MINUTES OF THE AUGUST 14, 2008
MEETING OF THE
INTERIM FINANCE COMMITTEE
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada

Chairman Morse Arberry Jr. called a special meeting of the Interim Finance Committee (IFC) to order on August 14, 2008, at 10:16 a.m. in Room 4401 of the Grant Sawyer State Office Building in Las Vegas, Nevada. Exhibit A is the agenda. Exhibit B is the guest list. Exhibit C is the August 14, 2008 meeting packet. All exhibits are available and on file at the Fiscal Analysis Division of the Legislative Counsel Bureau.

Committee members and other persons attended or observed the meeting in various locations and provided testimony through a simultaneous videoconference conducted at the following locations:

Grant Sawyer State Office Building
Room 4401 Main Conference Room
555 East Washington Street
Las Vegas, Nevada

NSHE System Administration
Main Conference Room
2601 Enterprise Road
Reno, Nevada

High Tech Center, Room 121
Great Basin College
1500 College Parkway
Elko, Nevada

Legislative Building
Room 3138
401 South Carson Street
Carson City, Nevada

COMMITTEE MEMBERS PRESENT:

Assemblyman Morse Arberry Jr., Chairman (Las Vegas)
Senator William J. Raggio, Chairman (Reno)
Senator Bob Beers (Las Vegas)
Senator Barbara Cegavske (Las Vegas)
Senator Bob Coffin (Las Vegas)
Senator Bernice Mathews (Reno)
Senator Dean Rhoads (Elko)
Senator Dina Titus (Las Vegas)
Assemblywoman Barbara E. Buckley (Las Vegas)
Assemblyman Moises (Mo) Denis (Las Vegas)
Assemblywoman Heidi S. Gansert (Reno)
Assemblyman Tom Grady (Carson City)
Assemblyman Joseph P. (Joe) Hardy (Las Vegas)
Assemblyman Joseph Hogan (Las Vegas)
Assemblywoman Sheila Leslie (Reno)
Assemblyman John W. Marvel (Carson City)
Assemblyman David R. Parks (Las Vegas)
Assemblywoman Debbie Smith (Reno)
Assemblywoman Valerie E. Weber (Las Vegas)

COMMITTEE MEMBERS EXCUSED:

Assemblywoman Ellen Koivisto
Assemblywoman Kathy McClain

OTHER LEGISLATORS IN ATTENDANCE:

Assemblyman Harvey Munford

LEGISLATIVE COUNSEL BUREAU STAFF:

Lorne Malkiewich, Director, Legislative Counsel Bureau
Brenda J. Erdoes, Legislative Counsel
Eileen O'Grady, Chief Deputy Legislative Counsel
Mark W. Stevens, Fiscal Analyst, Assembly
Gary L. Ghiggeri, Fiscal Analyst, Senate
Brian Burke, Principal Deputy Fiscal Analyst
Tracy Raxter, Principal Deputy Fiscal Analyst
Connie Davis, Interim Finance Committee Secretary
Becky Lowe, Fiscal Analysis Division Secretary

A. ROLL CALL

Lorne Malkiewich, Director, Legislative Counsel Bureau and Secretary of the Interim Finance Committee, called the roll. Chairman Arberry announced a quorum of each House was present.

In his opening remarks, Chairman Arberry commented that fiscal year 2008 budget reductions enacted by the 24th Special Session of the Legislature were difficult decisions, and recommendations by the Governor for additional 14.2 percent reductions for the 2009-2011 biennium would be equally challenging.

Chairman Arberry acknowledged that operating Nevada state government during the current financial crisis within the confines of a balanced budget placed a burden on the Committee to vote, however reluctantly, to implement the mandates of the June 27, 2008 Special Legislative Session. Chairman Arberry said, however, the Legislature was compelled to implement reductions that some of the members "could not live with but had to live with."

*B. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS, AND ALLOCATION OF BLOCK GRANT FUNDS IN ACCORDANCE WITH CHAPTER 353, NEVADA REVISED STATUTES.

Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, referenced a spreadsheet included in the Committee's packet (Exhibit C). The spreadsheet, on pages 2 through 10, listed the work programs required to implement two

budget reduction measures that the Committee approved in April 2008 that would provide savings for reversion at the end of the fiscal year.

The first measure on the spreadsheet reflected savings generated from a health insurance premium holiday in July 2008 for all active and retired employees, which resulted from favorable claims experienced in fiscal year 2008 within the Public Employees Benefit Program.

The second measure on the spreadsheet reflected the savings generated by the elimination of the pre-funding of retiree health benefits, which the 2007 Legislature previously approved in The Executive Budget. Mr. Stevens advised that most of the savings in the elimination of the pre-funding of benefits would occur in fiscal year 2009.

Mr. Stevens advised that the work programs necessary to implement the two changes reserved a total of $27.8 million in fiscal year 2008-09 General Funds, however the work programs before the Committee totaled $25.4 million. Mr. Stevens explained that some of the work programs needed to implement the budget reduction measures were not included in the spreadsheet in the Committee's packet because those work programs, which the Budget Division had already processed did not exceed the Interim Finance Committee statutory thresholds.

