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

Seventy-Sixth Session
February 1, 2011

The Legislative Commission's Budget Subcommittee was called to order by Chairwoman Debbie Smith at 8:35 a.m. on Tuesday, February 1, 2011, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/76th2011/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

SUBCOMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblywoman Debbie Smith, Chairwoman
Assemblyman Marcus Conklin, Vice Chair
Assemblyman Kelvin Atkinson
Assemblyman David P. Bobzien
Assemblywoman Maggie Carlton
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Cresent Hardy
Assemblyman Pat Hickey
Assemblyman Randy Kirner

Senator Sheila Leslie, Vice Chair
Senator Ben Kieckhefer
Senator Dean A. Rhoads

SUBCOMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblyman Paul Aizley
Assemblyman Joseph M. Hogan
Assemblywoman April Mastroluca
Assemblyman John Oceguera
Senator Steven A. Horsford, Chair
Senator Barbara K. Cegavske
Senator Moises (Mo) Denis
Senator David R. Parks

STAFF MEMBERS PRESENT:

Rick Combs, Assembly Fiscal Analyst
Mark Krmpotic, Senate Fiscal Analyst
Mike Chapman, Principal Deputy Fiscal Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Carol Thomsen, Committee Secretary
Cynthia Wyett, Committee Assistant

The first item for Subcommittee consideration was the budget overview for the Division of Mental Health and Developmental Services. Chairwoman Smith recognized Dr. Cook, who would present the overview of the Division's budget.

HUMAN SERVICES
MENTAL HEALTH AND DEVELOPMENTAL SERVICES
BUDGET PAGE DHHS MHDS-1

Harold Cook, Ph.D., Administrator, Department of Health and Human Services (DHHS), Division of Mental Health and Developmental Services (MHDS), introduced himself and the following staff members to the Subcommittee:

- Deborah McBride, Health Bureau Chief 2, Substance Abuse Prevention and Treatment Agency (SAPTA)
- Jane Gruner, Associate Administrator for Developmental Services
- David Prather, Administrative Services Officer 4

Dr. Cook stated that MHDS was comprised of 12 budget accounts and 8 agencies. The Division was responsible for planning, administration, policy setting, monitoring, and budget development of all state-funded mental health services. The mission of the Division was to develop and operate programs that assisted individuals who suffered from mental illness, substance abuse disorders, or developmental disabilities to live as independently as possible. Dr. Cook indicated that MHDS provided services regardless of an individual's ability to pay and assured that services were offered in the least constrictive environment.

Dr. Cook called the Subcommittee's attention to Exhibit C, a booklet entitled "Mental Health and Developmental Services, Legislative Budget Presentation, 2011-2013 Biennium," which had been presented to members. The "Budget Summary" tab contained in the exhibit depicted the overall budget for MHDS. Dr. Cook explained that the first pie chart depicted the breakdown of revenue by service types:

1. Developmental services comprised 45 percent of the budget.
2. Mental health services comprised 44 percent of the budget.
3. SAPTA comprised 8 percent of the budget.
4. Central office expenditures comprised 2 percent of the budget.

The second pie chart, said Dr. Cook, depicted funding sources. The MHDS was very dependent on State General Fund revenue at 65 percent, with federal funding for Medicare at 9 percent, and the "other" funding category at 26 percent. Dr. Cook explained that "other" funding included such funding as Medicaid block grant revenue.

The third pie chart under the "Budget Summary" tab depicted the funding for mental health services. Dr. Cook stated that mental health was very dependent upon the State General Fund with 88 percent of the budget for mental health services realized from that source. He noted that 4 percent of the budget was federally funded by Medicare and 8 percent was federally funded from Medicaid.

Dr. Cook indicated that the pie chart that depicted funding for the Substance Abuse Prevention and Treatment Agency (SAPTA) was also contained under the "Budget Summary" tab in Exhibit C. It was a particularly interesting funding mix with 58 percent of the budget funded with federal SAPTA block grant funds. He noted that the General Fund contribution for SAPTA was 31 percent. The pie chart depicting the funding for developmental services indicated that those services were much less dependent upon General Fund revenue, with 46 percent of the funding realized from Medicaid. Dr. Cook pointed out that every state dollar cut from a Medicaid-funded program resulted in a corresponding cut in federal funding.

Continuing his presentation, Dr. Cook said the remaining charts under the "Budget Summary" tab provided information regarding position cuts, budget decision units impacting county revenue/operations, and the Federal Medical Assistance Percentage (FMAP) impact summary. He noted that the DHHS had transferred some programs to county revenue funding sources throughout the state, and those included the mental health court program as well as children's services offered through developmental programs.

Dr. Cook said the tab titled "National Rankings" in Exhibit C included information about how Nevada ranked in comparison to other states based on expenditures and other issues. It should come as no great shock that in many cases, if not most, Nevada ranked in the lowest percentile of the 50 states.

Senator Leslie referred to the first chart under the "National Rankings" tab, and said she had never seen the statistics presented in that manner. She requested clarification of the listing titled "State Fiscal Effort for all Services Provided: (per thousand dollars of income)."

Dr. Cook asked Ms. Gruner to respond to Senator Leslie's inquiry. Jane Gruner, Associate Administrator for Developmental Services, MHDS, explained that a survey was conducted every other year, and the information from that survey indicated the amount of state funding allocated for developmental services for supported programs.

Senator Leslie asked for further clarification of the category entitled "State Fiscal Effort for all Services Provided." Ms. Gruner explained that category depicted the General Fund revenue used by MHDS to provide services. Senator Leslie asked whether Nevada was ranked lowest in the country in terms of the percentage of funding for services per capita, and Ms. Gruner replied that was correct.

Continuing his presentation, Dr. Cook called the Subcommittee's attention to the tab entitled "Caseload" in Exhibit C. The graph depicting the developmental services caseload showed that caseloads continued to climb at the projected demand, and that the number of current clients exceeded the Division's budgeted caseload. That caseload would continue to increase over the next biennium. Dr. Cook said he did not want to belabor the caseload charts, but perhaps Subcommittee members could peruse the charts included in the exhibit at their leisure.

Chairwoman Smith acknowledged that the Subcommittee had reviewed the caseload charts for the MHDS during the budget overview for the Director's Office, Department of Health and Human Services (DHHS), but additional time was needed by the Subcommittee to review the proposed reductions.

Under the "Caseload" tab in the exhibit, Senator Leslie said the graph entitled "Statewide Mental Health Caseload Reductions" was very dramatic, and she wanted to be sure she understood the reductions. It appeared that there were 4,075 clients participating in outpatient counseling as of June 2010 and that number would be reduced to 2,765 by July 2011. Dr. Cook replied that was correct. Senator Leslie asked whether that represented the number of persons statewide who would receive services. Dr. Cook explained that the graph depicted the caseload reduction based on the number of full-time equivalent (FTE) positions, such as counselors, that would be eliminated from the budget for MHDS.

Senator Leslie repeated the figures in the graph showing caseload reductions as of July 2011 and wondered what would happen to the remaining clients and whether they would be placed on waiting lists for alternative services.

