 235 - Grants for Mentorship Programs ($25,000)
  - SB 551 – School Safety: Facility Improvements ($8,404,930)

- Department of Health and Human Services – Nevada’s Department of Health and Human Services (DHHS) provides critical services and support for residents across the State. In approaching the need for General Fund budget reductions, the methodology
for DHHS included prioritizing direct services, prioritizing staffing required for direct service delivery and maximizing the use of Coronavirus Relief Fund (CRF) dollars to support payroll expenses for staff substantially dedicated to responding to the COVID-19 public health emergency (i.e., Division of Welfare and Supportive Service, eligibility staff).

The DHHS leveraged enhanced federal funding (Federal Medical Assistance Percentages (FMAP)) to protect and preserve Medicaid coverage to ensure continuous eligibility during the public health emergency.

Additionally, the DHHS prioritized the areas for reduction to include: reversions from accounts, vacancy savings; identifying alternate sources of funding (i.e. federal and/or fees); reducing or eliminating one-shot appropriations, deferred maintenance, and operating expenditures; reducing rate increases, freezing caseloads and reducing or eliminating optional services; and eliminating or holding positions vacant to reduce the impact on filled positions. The elimination of services or positions was last on the list of options for addressing the revenue shortfall.

Using this approach, the highlights of Nevada’s DHHS budget reductions proposal include:

- Benefit of CRF dollars allowed the preservation of Welfare Eligibility Services.
- For Fiscal Year 2019-20, projected reversions were utilized as a target for making reductions and are within previous years amounts.
- For Fiscal Year 2019-20, the majority of DHHS budget reductions were largely due to savings and changes and did not result in reduction in services.

Fiscal Year 2020-21 reductions for DHHS total approximately $233 million, including sweeps of certain accounts, and impact services across the agency, including Aging and Disability Services, Public and Behavioral Health and Medicaid. An overview of the proposed reductions impacting the Medicaid program follows:

**Eligibility Changes** – The Families First Coronavirus Response Act (FFCRA) increased the regular FMAP rate by 6.2 percentage points from January 1, 2020 through the end of the calendar quarter during which the emergency ends.

To receive this increased FMAP, states may not terminate an individual, once determined eligible, through the end of the month in which the public health emergency ends. **Therefore, no changes in eligibility for Medicaid or Nevada Check Up (CHIP) are being proposed by the Division.**
Furthermore, the Division of Health Care Policy and Financing expects significant increases in caseload due to deteriorating economic conditions. The Medicaid caseload has increased by over 44,000 recipients since February 2020 to reach 688,167 in May 2020.

Current caseload projections from the Nevada Department of Health and Human Services, Office of Analytics anticipate that the Medicaid caseload will peak at 703,948 in July 2020 and will remain relatively flat, declining by less than 7,000 recipients through the end of FY 2020-21. These caseload increases will further strain the Division’s budget even with the anticipated increase in the FMAP rate.

Elimination of Services – The following optional services are proposed for elimination in order to reach the target reductions.

- Tenancy Support Services for the Homeless 1915(i) – During the 2019 Legislative Session, funding was approved to provide tenancy support services for certain homeless recipients. Due to a lengthy federal approval process, this initiative has not yet been implemented and was identified for a delayed implementation. (SGF savings = $622k in FY 2019-20, $1.3 million in FY 2020-21)
- Biofeedback and Neurotherapy (Savings = $6.8 million)
- Optometry for Adults (Savings = $3.2 million)
- Prosthetic Devices for Adults (Savings = $2.1 million)
- Psychosocial Rehabilitation Services for Adults (Savings = $1.6 million)
- Basic Skills Training for Adults (Savings = $1 million)
- Private Duty Nursing for Adults (Savings = $1 million)
- Behavioral Health Case Management for Non-Seriously Mentally Ill (SMI) Recipients (Savings = $0.2 million)
- Occupational Therapy for Adults (Savings = $0.7 million)
- Podiatry for Adults (Savings = $0.5 million)
- Bariatric Surgery for Adults (Savings = $0.1 million)
- Chiropractic Services for adults (Savings = $15K)

Although these services are deemed “optional” by CMS, many of them have positive impacts on quality of life for Nevada Medicaid recipients and their elimination may create unanticipated costs elsewhere in the program. In addition, the State is awaiting clarification from CMS regarding the elimination of optional services and if it impacts the State’s ability to claim the COVID-19 enhanced FMAP.
Limitation of Services – The Division proposes the following service limitations to reach the target reductions.

