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A STATE OF DECLINE:
What TASC Would Mean for Nevada

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If the proposed Tax and Spending Control (TASC) initiative— a constitutional amendment to limit expenditures similar to Colorado's TABOR —had been effective since the 1991-93 biennium in Nevada, state services would have deteriorated substantially in the ensuing 15 years.[1] By limiting state spending growth to a rigid population-growth-plus-inflation formula, TASC would have required cutting the actual budget by more than $4.6 billion over this period. Each year legislators would have had to make cuts in public services, such as education, health care, and public safety, in order to comply with the limit. The severity of these cuts would increase over time.

- By FY 1999, state expenditures would have had to have been $186 million lower than what was actually appropriated.

- By FY 2007, state expenditures would need to be $780 million lower than the current appropriation levels.[2]

KEY FINDINGS

Nevada state expenditures would have to be $780 million lower in FY 2007 if TASC had been effective since the 1991-93 biennium. A reduction of this magnitude could be achieved by taking all of the following actions:

- **Cutting 3,740 K-12 teachers**
- **Eliminating health care insurance for the 31,000 children covered under SCHIP**
- **Eliminating all professor positions at UNLV and UNR**
- **Incarcerating 1,300 fewer inmates**
- **Eliminating all funding for Economic Development and Tourism**
- **Reducing other programs by $445 million**

This report compares actual state expenditures to what state expenditures would have been limited to had TASC been effective beginning in the 1991-93 biennium budget, approximately the same time TABOR took effect in Colorado. Specifically, it

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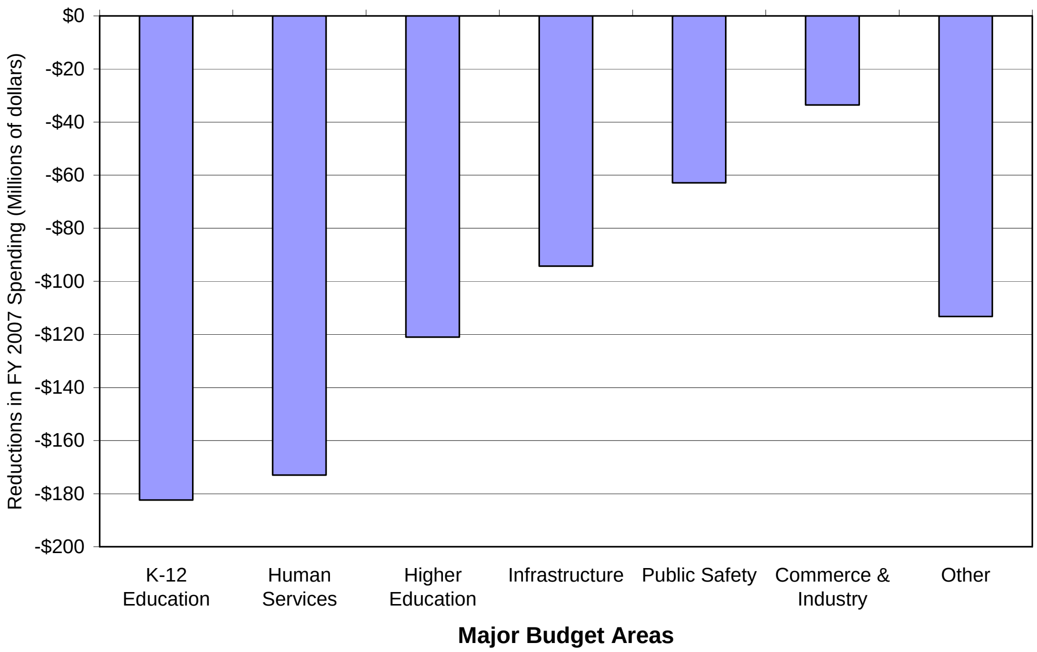
[1] In order to become part of Nevada's state constitution, TASC would have to be approved by voters in 2006 and in 2008.