Dr. Cook stated that for the past several years MHDS had been transitioning from a counseling program that was heavily dependent upon long-term and individual therapies to one that was dependent upon targeted, time-limited group therapies. The decision units in the budget that reduced the counseling caseload would accelerate that process. Dr. Cook said those persons currently involved in individual therapy would be offered group therapies that would be targeted and time-limited. No client would be summarily thrown out of service, but rather would be offered alternatives.

Senator Leslie noted it would be time-limited and a different level of care. She asked whether MHDS anticipated a waiting list for persons who needed to continue the individual therapy level of care.

Dr. Cook explained that individual therapy would be offered if possible, but such care would be time-limited; MHDS would not be able to offer the types of extensive, long-term therapies that some persons had experienced. Frankly, said Dr. Cook, there was very little evidence that long-term therapy was an effective modality. Obviously, many insurance companies had taken that stand by limiting therapy sessions.

Senator Leslie asked whether individual therapy was used for the severely mentally ill, and Dr. Cook stated that was correct. Senator Leslie believed the issue was somewhat more complicated and would require further discussion at future joint subcommittee hearings.

In order to ensure that the Subcommittee understood the chart entitled "Statewide Mental Health Caseload Reductions" under the "Caseload" tab in Exhibit C, Senator Leslie asked whether one of the Programs for Assertive Community Treatment (PACT) teams would be eliminated, and Dr. Cook replied that was correct. She asked whether the persons currently receiving services from the eliminated PACT team would be placed in group therapy.

Dr. Cook replied that persons currently receiving PACT team services might or might not be involved in any type of therapy. Typically, those persons were heavily dependent upon such things as service coordination and medication management. The PACT teams offered and administered limited therapy, but Dr. Cook stated that persons who were receiving therapy through the PACT team would be offered the choice of an alternative therapy program. Those clients would also be provided service coordination through the Division's routine service coordination program and assistance with medication management through the Division's medication clinics. The concept of the PACT team, said Dr. Cook, was that all services provided to clients was encapsulated within the team and was not part of the overall services provided by MHDS.

Senator Leslie said it appeared those persons needed the extra attention and she was concerned about the elimination of one PACT team. She noted that the proposed budget would also eliminate psychosocial rehabilitation, and she wondered whether the 425 clients currently using that service would be required to enter a regular vocational rehabilitation program. Dr. Cook explained that MHDS would refer those clients to vocational rehabilitation and other educational rehabilitation programs throughout the state.

Senator Leslie asked about the reduction in supported living arrangements (SLA), where the caseload would be reduced from 1,277 to 850 clients, and whether the additional clients would simply be placed in homeless shelters.

Dr. Cook stated that no person currently living in a SLA would be removed from that housing. The reduction would simply cap the number of SLA administered by the Division. In the area of mental health, the SLA program realized a significant turnover throughout the year; Dr. Cook emphasized that MHDS would not be required to evict or remove persons from SLA housing. Senator Leslie asked whether there would be vacancies available for new clients. Dr. Cook acknowledged that it would be more difficult for persons to access the SLA program.

Senator Leslie noted that the Senior Outreach program would be completely eliminated from the budget, and Dr. Cook stated that was correct. He explained that the Senior Outreach program had been funded through tobacco settlement funds, which had been eliminated.

Chairwoman Smith stated that during future joint subcommittee hearings, she would like additional discussion regarding the proposed changes and/or reductions in caseloads, with the applicable cost benefits from those reductions if clients had to be moved to more expensive services; she believed there should be historic facts that addressed MHDS program funding. Chairwoman Smith noted that the current programs provided by MHDS appeared to be the most cost-effective ways to deliver the needed services, versus having persons use the more expensive forms of treatment. Dr. Cook stated he would be prepared for those discussions.

Senator Denis referenced the earlier conversation about referring clients to other vocational rehabilitation services, and he wondered whether there would be cuts to other services, thereby leaving those persons without any access to services.

Dr. Cook explained that vocational rehabilitation programs were largely federally funded and he did not anticipate any major reductions in those services. However, said Dr. Cook, Senator Denis brought up a good point because the entire state was experiencing constrictions in services. The MHDS would do what it could to provide the necessary services, and would continue to provide service coordination and refer individuals to other available service programs. Dr. Cook said he could not answer Senator Denis' question as to whether or not there would be room for additional persons in other programs, or whether those persons would even attempt to access other programs.

Senator Denis noted that many budgets anticipated shifting funding for some programs to the counties, and a determination would have to be made during future joint subcommittee hearings as to whether county agencies had the ability to provide those services.

Dr. Cook referenced the "Key Issues" tab in Exhibit C, and said he would like to discuss the general issues that were affecting the MHDS budget today. The total recommended budget for MHDS was $617 million, which was approximately 12.4 percent less than what had been approved for the Division by the 2009 Legislature. Dr. Cook said the amount was also 8.9 percent less than the funding levels approved by the 26th Special Session. The amount was $617 million in recommended funding as opposed to the legislatively approved amount of $705 million for the 2009-2011 biennium.

When determining where to make cuts and what programs would be eliminated, MHDS staff used the priorities- and performance-based budgeting process that had been initiated by the Budget Division of the Department of Administration in mid-2010. Dr. Cook referred to the section of the exhibit entitled "Program Eliminations" under the "Key Issues" tab of the exhibit, and he noted that the programs listed as low priority included:

- Developmental Services Behavioral Health
- Mobile Outreach Team (Washoe County)
- Community Triage Centers
- Psychosocial Rehabilitation
- Senior Outreach (Tobacco Funds)
- Self-directed Autism
- Self-directed Family Support

Dr. Cook pointed out that there was an error in the exhibit, and the medium-priority programs should commence with those programs listed after the Self-directed Family Support program. The aforementioned programs had been rated low priority via the priorities- and performance-based budgeting process and had, therefore, been recommended for elimination.

Senator Leslie asked for clarification regarding the mistake in listings within the exhibit. Dr. Cook explained that the medium-priority programs should begin with the Linden Street Clinic (Washoe County), with the Self-directed Family Support program listed in the low-priority category and slated for elimination.

Senator Leslie noted that the list had been established using the Budget Division's priority- and performance-based process, but she was not sure what criteria had been used in making those determinations. She wondered whether the eliminations had been based on programs that included no specific mandates, or because a program was state-funded rather than federally funded. Senator Leslie asked what made some programs low priority versus medium or high priority.

Dr. Cook explained that the priority system was based on legal mandates and programs that were federally mandated or constitutionally mandated were classified as high priority. For example, said Dr. Cook, programs that allowed the state to remain in compliance with the mandates of the *Olmstead Decision* issued by the U.S. Supreme Court on June 22, 1999, were considered a high priority.

Senator Leslie stated that, for the record, she did not agree with the priority lists depicted in Exhibit C. She believed that programs that saved lives, such as suicidal persons assisted by the mobile outreach team in Washoe County, where one person had been saved during the past week, should be a high priority. It appeared that the *Olmstead Decision* was the only legal framework for mandated programs.

Dr. Cook noted that the *Constitution of the State of Nevada* included a provision that Nevada would maintain an institution for the "insane, blind, deaf and dumb." That was the language included in the *Nevada Constitution*.

Senator Leslie said that mandate could be met by in-state hospitals, but the language did not indicate how long a person had to remain in the hospital or whether those persons would actually receive treatment. Dr. Cook stated that was correct, the language mandated only that the state maintain such institutions.