- Dental Services – To reach the 14% reduction target, dental services would be capped, but pregnant women and children who qualify under Early Periodic Screening, Diagnostic, and Treatment (EPSDT) would still receive benefits (Savings = $28.1 million)
- Physical Therapy for Adults – Limited to twelve sessions. (Savings = $1.2 million)
- Hospice – Clients receiving hospice services could no longer receive duplicative services in the home. (Savings = $0.9 million)
- Implementation of a Specialty Pharmacy. (Savings = $2.3 million with an implementation date of January 1, 2021)

Rate Reductions – In the past, rate reductions for specific provider types to achieve savings goals led to inequities across providers and/or place of service. For this process, the Division focused on across the board rate reductions in order to avoid creating additional inequities. The Division proposes a 6% across-the-board rate reduction under the 14% target scenario, for projected state general fund savings of $52.9 million through the end of Fiscal Year 2020-21.

The chart shows the share of the impact by broad service categories (Hospital Services, Professional Services (physicians, nurses, etc.), Behavioral Health Services, Long Term Support Services including Nursing Facilities and Other Services. Hospitals will be most impacted, contributing 42% of the savings projected to be achieved through these across the board rate reductions. Note that hospitals will continue to receive supplemental payments during this time period.

In addition to the across the board rate reductions, the Division recommends the following rate changes:

- Roll-back of rate increases from the 2019 Legislative Session that were implemented January 2020:
  - Acute Hospital Services 2.5% Increase (Savings = $5.5 million)
  - Neonatal Intensive Care Services 25% Increase (Savings = $5.2 million)
- Pediatric Intensive Care Services 15% Increase (Savings = $0.5 million)
- Personal Care Services 3.3% Increase (Savings = $1.2 million)

Rate Change for Habilitation Services – CMS ruled that therapy services could no longer be included within the previous rate methodology for habilitation services. The rate was adjusted to be on par with services in the 1915(c) waiver. Recipients who need therapy can receive the services separately, but the rate revision means the state will no longer be paying for habilitation services for recipients that are not utilizing them. (Savings = $97K in Fiscal Year 2019-20, $262k in Fiscal Year 2020-21)

• Other State Agencies – All State agencies are impacted by the proposed budget reductions, with reductions in programs and services and position vacancies and eliminations. Collectively, all State agencies provide essential functions that support and sustain vital services across the State, including business, economic, public safety, recreational, and cultural services. All agencies worked intensely to identify reductions that could be implemented with minimal impact on the public, but the proposed reductions necessary to help fill the $1.2 billion General Fund shortfall in Fiscal Year 2020-21 will have a noticeable impact on these services that contribute to the quality of life for Nevadans.
OPPORTUNITIES FOR RESTORATION OF PROPOSED REDUCTIONS

With a projected General Fund shortfall of over $1 billion for Fiscal Year 2020-21, the options for filling the gap in Nevada’s budget are extremely limited without additional revenue or assistance from the federal government for state budgets. The proposed actions to address the projected General Fund revenue shortfall are necessary and responsible to protect the fiscal condition of the State, but they will be painful and will impact Nevadans across the state.

Possible Federal Assistance for State and Local Governments in 2020:

Depending on the ability of Nevadans to mitigate the spread of COVID-19 and avoid any additional closure of businesses, the State’s fiscal condition may improve if revenues continue to come in above projections. In addition, there are efforts in state capitals and local governments around the country imploring Congress and the White House to immediately act on aid for state and local governments whose major revenue sources have been decimated by the COVID-19 pandemic.

On June 29, 2020, a coalition of state and local organizations, business groups, labor unions and others wrote a letter to leadership in the Senate advocating for assistance:

We write today to advocate on behalf of states, territories, counties, cities and towns, all of which are experiencing historic budget shortfalls as they continue to respond to the pandemic. . . . .

Previous federal bills responding to COVID-19 provided important support, many through well-established grant programs, yet none allow for the replacement of billions of lost revenue due to COVID-19. More robust and direct stimulus is needed for state and local governments to both rebuild the economy and maintain essential services in education, health care, emergency operations, public safety and more.

As we move closer to the end of the budget year, furloughs and job cuts are on the table for many states and localities. These jobs losses not only affect the provision of government services, but also add to state unemployment. The damage will get far worse without federal assistance, forcing drastic cuts that will further delay and cancel infrastructure projects, as at least 26 states have announced construction delays for transportation projects. The loss of such projects will ripple through states’ construction industry, delaying recovery further.