> ASSEMBLYWOMAN BUCKLEY MOVED APPROVAL OF THE WORK PROGRAM REVISIONS TO RESERVE FUNDS RELATED TO THE HEALTH INSURANCE PREMIUM HOLIDAY IN JULY 2008 AND TO REDUCE RETIRED EMPLOYEES' GROUP INSURANCE ASSESSMENTS TO ELIMINATE PRE-FUNDING OF RETIREE HEALTH INSURANCE.
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> ASSEMBLYMAN PARKS SECONDED THE MOTION.

Senator Coffin spoke in regard to his policy, since May 2008, to oppose reductions to The Executive Budget approved by the 2007 Legislature and expressed his intent to refuse to endorse the reductions approved in the June 2008 Special Session.

Senator Coffin indicated his opposition resulted from the imposition of rules limiting adequate debate on the budget reductions and disregard for 40 of the members of the Legislature, who he believed did not fully understand the budget changes because they were not involved in hearings related to the budget.

Senator Coffin said, the budgets "were built with a lot of thought and were being taken down without thought" and stated again his intent to protest by voting no on motions for approval of reductions. Senator Coffin pointed out that not only had the destruction of the budgets occurred without open hearings but that the Legislative members would abrogate their duties by simply rubberstamping the Governor's agenda to reduce the budget. Senator Coffin called instead for temporary tax increases to cover agency needs until the 2009 Legislature convened.

Chairman Arberry advised that, as previously indicated by Mr. Stevens, the Committee approved the two budget reduction measures in April 2008, but the work programs needed to implement the reductions also required Committee approval. Additionally, Chairman Arberry advised that limited by time constraints, Legislative Leadership and the Governor, together with staff from the Legislative Counsel Bureau's Fiscal Analysis Division and the Department of Administration, were called upon to review the budget issues and provide recommendations to reduce budgets to the 24th Special Session of the Legislature. Chairman Arberry also indicated that, prior to the convening of the 2009 Legislative Session, monthly town hall meetings would be scheduled to provide a venue for public participation and suggestions on how to raise revenue.

Chairman Arberry acknowledged Assemblyman Munford, who was in the audience.

THE MOTION CARRIED. (Senator Coffin voted nay.)

Chairman Arberry asked Mr. Stevens to provide an overview of work program revisions to reserve funds necessary to meet the $106 million budget reduction target approved by the 24th Special Session of the Legislature.

Mr. Stevens reported that the 24th Special Session of the Legislature approved an additional $106 million in fiscal year 2008-09 state agency budget reductions, with instructions that reductions to individual budgets would be determined after review by the staff of the Legislative Counsel Bureau's Fiscal Analysis Division and the Department of Administration's Budget Division. Mr. Stevens advised that the reduction for each agency budget averaged between 3 and 4 percent.

Additionally, Mr. Stevens advised that a spreadsheet, provided in the Committee highlights, reflected the budget reduction targets and the amount anticipated for reversion in each of the major budget areas. Mr. Stevens explained that the work programs did not represent the entire $106 million targeted for reduction and specifically did not include all of the K-12 education and higher education reductions, which the Committee would consider in subsequent meetings. He said, however, that the Budget Division requested that the Committee review the 133 work programs listed in the spreadsheet during a special meeting to comply with the notice requirements to implement reductions in a number of budgets, mainly within the Department of Health and Human Services.

Mr. Stevens advised the Committee that agency representatives for each of the affected budgets and staff from the Fiscal Analysis Division and the Department of Administration were available to respond to questions.

Chairman Arberry recognized Las Vegas City Councilman Ricki Barlow and welcomed him to the meeting.

Chairman Arberry expressed concern regarding Item 77, Budget Account 3233, which reflected closing the Owens District Welfare Office in October 2008. Chairman Arberry

recommended holding Item 77 until the next Interim Finance Committee meeting when staff informed him of a possible solution that could be discussed later in the meeting.

Chairman Arberry opened the hearing to questions or comments from legislators and members of the public.

Todd Sklamberg, Chief Operating Officer and Administrator, Sunrise Children's Hospital, Las Vegas, read the following statement into the record.

I am here at the suggestion of Department of Health and Human Services (DHHS) in order to seek relief from the serious financial situation arising from the conjunction of the new Medicaid cuts with the method of reimbursement for certain costly technology advanced life-saving pediatric procedures. Sunrise Children's Hospital is the only dedicated children's hospital in the state. Its 244 beds make it as large as half of the general acute-care hospitals in Clark County. It has brought cutting edge world-class life-saving care to the children of this region and the only facility in the entire state providing a number of critical treatments.

With great regret, I must inform you that the cuts in the Medicaid reimbursement are going to cause significant financial stress to Sunrise Children's Hospital and the children of our region.