Dr. Cook indicated that every program operated by MHDS saved lives, and it was not just the mobile outreach programs. Senator Leslie emphasized that she had not said it was only mobile outreach that saved lives. Dr. Cook concurred, but said it was important to realize that every week a person within the Division initiated a "Legal 2000," which was the Nevada process for civil commitment to prevent persons from committing suicide. Staff was also routinely required to initiate the Heimlich maneuver to assist choking victims and to make assessments of various injuries and/or acute illnesses. Dr. Cook opined that the staff of the Division saved lives every week.

Senator Leslie agreed, and stated she would never disagree with that statement. Dr. Cook emphasized that every program operated by the Division was important with respect to saving lives.

Chairwoman Smith stated that future joint subcommittees would further explore the priority- and performance-based budgeting process. While she agreed with the idea of establishing priorities, she also believed that there were persons in the community who had differing opinions about priorities. Chairwoman Smith asked that everyone keep that in mind as budgets were further developed for the upcoming biennium. She opined that the recipients of services had to be involved in the process of establishing priorities.

Senator Cegavske noted that the Subcommittee had requested information about every aspect of tobacco funding and was still awaiting that information. She asked about the elimination of 175 full-time equivalent (FTE) positions under the "Medium Priority" category and whether those positions were currently vacant.

Dr. Cook replied that 80 of the 175 FTE positions proposed for elimination were currently filled. The Division believed that approximately 40 alternative positions would be available for those individuals, and it would continue to assist the remaining 40 persons in securing other state positions prior to the end of fiscal year (FY) 2011.

Senator Cegavske said she was asking about the current vacant positions within MHDS and which positions had not been filled. Dr. Cook stated he could not answer that question today, but would provide that information to Senator Cegavske. He estimated that there were approximately 200 vacant positions within MHDS. Senator Cegavske asked that a list of vacant positions be provided when the budget was discussed at future joint subcommittee hearings, and Dr. Cook stated he would comply with that request.

Dr. Cook said the medium-priority programs scheduled for elimination (Exhibit C) included the Linden Street Clinic in Washoe County, which had already been closed, the substance abuse treatment waiting list, and new and replacement equipment.

Senator Cegavske asked for a list delineating the replacement equipment that was slated for elimination and whether that included office equipment or equipment for clients. Dr. Cook said he would provide that information.

Dr. Cook referred to the "Program Reductions" category listed under the "Key Issues" tab in the exhibit. The MHDS was recommending reductions in the following programs:

- Elimination of one Program for Assertive Community Treatment (PACT) team and reduction of capacity in Clark County by 75 clients.
- Reduction of the outpatient counseling program by 1,300 clients.
- Reduction of the mental health Supported Living Arrangements (SLA) program by 400 placements.
- Elimination of 22 beds at the Rawson-Neal Psychiatric Hospital.

Dr. Cook commented that during the 26th Special Session, 22 beds had been eliminated at the Rawson-Neal Psychiatric Hospital, and that reduction would be continued along with the additional 22-bed reduction.

Dr. Cook continued listing the proposed program reductions.

- Elimination of 4 beds at Lakes Crossing Center.
- Elimination of 54 placements in the SLA program for developmental services (Clark County).
- Reduction of the Co-occurring Disorders pilot project by approximately 70 percent of its original funding level.

Dr. Cook explained that persons would not be eliminated from the SLA program, and the reduction would occur by not filling slots in the future.

The category entitled "Programs Proposed for County Funding" under the "Key Issues" tab depicted two programs proposed by MHDS for transfer to county funding. Dr. Cook explained that the funding responsibility for service coordination for children served by developmental services agencies and mental health services for defendants assigned to Mental Health Court would be transferred to the counties.

Dr. Cook said the basis for making the service coordination for children served by developmental services county-funded was *Nevada Revised Statutes* (NRS) 435.010. Also, there was a budget bill draft request (BDR) to provide for counties to bill for mental health services.

Senator Leslie disclosed that she worked for the specialty court system in Washoe County, but her salary was not state-funded. The Mental Health Court was one of the eight specialty courts that she managed.

Senator Leslie wondered what would occur in the event a county declined to fund the Mental Health Court program. She asked whether MHDS would still recommend a transfer of funding to the county; she noted that by definition the persons involved in the program were eligible to seek services.

Dr. Cook said his recommendation would be that the Division had an obligation to continue to provide services to those clients within the extent of its operating budget. Senator Leslie said it appeared Dr. Cook would not recommend that the Division pay for services for clients not in the Mental Health Court program.

Dr. Cook explained that the services for Mental Health Court clients were targeted for that specific program. Those services would change and defendants would be absorbed into other programs through MHDS. He explained that if defendants were not clients of the Mental Health Court program the counties would not be required to pay fees for services through MHDS.

Senator Kieckhefer referenced the service coordination for children served by developmental services agencies, and he asked whether those children were currently being served by one of the regional centers. Dr. Cook replied that was correct. Senator Kieckhefer said it appeared the state would maintain the regional centers, but the county would provide the service coordination, and he requested clarification.

Dr. Cook said the only change to the program was the funding source. The regional centers would continue to provide the service coordination, and the MHDS would bill the county for that service.

Continuing his presentation, Dr. Cook referenced the category entitled "New Programs Proposed Utilizing Reallocated Funding," which was contained under the "Key Issues" tab of Exhibit C. The savings realized by the proposed 22-bed reduction at the Rawson-Neal Psychiatric Hospital would be used in part for a medical-clearance transportation program for Clark County.

Dr. Cook explained that since 2004, Clark County had been suffering under an influx of mental health patients in hospital emergency rooms. On any given day, from 20 to 90 mental health patients on emergency commitments were sitting in the emergency rooms in Clark County waiting for a psychiatric bed. Over the past several years, said Dr. Cook, the state had invested significant effort in increasing the number of public psychiatric beds in Clark County as a way to alleviate that problem.

Dr. Cook pointed out that while the situation had become less critical over the past few years, it was still problematic, and the extent of the problem changed on a daily basis. Dr. Cook noted that on a good day there would be only 20 to 40 individuals waiting for beds, which could take up to 2 days, and on bad days, there would be 60 to 80 individuals waiting for as long as 3 days for a bed.

The MHDS had come to realize that the issue was not simply the number of psychiatric beds available, but also how to transport the persons from the 17 area hospitals to the Rawson-Neal Psychiatric Hospital. Dr. Cook stated there were simply not enough ambulances and other medical transport systems available to efficiently move persons throughout the county in a manner that effectively addressed the issue.

Dr. Cook explained that the proposal for a new medical clearance transportation program would use a portion of the money saved by eliminating 22 hospital beds, which through a request for proposal (RFP) process would create a transportation program that would be specific to moving persons from the hospital emergency rooms in Clark County to the Rawson-Neal Psychiatric Hospital.

Assemblywoman Carlton asked for clarification regarding the transportation program. Dr. Cook explained that there were not enough ambulances to move mental health patients and, through the proposed transportation plan, sufficient medical transportation should be available.