State and local governments also purchase goods and services which add to the nation’s output, and in 2019, state and local governments’ purchases accounted for 11 percent of GDP. When these activities slow down, there is an effect on the nation’s economy. Alarmingy, CBO’s June letter on its forecast of Gross Domestic Product for 2020 and 2021 found that “state and local
governments’ purchases of goods and services fell by $350 billion, making up 9 percent of the total decline in GDP.

Leaders in Washington have expressed support for flexible fiscal aid to states and localities of all sizes. Yet months have gone by and our communities continue to suffer. Americans have a history of standing together in times of crisis and must do so now.

If Congress acts to provide financial aid to states, Nevada may receive additional federal dollars to assist with its revenue shortfall in Fiscal Year 2020-21. As part of the proposal to address the shortfall, it is the Governor’s intent to include flexibility with any unanticipated funds to allow the State to restore – in whole or in part – the reductions in State funding, prioritizing vital services in the area of education, health care and public safety, as well as reducing the impact on the State workforce that supports these services.

**Increase in State Revenue**

The Governor’s proposed budget actions allow the State to balance the budget without additional revenue, but the necessary reductions are deep and significant and will negatively impact the State and those it serves in this fiscal year, especially in the area of healthcare and education.

This special session is meant to take emergency actions to fix the extraordinary budget crisis we are facing. Without confirmation that federal assistance will be provided to states to help address budget shortfalls, the Governor explored and evaluated revenue options that could reduce the need for cuts, understanding that any options during an unplanned special session would be short term, stop-gap measures to help sustain critical public services until the legislature reconvenes in a regular session in 2021.

Through this evaluation and under the emergency situation we face, the Governor determined that any viable revenue proposal would need to be implemented quickly in order to have an impact in the Fiscal Year 2020-21. Considering any new revenue streams would require substantial time to setup, administer, and implement, they are not viable as an immediate option to address this emergency situation. The Governor determined that any options for increasing revenue should be limited to augmenting existing major revenue sources or augmenting multiple smaller existing revenue sources.

As has been the reality since the first case of COVID was announced in Nevada in March, the time we have to make difficult decisions and take action is limited, as will also be the case in this special session. Fortunately, narrowing the options to augmentation of existing revenue sources means elected leaders already have an understanding of what’s on the table. If the
legislature is able to move a revenue package forward, with the two thirds vote required*, the Governor is willing to consider the legislation under the parameters outlined above. Additionally, any augmentation of existing revenue sources must be considered in the context of the unpredictable and continuing economic impact of COVID-19 and its impact on individual Nevadans.

*Procedurally, Article 4, Section 18 of the Nevada Constitution requires an affirmative vote of not fewer than two-thirds of the members elected to each House to pass a bill or joint resolution which creates, generates, or increases any public revenue. This requirement was proposed by initiative petition and ratified by a vote of the people at the 1994 and 1996 General Elections.

Prioritizing Restoration of Proposed Reductions

The economic situation in Nevada, throughout the country and around the world remains unpredictable as the COVID-19 public health emergency continues. Actual revenue in Nevada may come in above or below predicted amounts. The Governor continues to advocate for federal funding for states to replace revenue and fill budget deficits resulting from the COVID-19 public health emergency (for example, The HEROES Act). There is also discussion of other federal initiatives, including a possible extension of the enhanced FMAP rate (an additional 6.2%) under a provision of the Families First Coronavirus Response Act (FFCRA), which would result in additional state General Fund dollars.

In short, it is unknown at this time what, if any, additional revenues or federal assistance will be made available fill the State’s General Fund shortfall in Fiscal Year 2020–21. However, it is the Governor’s intent that the State’s plan to address the budget shortfall that will be considered in the 2020 special session includes flexibility for the State to move quickly to restore or augment funding for the reductions in the event unanticipated revenue or federal dollars make their way to the State’s coffers. In the event additional revenue to the State’s General Fund is not sufficient to restore all reductions, the Governor is prioritizing the following services and programs:

- **Education** – Restoration of funding to the maximum extent possible for Nevada’s education system, with a priority on categorical programs in K-12 serving disadvantaged students and supporting teachers, including but not limited to:
  - New Nevada Education Funding Plan - This categorical program was established in the 2017 Legislative Session and provides $1,200 per pupil funding for underperforming students.
• **Class Size Reduction** - While the proposed reduction is a small percentage of the total amount allocated for Fiscal Year 2020-21, funding for this categorical program remains essential to support teachers and students in the classroom.