Our hospital performs all pediatric open-heart surgeries in the state. It is the only hospital in the state that performs several life-saving procedures including pediatric interventional cardiology procedures, pediatric electrophysiology procedures, advanced neurosurgery to treat epilepsy and some types of tumors. The hospital also provides a heart-lung machine, known as ECMO, cochlear implants for those children, who are profoundly deaf and complex spinal procedures. We are one of two facilities with University Medical Center to provide such care.

Let me emphasize that these procedures enable most of the children to live wholly productive normal lives to be regular working adults, who will live to 80. Children come to Sunrise Children's Hospital for these services from all over the state as well as from Arizona, Utah, and California.

Unfortunately, Nevada Medicaid only reimburses cutting-edge procedures, but very costly procedures at the standard per diem of $1,447, the same that would be received for hospitalization for ordinary procedures, such as an appendectomy. Sunrise Children's cost for neurosurgery is approximately $67,000, but Medicaid reimbursement is only $14,000; an open-heart surgery procedure average cost is $54,000 but returns only $28,000 in reimbursement. Perhaps, most glaring is a $2,000 payment for cochlear implants, which costs Sunrise Children's Hospital $24,000. On an annual basis, Medicaid reimbursement for these advanced life saving or highly life-enhancing procedures leaves $3 million to $4 million in costs unreimbursed.

Let me stress a key point about misunderstanding; I am talking about actual costs, not bill charges. One reason this happens is that the advanced medical technology, such as the

ability to treat a hole in the heart with going through a cardiac catheterization rather than an open-heart procedure is the benefit that children can leave the hospital in two days rather than an open-heart surgical procedure where a child will be hospitalized for ten days. At a standard per diem reimbursement, the hospital is not able to cover the costs as I referenced above.

We have been discussing this problem with DHHS for a year and believe we have met with some sympathy, understanding, and a desire to find some way to alleviate this problem. However, the state's fiscal crisis makes any action by DHHS impossible without your direction, and they have asked us to appear before you. If Sunrise Children's Hospital cannot obtain some relief, we will have to consider that we will no longer be able to perform these procedures for Medicaid patients. Let me elaborate why we are compelled to consider this step. Unlike a regular acute-care hospital, over 51 percent of Sunrise Children's patients, other than our Neonatal Intensive Care Unit (NICU) patients, are covered by Medicaid or are indigents receiving free care. We are essentially running a county hospital without taxpayer assistance. We do have a special Medicaid rate for the NICU, but financially this payer mix means that cost shifting to the insured patients that underlies the hospital's economics is not feasible. These new cuts in reimbursement for this major portion of our patients make it very difficult to continue to provide these treatments when we are paid only a very small portion of our costs. Quite simply, Medicaid's reimbursement rules have not kept pace with the medical progress, and the new reimbursement reductions make it infeasible for us to continue care for these patients.

Those of you have visited Sunrise Children's Hospital know we have facilities on the same floor as patients to enable parents to stay and even temporarily live in the Hospital with their children. If we cannot serve the Medicaid patients, who need these procedures, they will need to be sent out-of-state. The Department of Health and Human Services will negotiate reimbursement on a case-by-case basis with many out-of-state hospitals. Significantly, the state will also have to pay for parents' transportation, hotel rooms, and lodging with their child. Families, more importantly, will be split apart during this very emotional time. At this time, the state will be spending significantly more money than otherwise. We believe it is very much in the state's short and long-term interests as well as the social interests to make an immediate improvement in this particular Medicaid reimbursement environment. Therefore, our plea is that the Interim Finance Committee direct the DHHS to do one of the following:

1. *Carve out these special procedures and reimburse them at our costs, which at a normal caseload for Medicaid patients, would total about $3 million to $4 million per year greater reimbursement than our current levels.*

Let me emphasize number 2 and 3 being the more realistic solutions:

2. *Reallocate rates among services so that reimbursement for those procedures may more closely approximate costs.*

3. *Permit DHHS to negotiate with Sunrise Children's on a case-by-case basis as they would with an out-of-state provider remembering that the state will realize at least the savings on parent transportation and lodging.*

We take great pride in our hospital at Sunrise Children's and in providing essential high-quality care to the children of our region. We fully realize our obligation and burden to the community in which we live and operate. We are also very painfully aware of how some legislators view us because of our status as a private hospital, so we don't come to you lightly. However, there is a point at which providing these services at reduced rates threatens the viability of the entire hospital. We do not receive taxpayer subsidy for our loses, nor do we receive any of the federal funds available to help hospitals that deal with high levels of disproportionate shares of Medicaid business. Despite this, we have until now found a way to cope and still provide the services, but we, as a hospital, are at the critical tipping point and may not be able to continue as we have. Thank you for your consideration.

Senator Cegavske spoke of having had the privilege to attend an open-heart surgery for a four-month old Downs Syndrome baby at Sunrise Children's Hospital. Senator Cegavske recalled that the baby's parents could not meet the cost of the entire surgical procedure, and she expressed surprise over the $54,000 cost Mr. Sklamberg mentioned earlier indicating she assumed the cost would have been significantly higher considering the team of physicians in the operating room.