Dr. Cook stated that the RFP would be used to solicit bids from medical transport providers, which might not necessarily be via ambulance. He noted that there were a number of such providers in Clark County, and through the RFP process, one of those providers would dedicate up to two vehicles for the proposed transportation program. The assumption was that if MHDS was providing funding for transportation services that the providers would respond to the RFP. Currently, said Dr. Cook, most patients transported to the Rawson-Neal Psychiatric Hospital were not able to provide reimbursement to the ambulance companies.

Assemblywoman Carlton said it appeared to be more about funding rather than access per se, and it appeared to be about the ability to "pay for the ride." Dr. Cook stated that, in part, it was about funding because without state funding for the proposed transportation program, transport providers did not have the ability to provide for and/or fund the additional transports. The proposed program would allow a provider to increase its resources to better serve the community.

Chairwoman Smith pointed out that many persons were present at the hearing who wanted to present testimony, and she asked Dr. Cook to proceed with his budget overview.

Senator Leslie stated that she did not agree with the budget proposal, and she asked Dr. Cook to provide future joint subcommittees with an analysis of the effects created by closing the Community Triage Center in Las Vegas and eliminating 22 beds at the Rawson-Neal Psychiatric Hospital. Senator Leslie indicated that she was also very skeptical of the proposed transportation program. She opined that state funding should not be used to drive individuals around Clark County when what those individuals needed was housing, medication, and inpatient counseling.

Dr. Cook stated that the next item under "New Programs Proposed Utilizing Reallocated Funding" (Exhibit C), was to outsource internal medicine doctors in Clark County. The MHDS analysis indicated that if the Division eliminated

5 full-time equivalent (FTE) positions and replaced them with contracted services, it would save $200,000 without a reduction in services. Dr. Cook said contract services would provide greater flexibility in scheduling and managing workflow on an as-needed basis on a 24-hour-per-day basis. It was difficult to schedule state physicians to meet the demand, and Dr. Cook believed contract services would allow the Division to schedule services as needed.

Chairwoman Smith said that she wanted to see an analysis for all areas where the budget proposed saving dollars by using contracted services at future joint subcommittee hearings. Past audits had proven that the state did not always save money by using contract services. Dr. Cook stated he would provide that information.

Continuing his presentation, Dr. Cook stated that the final proposed new program was the transfer of Marijuana Health Registry funds to the Substance Abuse Prevention and Treatment Agency (SAPTA), which would allow for the creation of treatment programs for parents of children in the child welfare system.

Dr. Cook indicated that Exhibit C also contained "Program Improvement Initiatives" under the "Key Issues" tab. He indicated that MHDS proposed to reorganize rural clinics. A major portion of that reorganization would be the transfer of the clinics in southern Nevada—Pahrump, Laughlin, Moapa, Caliente and Mesquite—to the budget for Southern Nevada Adult Mental Health Services (SNAMHS). Dr. Cook said that transfer would provide for better operational control of those clinics.

In addition, said Dr. Cook, although the budgets would remain separate, the northern clinics and the Rural Regional Center would be consolidated into a single rural services agency. That would allow the Division to provide better efficiencies. Dr. Cook noted that some budget reductions in the rural clinics were possible because of consolidating the two agencies.

Senator Rhoads asked about the location of the northern rural clinics. Dr. Cook said the locations would remain the same in Elko, Ely, Winnemucca, and Lovelock.

Dr. Cook said the "Program Improvement Initiatives" category in the exhibit also included the proposal for a medical management consolidation in the SNAMHS. The MHDS, in conjunction with the Department of Corrections (DOC), was developing a request for proposal (RFP) for the provision of psychiatric and medical services. The MHDS portion of that proposal was specific to SNAMHS, and the Division expected to have the RFP process completed by April 2011.

Dr. Cook stated that the purpose of the proposal was to create better efficiency and effectiveness in medical services using a medical management company, which would have greater flexibility in allocating medical resources than currently possible. In addition, the Division would utilize the joint proposal to develop better continuity of care for mentally ill inmates as they were released and transitioned into the public mental health system.

According to Dr. Cook, the impetus for the RFP was an internal audit performed by the Department of Administration, Division of Internal Audits, in 2010. That audit found that the Division suffered significant inefficiencies in medical staffing in southern Nevada. The MHDS had attempted to work through those issues, but Dr. Cook reported that it had been a long-term problem, and the Division believed that the best solution was to contract out for medical services.

The final program improvement initiative was related to residential programs and the jobs and day-training programs. Dr. Cook said MHDS had partnered with residential providers and jobs and day-training providers to introduce greater efficiencies in various processes that were time and labor consumptive, such as:

- Simplify the billing procedures.
- Provide better coordination between state agencies, boards and commissions, and providers to reduce redundancy and inconsistency in procedures.
- Create a standardized assessment protocol that authorized specific service levels for consumers, much the same as the Medicaid behavioral health plan.

Dr. Cook advised the Subcommittee that he would skip the "Capital Improvement Projects" category, which consisted of heating, ventilation, and air conditioning (HVAC) renovation for the various facilities.

Dr. Cook called attention to the last category under the "Key Issues" tab, "Current Issues that Impact MHDS" (Exhibit C). The main issues were the changes in the Community Mental Health Services Block Grant and the Division's failure to meet the maintenance of effort (MOE) requirements for the Substance Abuse Prevention and Treatment Agency (SAPTA). According to Dr. Cook, the MOE requirement was an important issue, and MHDS had already requested and received a waiver of the MOE for the SAPTA block grant for fiscal year (FY) 2010 and would request another waiver for FY 2011. Dr. Cook reported that even with the additional revenue from the Marijuana Health

Registry added to SAPTA, the Division would not reach the MOE requirement for FY 2012.

Many states were in the same situation as Nevada, and Dr. Cook said those states had also requested and received waivers of MOE requirements for the SAPTA block grant program. The MHDS also anticipated not meeting the MOE requirements for the mental health block grant in FY 2012 and would request a waiver. Dr. Cook said the MHDS would continue to request those waivers on an annual basis until such time as funding reached the level where the MOE requirements could be met, but he opined that the requirements would not be met over the next two years.

Senator Leslie asked about the time frame for receiving a reply to the Division's request for the MOE waiver and wondered about the consequences should the request be denied. Dr. Cook explained that the Division had already received authorization regarding the FY 2010 waiver request. The MHDS submitted the waiver request in November 2010 and received the acceptance of the request in January 2011. He noted it had been a several-month long process. Dr. Cook said the letter authorizing the waiver indicated that the state must continue to make an effort to meet the MOE requirements, and the federal government would closely monitor the activities of MHDS in that respect. The potential of not meeting the MOE requirements over a substantial period of time could result in block grant funding being either withheld or reduced.

According to Dr. Cook, the other issue that affected block grant funding was related to healthcare reform. The type of activities funded by the block grants would be changing with greater emphasis on areas such as prevention, and activities and services for military families. Dr. Cook opined that future block grant funding might be structured to fill the gaps that were not covered by healthcare reform. For example, it appeared that healthcare reform would not mandate coverage for psychosocial rehabilitation and, in that case, MHDS would be required to use the mental health portion of block grant funding to provide psychosocial rehabilitation.