• **School Safety Initiatives** - Many of the school safety initiatives added or augmented in the 2019 Legislative Session under the categorical appropriations are impacted by the proposed reductions, but these items are prioritized for restoration.

• **Health and Human Services** – Restoration of funding to the maximum extent possible for health and human services in Nevada, including programs serving the elderly and most vulnerable, the rates for the critical health care providers, and the following services under the Medicaid program, many of which include a General Fund cost, but yield a much larger corresponding federal impact:
  
  • **Tenancy Supports** - This service, approved in the 2019 Legislative Session, provides supportive services that help homeless populations find and maintain housing.
  
  • **Private Duty Nursing** - Private duty nursing (PDN) is an optional benefit offered under the Nevada Medicaid State Plan. PDN provides more individual and continuous care than is available from a visiting nurse for recipients who meet specified criteria and require more than four continuous hours of skilled nursing (SN) care per day.
  
  • **Ocular** - The Nevada Medicaid ocular program reimburses for medically necessary ocular services (such as eyeglasses) for eligible Medicaid recipients who are under the care of a prescribing practitioner.
  
  • **Prosthetic Devices** - Prosthetic devices are replacement, corrective or supportive devices prescribed by a physician or other licensed practitioner to artificially replace a missing portion of the body; prevent or correct physical deformity or malfunction; or support a weak or deformed portion of the body.
  
  • **Dental Services** - Currently, Medicaid provides emergency dental services and prosthodontics for adults on a limited basis. Expanded treatment is available for pregnant adults. To maintain oral health during development, comprehensive dental services including preventive and restorative treatments are provided to children. These services are critical to maintaining overall health in Nevada’s children.
  
  • **Housing/Residential Support** - This service supports individuals with serious mental illness (SMI) obtain and maintain supportive housing.
• **State Workforce** – Reduction or elimination of the number of furlough days for Nevada’s dedicated State employees, as well as the restoration of merit pay in Fiscal Year 2020-21 is a priority.
DEFINING THE PATH FORWARD

This pandemic has disrupted every aspect of normalcy in the State. This has brought innumerable challenges, but it has also provided an opportunity for transformation to reinvent Nevada. This work is already underway through the administration’s strategic planning efforts, and it can be modified by the experiences and realities presented by the pandemic and other associated disruption.

Nevada is Battle Born and has a long history of reinventing itself in response to existential crises. The current set of challenges, while different in type from those that have affected the State in the past, present similar opportunities for the State and its people to show their ingenuity and capacity to adapt.

Most important is to use these challenges to improve—to improve IT infrastructure, the efficiency with which government services are provided by implementing and using technology, and to emerge from the current period stronger.

###
Appendix A: Governor’s Emergency Directives and Declarations

**Directive 025 – Gradual Lift of Evictions Moratorium** (06-25-2020)
Revises Directive 008 on evictions to permit commercial eviction actions beginning July 1 and residential July 31, ends prohibition on charging of late fees effective August 31.

**Directive 024 – Requirement for face coverings in public** (6/24/2020)
Requires individuals with certain exceptions to wear face coverings while in public spaces or businesses.

Relaxes certain prohibitions from Directive 007 on the operations of youth sporting and recreation facilities permitting non-contact sports to resume games without spectators and contact sports to resume training and drills.

**Directive 022 – K-12 School Re-Opening for Summer Learning and Activities** (6/9/2020)
Authorizes school districts and charter schools to re-open facilities for in-person instruction, planning and administrative activities by staff and educators, and community engagement.

**Directive 021 – Phase Two Reopening** (5/28/2020)
Allows non-essential businesses to resume operations with enhanced hygiene and social distancing measures, relaxes the limitation on gatherings to 50 individuals.

**Directive 020 – Virtual Public Participation in Parole Hearings** (5/21/2020)
Facilitates participation of the public in parole hearings by permitting video and telephonic access to proceedings.

**Directive 019 – Dept. of Employment, Training and Rehabilitation Allowed to Hire Non-Merit Staff to Assist with Unemployment Claims** (5/11/2020)
Permits DETR to relax certain provisions of Nevada statute to permit expedited hiring and employment of staff to address unemployment claims

**Declaration of Fiscal Emergency** (5/11/2020)
Directive 018 – Phase One Reopening (5/07/2020)
Relaxes the State stay-at-home order, authorizes certain retail services and reopens state parks.