Mr. Sklamberg advised that the $54,000 cost he mentioned earlier was the average cost for all open-heart procedures but that the younger the infant, the higher the cost for the surgery. Mr. Sklamberg explained that open-heart surgery for infants required a team of cardiologists and cardiothoracic surgeons, heart-lung machines, costly drugs, and long periods in intensive-care units.

Senator Cegavske asked for additional information regarding the recommendation for Option 3 that would permit the DHHS to negotiate reimbursement costs with Sunrise Children's Hospital on a case-by-case basis.

Mike Willden, Director, Department of Health and Human Services, said that although he did not personally participate in the discussions with representatives of Sunrise Children's Hospital regarding the options Mr. Sklamberg presented, he was aware that representatives of the Division of Health Care Financing and Policy had engaged in ongoing discussions regarding the three options.

Mr. Willden advised that the DHHS representatives preferred Option 3 to Options 1 and 2 and were willing to negotiate on a case-by-case basis. Additionally, Mr. Willden expressed agreement with previous testimony that, in many instances, sending a child out-of-state was more costly than providing care in state.

Mr. Willden indicated he wanted to ensure that the Committee understood that a 5 percent rate reduction to hospitals in the overall package of healthcare financing reductions was the topic of discussion since the overall targeted reduction during the

Special Session was 4 percent with a 10 percent reduction to hospitals. Mr. Willden pointed out that after a decision was made for a 3.3 percent rate reduction, the hospitals were provided a reduction rate of 5 percent. Mr. Willden agreed that the rate, which would be 5 percent less than the previous reimbursement rate, would not only affect Sunrise Children's Hospital but all other hospitals as well. Mr. Willden advised that he and Charles Duarte, Administrator, Division of Health Care Financing and Policy, were prepared to individually negotiate with representatives of Sunrise Children' Hospital on a case-by-case basis.

In response to a request from Senator Cegavske for additional information, Mr. Willden advised that he was familiar with all three options Mr. Sklamberg provided but reiterated his preference for Option 3. Additionally, Mr. Willden discussed the availability of other options including imposing a disproportionately steeper reduction on all other hospitals in the state to hold harmless Sunrise Children's Hospital or not to reduce hospital reimbursements but rather to impose reductions on other healthcare providers. Mr. Willden indicated, however, that representatives of the DHHS determined that applying the reductions across multiple providers, and using Option 3, which provided for individual negotiations with Sunrise Children's Hospital, appeared to be the best option.

Ann Lynch, Vice President, Marketing and Community Relations, Sunrise Hospital, expressed her appreciation to Mr. Willden, Mr. Duarte and their staff, who worked with representatives of Sunrise Hospital on the reimbursement issue for over a year. Ms. Lynch pointed out the number of cases totaled approximately 100 per year that with the 5 percent reduction in reimbursement would create financial problems for Sunrise Children's Hospital.

Ms. Lynch advised that all three of the options were acceptable and would provide the means to treat children from across the state at Sunrise Children's Hospital whether or not they could pay.

In response to Senator Cegavske, who questioned whether Sunrise Children's Hospital admitted children from out-of-state, Mr. Sklamberg advised that the hospital admitted many children from Arizona and Utah for procedures that ranged from neonatal intensive care to open-heart surgery or cardiac catheterization.

Senator Cegavske questioned where, if the need arose, the hospital sent Nevada children and how families or out-of-state hospitals reimbursed Sunrise Children's Hospital for the treatment of children from out-of-state.

Mr. Sklamberg advised that depending on the treatment needed, Nevada children would be sent to three major centers, Los Angeles Children's Hospital, Salt Lake City's Primary Children's Hospital, and Phoenix Children's Hospital.

Additionally, Mr. Sklamberg advised that out-of-state insurance plans would reimburse Sunrise Children's Hospital based on perhaps a percent of charges or from their state Medicaid programs. Mr. Sklamberg said that most states used a Health Maintenance Organization (HMO) or Preferred Provider Organization (PPO) insurance.

Assemblywoman Weber asked for information relative to the number of children sent out of the state for treatment as well as the reasons.

Mr. Willden advised that nearly every month, for a variety of reasons including complexity of their cases, children as well as adults were sent to hospitals in Sacramento, the Bay area, southern California, and even to the East Coast and that state representatives individually negotiated rates with various hospitals that specialized in certain procedures. While he did not have the specific number of patients sent out-of-state, Mr. Willden advised that he would provide the data directly to Assemblywoman Weber.

Assemblyman Hardy asked Mr. Willden to comment on whether a decrease in school enrollment might also indicate a fewer percentage of children who were ill and whether out-of-state providers were compelled to accept a Nevada reimbursement rate reduced by 5 percent.

Mr. Willden responded that he had heard several times of a decrease in school enrollment figures, particularly in the Clark County School District, but after researching the data found that while the rate of growth was slowing, school enrollment had not decreased. Mr. Willden advised that his research revealed the reality that school enrollment figures would increase in 2010 and 2011.