Dr. Cook opined that there would be any number of changes to block grant funding over the upcoming two years. One very real possibility was that the SAPTA and mental health block grants would be combined. The MHDS staff and the Division of Child and Family Services (DCFS) staff were currently working with SAPTA staff to formulate a joint response to various sections of both grants that required such a response. Dr. Cook noted that there was movement to combine the two block grants and change the funding requirements. There had also been discussion about the ultimate elimination or reduction of block grant funding as healthcare reform took effect. Dr. Cook stated that healthcare reform would have an enormous effect on MHDS in the future, but he could not predict what might occur.

Dr. Cook explained that most of the Division's clients who were not insured or not enrolled in Medicaid would be enrolled in Medicaid and/or be covered by healthcare insurance by 2014, which would have a major effect on the services requested by those clients. Dr. Cook noted that at the present time, MHDS had a monopoly on services for most of its clientele, but by 2014 that would no longer be the case. Certainly, healthcare reform would have an enormous impact on the Division's funding stream, and Dr. Cook hoped there would be more information available regarding funding as the program was rolled-out over the next two years.

Of particular interest, said Dr. Cook, was the concept of "health" or "medical" homes that included behavioral health. Medicaid was in the process of establishing "health" homes to the extent that MHDS could participate and include behavioral health within the health-home concept. Dr. Cook believed that would provide a better service system going forward.

Senator Kieckhefer asked whether stand-alone psychiatric hospitals would be eligible for Medicaid reimbursement under the new rules in healthcare reform. Dr. Cook replied that there was a provision in healthcare reform for a pilot project that would waive the Institute for Mental Disease (IMD) exclusion. That exclusion would allow Medicaid to pay for services in a free-standing hospital only for children and/or senior citizens aged 65 or older. Dr. Cook stated that persons between the ages of 21 to 65 would not receive inpatient hospital services through Medicaid. The MHDS had reviewed the pilot project, but because there was such a low rate of Medicaid-eligible individuals who would participate in that program, it did not appear to be a viable program for MHDS. Dr. Cook said the MHDS had not applied for pilot-project status at the current time. He believed the Division should review the program in 2014 when virtually everyone would become Medicaid-eligible.

Senator Leslie referred to the proposal to eliminate the Self-Directed Autism program as depicted under the "Key Issues" tab of Exhibit C and said it appeared the Division felt those families would continue to receive other services for family members with developmental disabilities. Senator Leslie stated that the Subcommittee had heard some heart-wrenching stories during the town-hall meetings held on January 29 and January 30, 2011, that indicated those families were not continuing to receive services. Senator Leslie asked what other services would be available for those families.

Jane Gruner, Associate Administrator for Developmental Services, MHDS, stated that the Division had collaborated with the University of Nevada, Reno (UNR) to ensure that additional parenting classes and additional positive behavioral support classes would be available through the UNR-operated Positive Behavior Support-Nevada (PBS-NV) program. Also available would be autism-specific classes that dealt with issues such as eating and toileting. Ms. Gruner explained that the individuals currently qualified for autism services would also have access to residential support services, which also provided in-home support. Part of the reason the Self-Directed Autism program had been listed for elimination was because of the loss of Temporary Assistance for Needy Families (TANF) funding, which left the State General Fund as the only source of funding for the program.

Ms. Gruner said that because of the loss of TANF funding, in order for persons currently using the services of the Self-Directed Autism program to continue receiving services, those clients would be moved to residential or developmental services. She stated that those services were available for anyone who qualified for developmental or residential services.

Senator Leslie said it was her understanding that many of the families were using the Self-Funded Autism program to purchase specific services needed by their children, and it appeared that there would be a gap in services. It appeared that some parents would not be able to secure the specific services needed by their children.

Ms. Gruner explained that the residential service program allowed developmental services to contract with specific providers to access the needed services, so parents would be able to access those services through the behavioral services program. Ms. Gruner opined that because the current program was required to use evidence-based treatment, those services would continue to be available. Senator Leslie said she was not convinced that the needed services would be available.

Senator Leslie asked about the reduction in funding for the SAPTA Co-occurring Disorders program. She opined that the proposed reduction in funding would be disastrous because the Co-occurring Disorders program had been extremely successful in both northern and southern Nevada. Senator Leslie noted that the recommended reduction for prevention programs was $112,000, while the recommended reduction for substance-abuse treatment was $1.6 million. She pointed out that Nevada had one of the highest substance-abuse rates in the country.

Deborah McBride, Health Bureau Chief 2, Substance Abuse Prevention and Treatment Agency (SAPTA), concurred that those were the recommended reductions included in the budget. Senator Leslie opined that it would be a "sad day" for Nevada because the state should be adding funding for substance-abuse treatment rather than taking it away.

Chairwoman Smith believed that such drastic reductions would ultimately cost the state and local governments more money in the future. She noted the proposed program reductions in the Program for Assertive Community Treatment (PACT) would reduce capacity by 75 clients. The PACT program had been developed for individuals with a repetitive history of using hospital services and continued law enforcement contacts. Chairwoman Smith said the proposal to reduce the capacity of that program to reduce costs was illogical because it would impede the ability of persons to receive services. There were continuing stories about emergency rooms and law enforcement entities being overwhelmed by persons in need of various services, particularly in Clark County.

Dr. Cook said he could not disagree with the Chairwoman's comments; however, when the Division was instructed to cut its budget, it was unavoidable that program reductions would result. Chairwoman Smith said the Subcommittee certainly understood the difficulty of budget cuts, and the work of the Division's staff in attempting to meet the required budget reductions was appreciated.

Chairwoman Smith closed the budget overview for the Division of Mental Health and Disability Services (MHDS) and opened public testimony pertinent to the budgets within the Division. She asked Judge Breen in Carson City and Judge Glass in Las Vegas to come forward and address the Subcommittee.

The Honorable Peter I. Breen, Senior District Judge, Second Judicial District, Washoe County, introduced himself to the Subcommittee, and stated that he had had the pleasure and honor of being associated with the Nevada Judiciary for 37 years. For 16 of those years, said Judge Breen, he had been appearing before the Nevada Legislature, first with the Eighth Judicial District Court and then with judges from every court in the State of Nevada on behalf of the specialty courts, which included Adult Drug Court, Mental Health Court, and DUI (Driving Under the Influence) Court.

Judge Breen advised the Subcommittee that he appeared today on behalf of the Mental Health Court program. He emphasized that the state had been very good to the specialty courts over the years, and with that support there had been a statewide effort to include at least one specialty court in all judicial districts, which had been successful.

Because of that success, said Judge Breen, Nevada was on the cutting edge of the nationwide movement toward specialty courts. Nevada's system was the best in the country and was no longer an experiment: it was now one of the tools. Judge Breen opined that the specialty courts were the cheapest and most successful tools for dealing with persons who committed crimes in Nevada and who were also mentally ill or addicted to drugs or alcohol.

Judge Breen said as he understood the MHDS budget overview presented by Dr. Cook, the Division would continue to provide services for the Mental Health Court programs, but would then charge Clark and Washoe Counties for the cost of those services. As understood by Judge Breen, Dr. Cook's overview indicated that persons already involved in the Mental Health Court program, which was primarily a criminal trial court in the Second Judicial District, would not be eligible for continued services, but those persons not yet involved in the program would be eligible for services.