Directive 017 – Restriction of Wage Garnishment (5/01/2020)
Protects the wages and federal economic impact checks of Nevadans from garnishment owing to debt.

Modifies Directive 003 to permit the provision of retail services through curbside pickup.

Extends school closures extended by Directive 014 through the end of the 19/20 school year.

Directive 014 – School Closure thru April 30, Graduation, Long-Distance Learning (4/14/2020)
Extends the school closures extended by Directive 005 through April 30 and provides for the waiving of regulations to enable distance education.

Addresses limitations of previous directives to ensure compliance with social distancing requirements by closing recreation facilities, in person religious services, and retail.

Directive 012 – National Guard Activation (4/1/2020)
Authorizes the Adjutant General of the Nevada National Guard to order into active duty such personnel deemed necessary for the response to the COVID-19 pandemic.

Directive 011 – Professional Medical Licensing (4/1/2020)
Temporarily waives certain licensing requirements for medical professionals to augment Nevada’s workforce capable of addressing the pandemic. Authorizes regulatory boards to expedite the processing of applications.

Directive 010 – Stay At Home Order (4/01/2020)
Mandates that Nevadans with exceptions for essential services are required to stay at home.
Directive 009 – Legal Actions and Business License Expiration (Revised) (4/2/2020)

Grants a grace period for all licenses and permits issued by the state as well as time limits for legal actions for a period of 90 days after the expiration of the state of emergency.


Prohibits evictions during the state of emergency. Additionally, prohibits the charging of late fees or penalties for non-payment.

Directive 007 – Gatherings and Recreation Areas (3/24/2020)

Prohibits gatherings of more than 10 individuals, requests to the extent practicable that Nevadans maintain social distance, requires local governments to limit access to recreation facilities that encourage congregations.

Nevada State Board of Pharmacy Emergency Regulations (3/23/2020)

Prohibits the use of hydroxychloroquine in out patient settings.


Modifies the requirement in State statute that requires a delegated physical location for meetings of public bodies such that telephonic and video participation is permitted.

Directive 005 – School Closure through April 16, Distance Learning (3/20/2020)

Extends the closure of schools initiated by Directive 001 through April 16 and suspends regulatory and statutory requirements that would hinder the provision of education.

Directive 004 – Department of Motor Vehicles and Licenses (3/20/2020)

Permits extension of licenses and permits issued by the DMV by 90 days without penalty.


Requires non-essential businesses to close to the public, establishes standards for hygiene and social distancing for essential businesses.

Directive 002 – Closure of Casinos, Gaming (3/18/2020)

Directs gaming licensees to cease operations of all gaming devices, machines, tables and games effective March 17.
Directive 001 – School Closure thru April 6 (3/15/2020)

Closes all K-12 facilities until April 6.

Declaration of Emergency (3/12/2020)
Appendix B: Guidance on Emergency Declarations

Directive 025

Guidance – Landlords and Tenants General FAQs
Guidance – Residential Tenants FAQs
Guidance – Landlords FAQs

Directive 024

Guidance – Face Coverings (updated 6/25/2020)

Directive 023

Roadmap to Recovery for Nevada: Baseball and Softball Practice Only (6/10/2020)
Roadmap to Recovery for Nevada: Soccer Practice Only (6/10/2020)
Roadmap to Recovery for Nevada: Organized Youth Sports Practice Only (6/10/2020)

Directive 021

Phase Two Reopening: General Guidance (5/28/2020)
Phase Two Reopening: Industry-Specific Guidance (REVISED 6/12/2020)

Directive 018

Phase One Reopening: General Guidance
Phase One Reopening: Industry-Specific Guidance (REVISED 5/15/2020)
Directive 016

Guidance – Retail, Recreation and Gatherings (4/29/2020)


Directive 013


Directive 008


Directive 007

Guidance – Restrictions on Gatherings (3/24/2020)

Directive 003

Guidance – Essential & Non-Essential Businesses (UPDATED) (4/16/2020)

All Guidance Issued on Directives 003 and 013 – Essential and Non-Essential Businesses (4/16/2020)

Guidance on Grocery Store Personnel – from Nevada Health Response (4/14/2020)

Guidance – Essential Status Clarification for Funeral Homes (4/6/2020)