Additionally, with respect to out-of-state providers, Mr. Willden said that the DHHS representatives negotiated rates with out-of-state providers' fiscal staff and medical professionals on an individual case basis and entered into a contract for the negotiated rate.

Assemblyman Hardy requested a copy of the average cost data for out-of-state medical procedures, and Mr. Willden advised that he would provide the information.

Assemblywoman Buckley said that although it was imprudent to cut an already low reimbursement rate to hospitals by 5 percent, many hours of hard work were devoted to avoiding across-the-board reductions in order that the reimbursement rate to hospitals would be reduced by only 5 percent rather than 10 percent.

Assemblywoman Buckley said she did not like reducing hospital reimbursement rates, closing the Dayton and Fernley Mental Health Clinics, or eliminating residential support for mentally ill individuals after decisions were made that providing medications and places for the severely mentally ill to live would prevent the overcrowding of hospital emergency rooms. Having only mentioned a few of the cuts and after being lobbied by advocates who questioned the budget-reduction decisions, Assemblywoman Buckley said that the Legislature had to balance the budget in an emergency Special Session because of the severe economic downturn but pledged that the state could do better.

Assemblywoman Buckley also said that hospital reimbursement rates, support for early intervention services for children with developmental disabilities, or personal assistance services were not luxuries and should not have be reduced but that the Committee was

called upon to approve the reductions made during the Special Session in order to balance the budget.

Additionally, she said that taking the first round of budget reductions into consideration in addition to the reductions before the Committee and the possibility of future 14 or 20 percent reductions, decisions regarding possible solutions had to be made prior to the convening of the 2009 Legislature.

Facing a series of challenges that had to be met, Assemblywoman Buckley invited members of the public to work with legislators through a series of town hall meetings in an effort to develop solutions that would prevent additional reductions.

Assemblywoman Gansert questioned whether the counties participated in reimbursing local hospitals for children's specialized services.

Mr. Willden explained that the counties, through the County Match Program, reimbursed the non-federal share for long-term care for those above a certain income threshold, through rates established by Nevada Medicaid. Mr. Willden explained, however, that the counties did not participate in rate-setting negotiations.

Additionally, Mr. Willden explained the counties' involvement in the Indigent Accident Fund and Supplemental Relief Fund, which received revenue from the Ad Valorem tax. Mr. Willden also advised that the DHHS managed the funds and paid "pennies on the dollar" for claims that were not paid by Medicaid or other third-party payers.

Assemblywoman Gansert noted that the reductions were painful to approve but suggested that decisions made during the Special Session, including the decision against deferring the cost-of-living increase, contributed to the current budgeting problems.

Assemblywoman Leslie commented that the same discussion could take place on each of the work program items before the Committee but that since Mr. Willden had agreed to pursue Option 3, it would be best, in the interest of time, to move on. Assemblywoman Leslie agreed that it did not make sense to send children, who needed medical care out of the state when they could be served more effectively in Nevada, and she asked the Committee not to lose sight of the federal matching funds that would also be lost through the budget reductions to the Department of Health and Human Services.

Chairman Arberry agreed that the Committee needed to move on and asked Mr. Willden if Option 3 would require a work program adjustment.

Mr. Willden advised that Option 3 would not change the work program.

Ms. Lynch again expressed her thanks to Mr. Willden and his staff for working with the hospital staff and in response to Assemblywoman Buckley's testimony regarding solutions indicated that representatives of Sunrise Children's Hospital had brought recommendations to the Medicaid rate reimbursement negotiations.

Assemblywoman Gansert disclosed that her spouse was an emergency room doctor but that the Medicaid reimbursement rate did not affect him.

Gina Greisen, American Federal of State, County and Municipal Employees (AFSCME) Local 4041, read the AFSCME position regarding the reductions into the record:

We understand that the various departmental directors and administrators have been placed in a difficult position. They have been asked to make cuts in areas of budgets that should not be slashed any further than they have already been. I am sure that you would all agree that these cuts fly in the face of what our citizens and communities were promised at the conclusion of the 2007 Legislative Session.

Our union understands that every one of these cuts were difficult decisions to make. We just wish that the rank and file employees were part of the collaboration in identifying, which cuts to make. We want to thank Speaker Buckley for implementing a hotline on the Legislative Website where state employees have an opportunity to suggest cost-saving measures. If only these departmental directors and administrators were open to the same idea. With the exception of a couple of agencies, rank and file employees were never included as part of the decision process. Who else to ask than the employees who are actually delivering the services in which the various departments are statutorily mandated to provide. Unfortunately, people making these decisions are ironically not the people affected by these decisions.

It is imperative that we take a hard look at the tax structure and tax base. People's lives are at stake when we have an up-and-down fiscal year. The Economic Forum can forecast thirty years of projected liability on GASB, but we can't project state revenue sources for two years. We have been the fastest growing state for many years, and I as a native Nevadan know, I have been here, watched it. I am a local graduate, a graduate of UNLV also. I have seen this happen right before my very eyes.