While he understood that the budget process was just beginning, Judge Breen said the overview caused him great concern. He believed that should the cuts continue to the final budget product, it would equate to a death sentence for the Mental Health Court program. The great value of the specialty court system was that it took individuals who committed crimes, mostly felonies, and over the course of a year to 18 months mandated that those individuals address their illness through treatment, such as medication, psychiatric treatment, counseling, living in a safe environment, and addressing alcohol and/or drug problems, which over 70 percent of the program's clients completed. In the end, said Judge Breen, the specialty courts reduced crime and made the state's communities in both cities and rural areas a safer and more attractive place in which to live.

Judge Breen explained that some clients of the specialty court system had the potential to be disruptive and dangerous. He was sure that every legislator was aware of that fact, and those were the individuals the specialty courts dealt with.

Judge Breen hoped that billing back to the counties or eliminating the services offered by the specialty courts, where persons were being helped the most, would not occur. He noted that Washoe County was proposing the elimination of approximately $50,000 in funding for services over the next year. Judge Breen said his concern was that the counties would be unable or unwilling to pay for the services required through the specialty court programs, and that the programs would be cut off "mid-stream."

Judge Breen referred to the mandates of the *Olmstead Decision* and opined that the Mental Health Court program was the safest and least-restrictive environment for the mentally ill who committed crimes. He wondered whether the counties would be able to meet the requirements to pay for services for persons who committed felonies, which constituted 60 percent to two-thirds of the cases heard by the Mental Health Court. Judge Breen opined that specialty court programs saved money for the state in fewer prison incarcerations, and he wondered what the criteria would be for programming in lieu of incarceration without those courts.

Judge Breen stated that it was apparent that the counties supplied the services for operation of the Mental Health Court itself, such as bailiffs, clerks, and caseworkers who ensured that the mandates of the Court were being met and provided drug testing for clients. The only cost not covered by the counties was the cost of the actual services needed by the clients of the Mental Health Court. Judge Breen wondered whether there would be uncertainty in the Mental Health Court programs if the counties were asked to pay for additional services. Judge Breen advised that persons in the business community were very satisfied that clients from the Mental Health Court in Washoe County were not in their establishments and/or casinos showing signs of their mental illness, the value of which he believed was for the Legislature to determine.

Finally, said Judge Breen, the value of the Mental Health Court program was that the clients trusted the court and knew that the court would deliver on needed services such as providing medical treatment, improving the safety of their lives, and assisting them to get better overall. He noted that most clients were not happy at first, but they soon realized they would go to either jail or prison if they did not comply with the requirements of the court, and over a short period of time, clients would usually "buy" into the Mental Health Court program. Judge Breen believed what was needed was a reliable, continual source of medical help for those clients. Mentally ill individuals would soon learn that they could not rely on the courts to deliver the needed services to ensure they had an appointment with their psychiatrist or received their medication; therefore, the program would become ineffective.

Judge Breen said he was not aware of county mental health services and/or institutions, and he believed the most reliable support needed to be offered through MHDS, which was the agency that had been providing those services for years. That was the safest most reliable way of delivering services to those who had committed serious felony crimes. Judge Breen stated the most successful way to deal with the mentally ill had been through the Mental Health Court program. The court in Washoe County had mentored other courts in the country, and Judge Breen feared that if the budget proposal was followed, the Mental Health Court program would be completely out of operation by the end of the year because of the unreliability in being able to provide services to the defendants. Judge Breen was aware that the budget process was just beginning and said he did not envy the legislators their job.

Chairwoman Smith thanked Judge Breen for his comments and agreed that the current overviews were the beginning of the budget process. She hoped to hear from Judge Breen at future hearings. Chairwoman Smith said she had the privilege of sitting in Judge Breen's court during the past year and was very impressed with the way the court interacted with its clients.

Chairwoman Smith asked whether there were questions from members of the Subcommittee.

Assemblyman Conklin referred to comments by Judge Breen that the Mental Health Court program was the least expensive and most effective way of dealing with that particular class of offender. Currently, the court had three tools in dealing with clients, it: (1) secured the needed services over the approximately 18 months necessary for persons to become safe, productive members of society, which was apparently the least expensive and most effective; (2) released the client, which would cost more because the client would most certainly return before the court; or (3) sentenced the client to jail and/or prison. Assemblyman Conklin asked if that was a correct list of options available to the court.

Judge Breen replied that was correct. The sentence for most felony offenses was prison, but a client would be placed on probation if that person conformed to the requirements of the Mental Health Court program. Judge Breen explained that the court not only provided clients with needed services, but it inculcated them with the habits of seeking and recognizing the benefits of services and living without substance abuse, thus maximizing the opportunity for persons to deal with mental illness.

Assemblyman Conklin indicated that he understood and was very supportive of the Mental Health Court program. He pointed out that any time a funding cut was made in programs such as the Mental Health Court, there was a cost associated with that cut that was not shown in the dollar amount. For example, the cost of incarcerating a person without treatment, who would ultimately be released only to reoffend, would be one of the costs created by a cut in services for the Mental Health Court program. Assemblyman Conklin said the cuts would amount to an ongoing trend of recidivism that would bring those persons back into the judicial system over and over again. Therefore, if the budget for the Mental Health Court program was cut, society would be paying for incarceration without actually solving any of its problems.

Judge Breen stated that was absolutely true. Also, mentally ill persons were entitled to services. One of the major expenses was stopping and starting the services because it was hard for a mentally ill person to wait six weeks for an appointment. When medication was not available, many mentally ill persons simply stopped taking medications. Judge Breen said another factor was that those persons were in and out of jail repeatedly over the course of the year, as many as 30 times in some cases, because law enforcement had no other options.

Assemblyman Hickey asked for clarification regarding the Mental Health Court program criteria and how persons were directed into that program. Obviously, not everyone who suffered from substance-abuse problems that contributed to their crimes was also mentally ill.

Judge Breen stated that a person who was diagnostically classified as mentally ill also had a 70 percent chance of suffering from a drug or alcohol problem. In his opinion, after working for 10 years in the Mental Health Court program, an alcohol problem was somehow more prevalent in those persons suffering from mental illness. Once a person became involved in the Mental Health Court program, it was much easier to deal with an alcohol or drug problem than it was for persons in the Drug Court program, who were often more deeply addicted to drugs.

Chairwoman Smith invited Judge Glass to address the Subcommittee.

The Honorable Jackie Glass, Eighth Judicial District Court, Clark County, introduced herself to the Subcommittee. Judge Glass indicated that she worked with the Mental Health Court, the Drug Court, and the DUI (Driving Under the Influence) Court programs in Clark County.

Judge Glass referred to Assemblyman Hickey's inquiry about the criteria for placement in the Mental Health Court program, and explained that there first had to be an Axis I psychiatric diagnosis [a clinical disorder] before a person could be placed in the program in Clark County. The court found that approximately 80 percent of its clients suffered from co-occurring addictions to drugs and/or alcohol. Judge Glass said that drugs and alcohol came into play when a person was self-medicating because of the lack of access to proper medications. That led to committing crimes to obtain the drugs and alcohol to continue the self-medication, and the cycle continued.