[2] Nevada operates on a biennium budget cycle, which means that the state enacts separate annual budgets for two fiscal years at the same time. The State Spending Limit in TASC applies to biennial spending. The FY 2007 budget represented approximately 53 percent of the total 2005-07 biennium budget and it is assumed that it would receive 53 percent of the biennial budget cuts.

FIGURE 1

By FY 2007, Budget Would Need to Be $780 Million Lower



Source: Center on Budget and Policy Priorities analysis of Nevada budget documents.

focuses on FY 2007, when expenditures under TASC would have been $780 million lower than actual expenditures. This report illustrates the magnitude of this difference by showing hypothetical ways to reduce actual state expenditures in FY 2007 by $780 million. It assumes that such a reduction would be distributed proportionally across and within Nevada's major budget areas: K-12 Education, Human Services, Higher Education, Infrastructure, Public Safety, Commerce & Industry, and Other.[3] Thus since K-12 Education makes up 23 percent of the FY 2007 budget, it receives 23 percent of the hypothetical total expenditure reduction. Furthermore, since the Distributive School Account makes up 94 percent of all K-12 Education spending, it receives 94 percent of the K-12 expenditure reduction. [4]

While actual reductions likely would differ from this assumption, proportional reductions provide an indication of the types of reductions that would be required. (See Figure 1.)

The following sections detail both the proportional amount by which each major budget area would have to be cut, as well as potential ways to achieve these cuts, in order to lower the total state budget by $780 million. These examples are for illustrative purposes only— the author is not implying that such cuts are desirable or politically feasible. [5]

[3] Other is composed of Finance & Administration, Constitutional Agencies, and Special Purpose Agencies.

[4] Cuts are distributed within program areas, only if there are large expenditures within an area's budget, i.e. Medicaid and SCHIP within the Human Services budget.

[5] It should also be noted that had TASC been adopted, legislators would have had to make these types of cuts over time, i.e. they would not have had to make such a large cut in one year.

K-12 Education

K-12 Education's share of the total expenditure reduction would be 23 percent or $182 million less in state funding for FY 2007. The majority of that amount—$171 million —would come from the K-12 Distributive School Account (DSA), which provides direct state financial aid to K-12 public education in Nevada. A reduction in the DSA of this magnitude for the 2006-07 school year could be accomplished in a couple of ways.

- Nevada public schools could employ 3,740 fewer teachers, reducing the number of teachers by almost 18 percent. This would consequently raise the pupil-teacher ratio from 20.5 children per teacher to 25 children per teacher and would lock in Nevada's current rank of 50^{th} in the nation in pupil-teacher ratio. The pupil-teacher ratio would continue to rise in subsequent years, as TASC would require greater reductions over time.

- Alternatively, Nevada could close school for 28 additional days each year—by having longer vacations or shortening the school year. Again, fewer and fewer days of school would be affordable in future years as the limit would continue to pinch funding.

Human Services

Human Services, which includes community-based services to people with severe disabilities, mental health care, rural health clinics, Medicaid, and Nevada Check-Up, would face a proportional reduction in state funding of $173 million. Roughly 40 percent of this reduction would come from Medicaid and Nevada Check-Up, the State Children's Health Insurance Program (SCHIP).

State funding for Medicaid and SCHIP—the main state-administered programs for health care assistance and coverage—would need to be reduced by $72.5 million in FY 2007. By reducing its Medicaid and SCHIP spending by this amount, Nevada would also forego $86.8 million in federal matching funds. Thus, Nevada's health care providers would face a loss of Medicaid and SCHIP revenues of over $159 million.

Nevada would not be able to achieve reductions in these two programs through "efficiency savings." Instead, it would have to take one or more of the following actions: (1) reduce eligibility levels; (2) reduce covered benefits; or (3) reduce payments to physicians, hospitals, nursing homes, and other providers. Because Nevada's Medicaid income eligibility levels for children, nonworking parents, pregnant women, elderly, and disabled individuals are already as low as the federal government will permit, the state could not generate any significant savings by reducing eligibility levels.