Our Union will aggressively pursue a solid, fair, and reliable tax base because what we are doing now simply is not working, and I speak here on behalf of AFSCME, but I also speak as a taxpayer, as a citizen, as a community advocate, as a parent, who has used some of these services. These are critical services that are being cut, and we ask you when you go into the next Legislative Session to please, please fix this problem.

Chairman Arberry indicated that the Committee would hear testimony from members of the public first from Las Vegas, followed by Reno, Carson City, and Elko.

Councilman Ricki Barlow, representing the City of Las Vegas, expressed his thanks to the Committee for allowing him the opportunity to testify about Item 77, the closure of the Owens District Welfare Field Service Office in West Las Vegas effective October 1, 2008.

Councilman Barlow advised the Committee that representatives of the City of Las Vegas had worked diligently with Mr. Willden and Nancy Ford, Administrator, Division of Welfare and Supportive Services, to resolve the closure of the Owens Street Office to the benefit

of the state and to the Las Vegas constituents, who received services through the District Office.

Mr. Barlow indicated that he looked forward to the continued partnership between the city and state working collectively to address the issue and arrive at a resolution that would benefit the state and constituents alike.

Lois Reed, community activist, Las Vegas resident, and past employee of the Welfare Division at the Owens Street Office, testified in opposition to the closure of the Owens Street Office.

Ms. Reed advised the Committee that many Welfare Division clients, residents, and West Las Vegas community individuals "in transition" received services provided through the Owens Street Office.

Ms. Reed asked the leaders in Carson City and Reno to support the West Las Vegas community and to keep the Owens Street Office open to assist the clients, some of whom would encounter great difficulty in attempting to access a Welfare Office in another area of the city.

Assemblywoman Buckley indicated that closing the Owens Street Office at a time when the community's needs were great would have been a "big step backwards." She commended the efforts of Chairman Arberry and Councilman Barlow in obtaining funding from the City of Las Vegas to keep the Owens Street Office open and defined their efforts "a great example" of a state and local partnership. Assemblywoman Buckley said the challenge to continue funding to keep the Owens Office open would occur during the 2009 Legislative Session and again expressed her thanks to everyone that worked so diligently to gain the funding.

Mr. Willden explained that the recommendation to close the Owens Street Office effective October 1, 2008, was a part of the DHHS' overall budget reduction plan. Closure of the Owens Street Office, one of four large Welfare Service Offices in Las Vegas would save nearly $600,000 a year in administrative and operating costs but would not eliminate services or employees. Mr. Willden said, however, that after working with Councilman Barlow and Betsy Fretwell, Deputy Manager, City Manager's Office, agreement was reached, although not yet received in writing that the City of Las Vegas would provide a $147,000 to keep the Owens Street Office open until at least June 30, 2009, which would allow time to work on alternative solutions. Mr. Willden explained that the work program for Item 77, contained $147,000 that would have been reverted to the General Fund. He said, however, that information was submitted to the Committee's staff that rather than reverting the funds through Item 77, the reversion to the General Fund under Item 80, the Child Assistance and Development budget, would increase by a similar amount.

Mr. Willden explained, however, that the provision of funding from the City of Las Vegas although a temporary solution to keep the Owens Street Office open until June 2009 would provide an opportunity for the 2009 Legislature to review the budgeting situation. As previously discussed, Mr. Willden indicated the possibility of deeper reductions in

fiscal year 2010 and fiscal year 2011 meant that the closure of the Owens Street Office continued to be a future possibility.

Councilman Barlow advised that a funding agreement, in writing, would be provided to the state in the near future. He said that in the meantime, representatives of the City of Las Vegas would plan for the possibility of assisting clients to transition from obtaining services at the Owens Street Office to other Welfare District Offices in Las Vegas.

In response to Senator Mathews, who questioned the distance between the Owens Street Office and the Belrose Street Office, Mr. Willden said the distance was approximately 3 or 4 miles away.

Emily Bristol, Southern Nevada Coordinator, Progressive Leadership Alliance of Nevada (PLAN), identified herself for the record. Ms. Bristol advised the Committee that PLAN was a statewide organization of 5,000 members with a coalition of about two dozen organizations representing approximately 50,000 members. On behalf of PLAN, Ms. Bristol expressed "deep concern" regarding the cuts to welfare, food stamps, and other programs that affected the lives of Nevada families and children during a "troubling economy" when Nevada families needed help the most.

Ms. Bristol urged the Committee to go back to the "drawing board" and to work with the members of PLAN to create a more equitable budget for all Nevadans.

Beatrice Turner, a West Las Vegas community member, expressed dismay in learning of the proposed closure of the Owens Street Office and indicated she had worked with Councilman Barlow and Assemblyman Munford in an effort to keep the office open. Ms. Turner told the Committee that many elderly people in the community received services from the Owens Street Office and that one disabled elderly resident rode her scooter to the office pointing out the handicaps involved in transitioning clients, such as the elderly, to an office in another area of the city.

Additionally, on behalf of her disabled grandson, Ms. Turner expressed alarm regarding the reduced Medicaid reimbursement rates to Sunrise Children's Hospital.