Judge Glass concurred with the previous statements made by Judge Breen, and advised that she and other specialty court judges would be very visible during the current legislative session. The judges would advise that the state might pay less now through budget cuts, but those cuts would ultimately cost the state more money over the long run. Those costs would include:

- Housing mentally ill offenders in jails and prisons.
- Overcrowding in hospital emergency rooms.
- Use of additional beds at Lakes Crossing facility, the Rawson-Neal Psychiatric Hospital, and other mental hospitals and facilities.
- Patients waiting in line at 4:00 a.m. for the medication clinics in downtown Las Vegas to open.
- Homelessness.
- Harassment of tourists and persons in the community.
- Breaking into homes and businesses.
- Stealing cars and identities.
- Committing possibly dangerous crimes because they were mentally ill and untreated.

Judge Glass stated that the Mental Health Court program in Clark and Washoe Counties helped to eliminate jail days, jail beds, prison days, prison beds, and reduced crime. No cost could be placed on the impact caused by the elimination of the specialty court programs throughout the state.

Judge Glass noted that Dr. Cook had discussed the elimination of a Program for Assertive Community Treatment (PACT) team in the Las Vegas area and, in fact, a team that dealt with 75 persons in Las Vegas was slated for elimination. Judge Glass opined that those 75 persons would have further contact with law enforcement and would end up in jails and prisons without access to those services. She believed elimination of the PACT team was exponential in its impact on the communities.

Clark County was not able to pay for the Mental Health Court program services, and Judge Glass concurred with Judge Breen that the proposed budget cuts were a death sentence for the Mental Health Courts in Nevada. If the proposed budget came to fruition, in several years it would be proven that it would have been much more cost-effective, much safer for the communities, and better for mentally ill persons to have made the investment in continuing the Mental Health Court programs now, rather than simply making the programs a line item that had to be eliminated because of the budget crisis.

Senator Cegavske asked for information from the specialty courts that depicted the number of persons who were placed in the programs, the success rates, and any other pertinent statistics that might assist the Subcommittee in its budget review. Judge Glass replied that the courts would be happy to provide pertinent information to the Subcommittee and advised that there were statistics that depicted the effect of those programs.

Senator Cegavske asked that the information include statistics about co-occurring disorders, drug and alcohol abuse, and the relationship between mental health and substance abuse. Judge Glass said the court would be happy to provide the requested information.

Chairwoman Smith indicated that Legislative Counsel Bureau (LCB) staff would work with the specialty courts to receive that information for future joint subcommittee hearings. Chairwoman Smith thanked Judge Glass for providing testimony to the Subcommittee. She noted that Nevada was not always discussed in a positive way in many areas nationwide, but the specialty court program was certainly one area in which Nevada excelled.

Chairwoman Smith said many persons had signed in to speak, and she instructed those persons to come forward to present testimony. She reminded interested parties that the current hearing was only the budget overview and there would be additional opportunities to present testimony.

Sue Gaines, President, National Alliance on Mental Illness (NAMI) of Southern Nevada, introduced herself to the Subcommittee and stated that she was also the mother of a daughter with bipolar disorder and co-occurring drug addiction.

Ms. Gains indicated that NAMI was appalled at the proposed budget cuts. Services in southern Nevada were already overburdened and it would be devastating when the proposed budget cuts took effect.

Ms. Gains said that today she wanted to speak about one program that NAMI was very concerned about. She reported that NAMI had worked long and hard to decriminalize mental illness, and the loss of the Mental Health Court program would be a huge step backward. Mental Health Court was one of the programs that NAMI supported nationwide. Without that program, said Ms. Gains, mentally ill individuals would end up in jail and prisons or on the street.

Ms. Gains said it was not a crime to be mentally ill, but those who had no access to services would be treated as criminals. The Mental Health Court program had proven to be successful, and those who graduated went on to become productive members of the community. She predicted that without the program crime would increase, homelessness would increase, the emergency rooms would be overcrowded, the courts would be overburdened, and the state's jails and prisons would be overflowing. She questioned how that would save the state money. Ms. Gains believed that a funding cut for the Mental Health Court program would cost much more in the long term, both in dollars and lives. Ms. Gains asked the Subcommittee to please take those issues into consideration when making its decision regarding the MHDS budget.

Testifying next before the Subcommittee was Ralph Toddre, Nevada Commission on Autism Spectrum Disorders. He advised that members of the Commission had been testifying before legislative committees for the past six years, and the emphasis had always been against budget cuts, which caused autism treatment to go backward rather than forward. When funding disappeared, it meant a child was not receiving treatment, and from a fiscal standpoint over the long term, it would cost the state a lot of money—estimated between $4 million and $6 million—when children with autism did not receive treatment because of custodial care that would be needed for the remainder of their lives.

With proper treatment, said Mr. Toddre, children with autism had an approximately 47 percent chance of leading a very good life without the need for custodial care, and a very good chance that there would be a vast improvement in their lives. The Commission was concerned with the proposed cut in funding for the Regional Centers, which would mean that 174 autistic children who had been receiving treatment would be without access to additional treatment.

Mr. Toddre indicated that when treatment programs were interrupted, autistic children would regress, particularly those children treated by the Regional Centers. He noted that those children often came from lower-income families and often had a second diagnosis of mental retardation, which made it very difficult for those families to even think about continuing the services for their children elsewhere.

One question needed to be answered, said Mr. Toddre, because it appeared that the Governor was under the impression that there were other programs available in the community for those 174 children that would be cut from services at the Regional Centers; however, that was not true. The Child Health Assurance Program (CHAP) was also scheduled for cuts and would serve only 83 children rather than the current 120 children. There were other program options available for children from zero to three years of age, said Mr. Toddre, and many of the other programs under discussion were not treatment programs; he pointed out that case management was not treatment.

Mr. Toddre stated that what the Commission had been looking for over the past six years was funding for programs for autistic children. He opined that it made little sense for the program to move backward rather than forward, which would cost the state more money over the long run. Mr. Toddre said the Subcommittee needed to look at potential services for the children who would be cut from the Regional Center programs, whether that included expansion of another program or establishing a separate program. He emphasized that the state simply could not let the program and the children regress rather than move forward.

The next person to appear before the Subcommittee was Edward Guthrie, Executive Director of Opportunity Village. He explained that Opportunity Village was a community treatment center in Las Vegas that primarily served persons with intellectual disabilities. The program offered vocational training, employment, and other community support services.

Mr. Guthrie realized that times were tough, but he believed that the Subcommittee should remain very aware of projected caseload growth. Referring to Dr. Cook's presentation (Exhibit C), Mr. Guthrie said the caseload growth at Desert Regional Center was not easy to determine by the chart contained under the "Caseload" tab. He opined that the Subcommittee should be very aware of the projected caseload growth for Desert Regional Center and other areas of the state.

Mr. Guthrie said he would like to address the caseload growth for jobs and day-training. At the present time, jobs and day-training services funded the type of services provided by Opportunity Village and a number of other programs. He noted that Mr. Toddre recently testified about the number of children with autism who had also been diagnosed with intellectual disabilities. Mr. Guthrie said Opportunity Village used jobs and day-training program funding to help fund services for those children when they became adults. The funding allowed family units to be maintained, and any time a family unit could be maintained, the state saved approximately $4,000 a month, which was the average cost of residential support services for an adult with intellectual disabilities and/or autism.