Thus, to achieve a $72.5 million reduction in Medicaid and SCHIP funding the state could do *all* of the following.

- Eliminate all funding for SCHIP. This would leave over 31,000 children without health care coverage and would save the state $13.3 million.

TASC is TABOR

The Tax and Spending Control initiative is similar in its basic structure and effect to Colorado's TABOR (Taxpayer Bill of Rights). It includes all three factors that make Colorado's TABOR the most severe state budget limit in the country:

- **It is a constitutional amendment**. If a limit in the constitution is found to be flawed or harmful to the state, it can be changed only by waging a costly statewide campaign on the ballot.

- **It restricts growth to a population-change-plus-inflation formula**. This formula virtually guarantees that state services will have to be cut every year because inflation and general population growth do not adequately measure the increase in the cost of what the state buys, including health care, education, and services to the growing elderly population and populations with special needs.

- **It requires voter approval to spend above the limit**. This cumbersome process greatly limits the flexibility of the governor and legislature to adapt to changing fiscal circumstances and priorities of the citizens of the state. It too can prove very costly. For example, over $10 million was spent by the proponents and opponents of the successful effort to temporarily override TABOR in Colorado.

A growing body of evidence shows that TABOR has contributed to a sharp decline in the availability and quality of nearly all major public services in Colorado. Colorado voters recently chose to suspend TABOR for five years, in part to restore some of the service cuts induced by TABOR.

- Under TABOR, Colorado declined from **35th** to **49th** in the nation in K-12 spending as a percentage of personal income.

- Under TABOR, higher education funding per resident student **dropped by 31 percent** after adjusting for inflation.

- Under TABOR, Colorado plummeted from **24th** to **50th** in the nation in the share of children receiving their full vaccinations. Only by investing additional funds in immunization programs was Colorado able to improve its ranking to 43rd in 2004.

- Under TABOR, the share of low-income children lacking health insurance has doubled in Colorado, even as it has fallen in the nation as a whole. Colorado now **ranks last** among the 50 states on this measure.

Source: David Bradley and Karen Lyons, *A Formula for Decline: Lessons from Colorado for States Considering TABOR*, Center on Budget and Policy Priorities, October 2005. Available at: http://www.cbpp.org/10-19-05sfp.htm

For a more detailed analysis of the problems with the population-growth-plus-inflation formula, please see David Bradley, Nick Johnson and Iris Lav, "The Flawed "Population Plus Inflation" Formula: Why TABOR's Growth Formula Doesn't Work," Center on Budget and Policy Priorities, January 2005. Available at http://www.cbpp.org/1-13-05sfp3.htm

- Deeply cut the reimbursement rates for hospitals, nursing homes, and physician services. This would severely limit people's access to these services, as many providers would either stop seeing new Medicaid patients or stop participating in the Medicaid program altogether.

- Eliminate or reduce coverage on prescription drugs or other services the state has the discretion not to cover under federal law. Research suggests that high copayments for prescriptions or lack of prescription coverage would lead to significant numbers of low-income persons forgoing their medications, with implications both for the individuals' health and for the cost of treating worsened health conditions in the future.

In addition to the $72.5 million reduction in Medicaid and SCHIP funding, other Human Services programs would need to be reduced by approximately $101 million in order to reduce the entire Human Services budget by the needed $173 million.

- To save $36 million, the state could eliminate all state funding for the Desert Regional Center, the largest of three Regional Centers that provide assistance to people with developmental disabilities and their families.

- To save $34 million, the state could eliminate all state funding for two mental health facilities: the Northern Nevada Mental Health Facility, the 2nd largest such facility in the state, and the Lakes Crossing Center.

- To save $24 million, the state could eliminate all state funding to all juvenile correctional facilities and youth camps.[6]

- To save $5 million, the state could eliminate the Senior Citizens' Property Tax Assistance program, which provides tax relief to more than 16,000 Nevadans over the age of 62.

- To save $2 million, Nevada could eliminate the Family Preservation Program, which provides funding for families who take care of relatives with disabilities.