Q. B. Bush, a West Las Vegas community resident since 1954, also expressed concern regarding the possible closure of the Owens Street Office. Mr. Bush indicated it was his belief that the Owens Street Office administered services to more clients than any other welfare office in the state of Nevada. Mr. Bush discussed seeing clients walking to the Owens Street Office and asked the Committee to consider the difficulty clients would encounter in securing transportation to offices in other parts of the City.

Jon Sasser, representing Washoe Legal Services, expressed his appreciation to Mr. Willden and his staff for their work in bringing forward and prioritizing the difficult budget reductions before the Committee.

Mr. Sasser noted that that the reductions, while painful, appeared to have been arrived at fairly and to be balanced between Health and Human Services' budgets and other state

government agencies. Mr. Sasser indicated that although Higher Education budgets were currently not before the Committee for review, it was his understanding that representatives of Higher Education planned to make a case to spare their budgets further cuts. Mr. Sasser asked the Committee to maintain the current balance between state agencies.

Mr. Sasser expressed an understanding of the concern regarding the reduction in rates and services and indicated that testimony would follow by others who wanted the Committee to understand the human cost involved in the reductions.

Mr. Sasser concluded his comments by reiterating his request to the Committee to continue to maintain a fair balance of budget reductions between all state government agencies.

Paul Gowins, a Reno advocate for the disabled, identified himself for the record. Mr. Gowins expressed alarm at the reduction of Medicaid personal care services for the disabled, concern regarding the reductions in the Medicaid rate reimbursement to hospitals and compassion for the children who might not receive needed medical services.

Mr. Gowins discussed the impact the reduction of services would have on disabled individuals, children, and clients who would no longer be able to access the Owens Street Office. Mr. Gowins questioned how clients would be able to manage without community or rehabilitation services.

In closing, Mr. Gowins told the members of the Committee that community advocates that were willing to assist in solving the problems associated with the budget crisis wanted the Committee to understand the impact that the reduction of services would have on clients and the importance of solving the issues.

Jack Mayes, Executive Director, Nevada Disability Advocacy and Law Center (NDALC), spoke of the collective concern of NDALC representatives regarding the reductions in rural mental health care, and waiting lists for early intervention services as well as other services.

Mr. Mayes discussed the Olmstead Supreme Court Decision, which "in a landmark interpretation of the Americans with Disabilities Act (ADA), the Supreme Court decided that people with disabilities had a right to receive care in the most integrated setting appropriate and that unnecessary institutionalization violated the ADA. All states must now comply with the decision." Mr. Mayes asked that the Legislative Counsel ensure that Nevada complied with the Olmstead Decision since it appeared that the reductions would force clients into institutions to receive care.

Additionally, in response to Assemblywoman Buckley's request for budget recommendations from the public, Mr. Mayes advised of the NDALC's availability to assist the Legislature and recalled that during the 2007 Legislative Session, the NDALC initiated legislation to provide access to incident reports that would assist with quality assurance of

work programs. Mr. Mayes pointed out that one of the work programs before the Committee for approval eliminated a quality assurance position.

Mr. Mayes concluded his comments by again offering NDALC assistance relative to the budget crisis and thanked the Committee for providing him the opportunity to share his agency's concerns.

Ernie Nielson, representing Washoe County Senior Law Project, testified that much of the Law Project's work involved keeping seniors in community-based services and out of institutional care. Mr. Nielson expressed concern relative to the reduction of funds for the Division of Aging Services' home and community-based waiver programs and the permanent elimination of 10 unfilled case manager positions and related potential client caseload of 484. Mr. Nielson defined the elimination of positions and the reduction of funds for senior services as "a backward step" for the state of Nevada whose policy was to decrease institutional care and increase "much less expensive" community-based care for seniors.

Mr. Nielson indicated that the impact of the reductions, particularly relative to the waiver program, would increase waiting lists for senior services. Additionally, he indicated that the reductions would increase the possibility that seniors, who might otherwise have access to a home-type residence or their own home, would spend the remainder of their lives in institutional care, which was more expensive and reduced the quality of life.

Connie McMullen identified herself as the Chairperson, Strategic Plan Accountability Committee (SPAC), Department of Health and Human Services, Publisher, Senior Spectrum Newspaper, and former Senior Advocate for the City of Reno.

Ms. McMullen expressed concern regarding the reduction of funds to the Division of Aging Services for community-based services, the elimination of 10 case-manager positions and a related caseload of 484 individuals, who would not receive home-based services. Additionally, Ms. McMullen commented on the loss of federal matching funds that would accompany the reduction of funding for the home and community-based waiver programs.

Ms. McMullen pointed out that the State Plan for Senior Services focused on keeping seniors in their homes, which was three times less expensive than the cost of institutionalization. Additionally, Ms. McMullen noted that Nevada, second only to Arizona in an increasing population of senior citizens, continued to reduce caseload, personal care assistance, and food stamps as the population increased.

Ms. McMullen asked the Committee for "additional consideration" for the most vulnerable of the state's population whose lives she said would be "demeaned" by their inaccessibility to critical home-based services.

Jan Gilbert, Northern Nevada Coordinator, Progressive Leadership Alliance of Nevada (PLAN), echoed the sentiments of previous speakers. Ms. Gilbert indicated that while it was apparent that Mike Willden, the Director of the Department of Health and Human

Services (DHHS), had to make difficult budget reduction choices, the current reductions and the proposed 14 percent budget reductions for the upcoming biennium would set state services back by 20 years.

Ms. Gilbert advised the Committee that the PLAN organization was currently developing a tax proposal for presentation to the Legislature and that although a recommendation for additional taxes would not be popular during a general election year, "the reality was that Nevada's tax structure was broken."

Noting the reductions to education, healthcare, seniors, children, hospitals, doctors, and state workers, Ms. Gilbert recalled a recent newspaper article that listed Nevada 49th in the nation with respect to the tax burden on citizens. Ms. Gilbert advised that representatives of PLAN would attend town hall meetings to present a proposal supported by their members to effect changes for a more equitable tax structure and asked the Committee to be open to restructuring Nevada's tax system.

Senator Beers provided clarification that Nevada actually ranked 48th in per capita taxes from residents and 7th in per capita taxes for non-residents and taking taxes raised from residents and non-residents together, Nevada ranked 25th in per capita taxes. Additionally, Senator Beers said that Nevada currently ranked as the median state in state and local government expenditures per capita.

Mr. Stevens advised that the following five block grant work programs required a public hearing:

> Item 54 – Nevada Medicaid involving Temporary Assistance to Needy Families (TANF) block grant funds
>
> Item 55 – Division of Health Care Financing and Policy – Nevada Check-Up Program involving Title XXI block grant funding
>
> Items 76, 77, and 78 – Welfare Division involved amending TANF block grant funds

Chairman Arberry opened the hearing to public comment for work program Items 54, 55, 76, 77, and 78, which involved block grant funding.

Hearing no response to his request for public comment, Chairman Arberry closed the hearing to discussion by members of the public on Items 54, 55, 76, 77, and 78.

Mr. Stevens outlined the following potential adjustments to work program Items 53, 77, and 80:

> Item 53 was a Medicaid work program that would reverse $25 million in previously approved 4.5 percent reductions and balanced forward into fiscal year 2009 to reduce the supplemental appropriation that would be required for the Medicaid Program during the 2009 Legislative Session. Mr. Stevens

explained that approximately $8 million in prior fiscal year reimbursements had to be reverted in the same year in which the funds were received. Therefore, he said that representatives of the Fiscal Analysis Division and the Budget Division agreed to reduce $25,362,890 in previously approved reductions to $17,335,368, leaving approximately $8 million in the Reserve category for reversion to the General Fund at the end of fiscal year 2008.

Item 77 was a Welfare Division work program for the potential closure of the Owens Street District Office in Las Vegas. Mr. Stevens noted that information received during the hearing would modify two work programs to keep the Owens Office open through June 2009. The following category adjustments would also be required:

- an adjustment in category 4 from a negative $295,919 to a negative $195,847
- an adjustment in category 7 from a negative $86,978 to $56,536
- an adjustment in category 59 to a negative $28,371
- an adjustment in category 93 to a positive $739,369
- additional revenue adjustments to be made by staff with the Committee's authorization

Item 80, Welfare – Child Assistance and Development required the following adjustments:

- an adjustment in category 20, to increase a negative $985,703 to a negative $1,131,495
- an adjustment in category 93 to a negative $1,131,495

ASSEMBLYWOMAN BUCKLEY MOVED APPROVAL OF THE BUDGET REDUCTIONS AND WORK PROGRAM REVISIONS, OUTLINED BY MR. STEVENS, WITH ADDITIONAL ADJUSTMENTS TO BE MADE AT STAFF'S DISCRETION.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

Senator Raggio asked if the motion included that the action on the Owens Street Office was contingent on the commitment by the City of Las Vegas to provide the funding to keep the office open until June 2009.

Chairman Arberry indicated that Assemblywoman Buckley's motion included the City of Las Vegas' commitment to provide the funding for the Owens Street Office to remain open through June 2009.

THE MOTION CARRIED. (Senator Coffin was not present for the vote.)

C. PUBLIC COMMENT

There was no public comment.

Chairman Arberry indicated that the next meeting date of the Interim Finance Committee would take place on September 9, 2008, at which time representatives of the Budget Division should provide the Committee with updated information on projected budget shortfalls and whether the various budget reduction targets were being met.

D. ADJOURNMENT

Chairman Arberry adjourned at 11:54 a.m.

_____
Assemblyman Morse Arberry Jr., Chairman
Interim Finance Committee

_____
Lorne Malkiewich, Director
Legislative Counsel Bureau and Secretary
Interim Finance Committee

EXHIBITS INTERIM FINANCE COMMITTEE		
Exhibit	**Witness/Agency**	**Description**
A		Agenda
B		Guest List
C		August 14, 2008, Interim Finance Committee Packet
D		
E		
F		