All of these reductions would have serious repercussions for thousands of Nevadan children, people with disabilities, people with mental health problems, and other low-income adults.

Higher Education

In order to reduce total expenditures proportionally by $780 million, Higher Education would need to be cut by $121 million. Nevada's seven public institutions of higher education receive almost 80 percent of all Higher Education funding, so $94 million of the $121 million would come from these institutions — University of Nevada-Las Vegas, University of Nevada- Reno, Great Basin College, Western Nevada Community College, Community College of Southern Nevada, Truckee Meadows Community College, and Nevada State College at Henderson.

- Nevada could proportionally reduce its general support to these seven institutions. Universities could absorb these cuts by eliminating instructional faculty positions. In order to make up for the declining state support, the University of Nevada-Las Vegas could eliminate all of its professor positions and roughly half of its associate professor positions; the University of Nevada-Reno could eliminate all of its professor positions; and the Community College of Southern Nevada

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[6] Specifically, Youth Alternative Placement, C&FS Juvenile Correctional Facility, Caliente Youth Center, and the Nevada Youth Training Center.

could cut all of its full-time faculty positions. It should be noted that even after these cuts, there would not be any money to create new lower level teaching positions (e.g. assistant professor or lecturer). Instead, certain classes and possibly majors would have to be cancelled.

- Rather than reducing the teaching staff, the state could eliminate its entire general support for Great Basin College, Western Nevada Community College, Truckee Meadows Community College, and Nevada State College at Henderson. To remain viable, these colleges would have to reduce class offerings, lay off professors, defer maintenance, or some combination of these options.

Public Safety

The proportional cut for state funding for Public Safety would be $63 million. Since a little over one-third of this funding goes to the state's eight correctional facilities, their budgets would need to be reduced by $22 million.[7] A reduction of this size would limit the state's ability to follow current incarceration policies. It could be accomplished by taking one of the following actions.

- The state could incarcerate 1,300 fewer inmates — one out of every seven inmates projected to be in state correctional facilities in FY 2007.

- Nevada could lay off 458 correctional officers, reducing the number of correctional officers by 30 percent. A reduction of this magnitude would have to be accompanied by the release of a substantial number of prisoners in order to avoid endangering the safety of the corrections personnel and the inmates.

- Nevada could close some of its correctional facilities. To achieve $22 million in savings, it could close the Lovelock Correctional Center or both the Nevada State Prison and the Warm Springs Correctional Center. Of course, these savings would not occur if those prisoners were simply transferred elsewhere. These examples assume for the sake of illustration that the inmates would no longer be incarcerated.

Funding for other less-secure facilities would also be cut. The state's 10 conservation camps, which provide prisoners who have served time in a more secured facility the opportunity to live in a minimum custody surrounding and work for the Nevada Division of Forestry, would face spending reductions of $2 million. While this may not sound like a huge reduction, consider that each camp receives an average of only $1.3 million in state funding. Thus, by closing one or two locations, the state could save the required amount.

- The state could close the Indian Springs Conservation Camp, which houses 238 prisoners.

- Alternatively, the state could close both the Carlin Conservation Camp and the Tonopah Conservation Camp, which together house 288 inmates.

[7] This includes the Southern Nevada Women's Correctional Facility which is privately run, but receives state funding.

In addition to the above cuts, the Department of Corrections would still need to reduce its budget by $15 million. The remainder of the proportional cuts to Public Safety would come from reducing the budget for the Department of Motor Vehicles by $10 million and the Department of Public Safety by $14 million.

Commerce & Industry

Commerce & Industry's share of the total expenditure reduction would be roughly 4 percent, which translates into $34 million less in state funding for FY 2007. Reducing funding by this amount could affect economic development initiatives and the tourism industry. Such a reduction could be achieved by carrying out one of the following actions.

- The state could eliminate *all* funding for Economic Development and Tourism.[8]
- Nevada could reduce funding for the Gaming Control Board by 80 percent.
- Nevada could eliminate all state funding for the Department of Agriculture, the Department of Minerals, the Public Utilities Commission and the Commission on Economic Development.

Other

The service cuts detailed above in the areas of K-12 Education, Higher Education, Human Services, Public Safety and Commerce & Industry would have achieved approximately $573 million of the $780 million total expenditure reductions needed for actual expenditures in FY 2007 to equal TASC expenditures. The remaining $207 million in cuts would come from Infrastructure (which includes the Department of Wildlife, the Division of State Parks and the Department of Transportation), Finance & Administration, Constitutional Agencies, and Special Purpose Agencies.

Conclusion

TASC contains the three provisions that make Colorado's TABOR the most restrictive budget limit in the country. In Colorado, TABOR led to a deterioration in the quality and quantity of public services. TASC can be expected to have similar effects in Nevada. This paper provides examples of the magnitude of service reductions necessary if TASC had been effective beginning in the 1991-93 biennium, including fewer teachers and correctional officers, and more limited and less adequate health care services. While many of these specific reductions might not be implemented, there would not be painless options for cuts of this magnitude. Thus, TASC would cause significant damage in Nevada.

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[8] This includes funding for the Commission on Economic Development, the Nevada Film Office, Rural Community Development, Procurement Outreach Program, Commission on Tourism and Nevada Magazine.

Sources and Methodology

The base expenditures used in this analysis try to adequately reflect "biennial spending" as defined in the Tax and Spending Control (TASC) initiative. They include Appropriations for Nevada Operating Funds (General Fund plus Balance Forward and Other Funds) less Appropriations for Industrial Insurance System, Professional Licensing Boards, Highway Funds, Federal Funds, and Education Trust Funds. An analysis by the Legislative Council Bureau of Nevada uses a similar base, although they also include one-time funds.

Specific program area reductions are based on the FY 2005 Appropriation Reports available at http://www.leg.state.nv.us/lcb/fiscal/Appropriation%20Reports/2005%20Appropriations%20Report/2005AppropriationsReport.cfm

K-12

Estimated teacher reductions were calculated as the total K-12 Distributive School Account shortfall divided by the average annual Nevada teacher salary in FY 2006 adjusted for inflation. Source: Nevada Department of Education, 2006 Research Bulletin. Available at http://www.doe.nv.gov/resources/researchbulletins.html

Estimated number of teachers and student to teacher ratio based on the ratio of 20.5:1 used in the Nevada Department of Education (NDE) Student Enrollment and Forecast Model. This information was given by Gary Horton, Distributive School Account (DSA) Administrator.

Estimated number of school days lost was computed by dividing the total K-12 Distributive School Account for by the number of school days per year (180). The result was an average cost per day of operating all Nevada public K-12 schools. According to the National Education Association's June 2005 "Ranking and Estimates" Report, for the 2003-04 school year, Nevada ranked first in having the largest number of "Students in ADA per Teacher in Public K-12 Schools" (see Table C-7). Available at: http://www.nea.org/edstats/images/05rankings.pdf

Human Services

Medicaid and SCHIP estimates are based on reports filed by the state to the federal government about Nevada's projected Medicaid and SCHIP expenditures in FY 2007 and historical data about expenditures and enrollment, which were adjusted to correspond with projected 2007 levels.

Higher Education

Tuition, number of FTE undergraduate and graduate students by residency level, average faculty salary by rank, and number of faculty by rank were obtained from each of the school's website or institutional research department. In certain cases, projections were calculated by adjusting for inflation or for previous average growth.

Public Safety

Estimated inmate reduction calculated from average cost per inmate per day and projected inmate population in state correctional facilities. Source: CBPP analysis of data in Governor's Executive Budget for 2005-2007. Available at http://budget.state.nv.us/bb0607/BB0507DOC.pdf

Number of correctional officers cut was computed using the average salary for Corrections Officer (pay grade 33) in 2006 adjusted for inflation. The current number of correctional officers was obtained using data from the Nevada Department of Corrections (www.doc.nv.gov)

Number of inmates at Conservation Camps taken from the Governor's Executive Budget for 2005-2007.