At the end of December 2010, said Mr. Guthrie, there were 353 persons on the waiting list for jobs and day-training services at Desert Regional Center. The Clark County School District advised there were an additional 267 youths between the ages of 19 and 21 years of age who would graduate from the school district over the next two years of the upcoming budget. Mr. Guthrie indicated that amounted to approximately 620 persons who would need services over the next two years who were not now receiving services under the jobs and day-training program. He pointed out that families were not required to provide ongoing support for any of aforementioned individuals, but did so voluntarily, and the jobs and day-training program helped families keep their children at home.

Mr. Guthrie stated that if only 10 percent of those families were to determine that they could no longer provide support for their children and/or family members, it would cost the state approximately $3 million per year to provide the residential support services needed by those individuals. Mr. Guthrie said it was simply another case of "penny-wise and pound-poor" for the state to cut funding to save money when such action would cost more over the long run.

The next person to testify before the Subcommittee was Bunchie Tyler. Ms. Tyler, President of the National Alliance on Mental Illness (NAMI), Northern Nevada, introduced herself to the Subcommittee.

Ms. Tyler asked those persons in the audience in support of NAMI to stand and be recognized by the Subcommittee. She indicated that NAMI northern Nevada was becoming as strong as possible because everyone knew there would be a fight for funding for programs. Ms. Tyler concurred with previous comments in support of the Mental Health Court program in Clark and Washoe Counties. She explained that she was "down in the trenches" and had installed a hot line in her home to aid persons in need of services. Ms. Tyler explained that she had recently received a call for help from a person in need of hospital services, and she felt that there were enough persons in need of services to fill every bed in the state's hospitals, even those beds that were proposed for elimination by MHDS.

Ms. Tyler said that families were facing difficulties in placing loved ones in hospitals and were not receiving the needed help. Even though help was available through the Mobile Outreach and Safety Teams (MOST), the question would be where to take persons in need of help if beds and services were cut. Ms. Tyler said the question was how those persons picked up by MOST would access services. She stated that she received calls on a daily basis from families who were literally crying for help, and she often referred those calls to the state's hospitals. Ms. Tyler indicated that persons often needed medication or hospitalization, and those services were not always available at the state hospitals.

Ms. Tyler indicated that she had recently been contacted by the mother of a 48-year-old man who was delusional and psychotic, stating that she could not find a hospital placement for him. The man was later arrested in a school yard after hitting a child in the head with a rock. He was currently incarcerated in jail when what he needed was hospitalization. Ms. Tyler stated the man's only chance now would be through the Mental Health Court program. That was the only buffer available for mentally ill persons, said Ms. Tyler, and when individuals were released from the hospital too soon, they often committed suicide.

Ms. Tyler emphasized that the Mental Health Court program and psychiatric hospital beds were desperately needed by persons suffering from mental illness. The proposal to cut those services would not help and might result in more deaths, whether it was the death of the mentally ill person or an innocent bystander. She submitted a letter from M. Lee Dazey, NAMI member, dated January 31, 2011, (Exhibit D) for the Subcommittee's perusal.

Norma Brownell, past president of NAMI Northern Nevada, thanked the Subcommittee for the opportunity to present testimony. Ms. Brownell said she was the mother of a mentally ill son who was a street person in Reno. Her son was the victim of the health services available in Washoe County over twenty-five years ago. She stated that had appropriate services been available for her son all those years ago, perhaps she would know where he was today and he would not be living on the streets. Ms. Brownell did not know how the state could even consider reductions in the Mental Health Court program. She said she found the proposed budget cuts to that program appalling. Ms. Brownell hoped that legislators would listen to testimony that supported mental health programs.

Ms. Brownell opined that the state should retain mental health services, the Mental Health Court programs and the Mobile Outreach and Safety Teams. Without those services, there would be a significant negative impact on the various communities.

Testifying next was Mark Burchell, who introduced himself to the Subcommittee as the state president of NAMI. Mr. Burchell advised that he had been a client of the Mental Health Court in 2004 and 2005. He became a client of the court after being arrested four times during a one-month period. He said he was sleeping in cars and at the bus depot because he was homeless each time he was released from jail, and there were no treatment programs available.

According to Mr. Burchell, the Mental Health Court program changed his life completely and greatly improved his quality of life. In 2006 he became a mentor for persons going through the Mental Health Court program. He volunteered as a mentor for 2½ years, assisting persons with emotional problems and issues about the program. Mr. Burchell reported that many persons told him that the court program saved their lives, which he believed. Without the court program, he would not be before the Subcommittee today to testify on behalf of the program. Mr. Burchell said the program also saved his life by keeping him out of jail and into treatment programs. Mentally ill persons did not belong in jail, but that was what would happen if the Mental Health Court program was not available.

Mr. Burchell said he was later hired part-time by the state and currently worked for the Mental Health Court program. He often talked to clients who had graduated from the program as long as three years ago who stated that the program had saved their lives as well. Statistics from approximately 2 years ago indicated that 77 percent of clients who graduated from Mental Health Court were no longer placed in jails or hospitals; he pointed out that it was a very successful program. Mr. Burchell stated that he was very fortunate to have had the opportunity to work with clients of the Mental Health Court program. He thanked the Subcommittee for allowing him to speak about the program today.

Chairwoman Smith thanked Mr. Burchell for his testimony and stated that the Subcommittee would like to hear from more persons who had a positive experience with the Mental Health Court program.

Mark Nichols, Executive Director, National Association of Social Workers (NASW), Nevada Chapter, introduced himself to the Committee. He stated he was also a MSW (masters degree in social work) student at the University of Nevada, Las Vegas and was completing his practicum with the Mental Health Court. Mr. Nichols stated his first graduate degree was in business administration and he was now finishing up a degree in social work, so he wanted to speak to the Subcommittee from both perspectives.

Mr. Nichols believed that Assemblyman Conklin had done a very good job of analyzing the Mental Health Court program from the business perspective and the downside risk, which he felt should be analyzed prior to budget cuts. There were long-term and short-term costs associated with the decision to eliminate the court program and cut funding for treatment and prevention of substance abuse that needed to be examined.

In reviewing efficiency in government, Mr. Nichols said he was actually surprised that the correction and detention centers, law enforcement entities, and the tourism and visitors centers were not advocating for doubling the size of the Mental Health Court programs rather than cutting the funding. There would be two choices for the clients from the Mental Health Court program, either returning them to the streets or incarcerating them, which would result in a much greater social and financial costs. Mr. Nichols opined that the clients of the court program would return to living on the streets, using and abusing drugs, and committing crimes, and law enforcement agencies would be engaging those persons on a regular basis. Mr. Nichols encouraged the Subcommittee to look at ways to perhaps double the size of the Mental Health Court programs, rather than eliminating them.

Elissa Mandel testified next before the Subcommittee. She stated she was a speech language pathologist who specialized in motor-planning disorders with autism. Ms. Mandel said she had helped several clients who had been told many times that their child would never talk and would need to be institutionalized at the state's expense. After working with those clients, Ms. Mandel said she saw much progress; her specialty was shaping the facial muscles so that autistic children could speak. She had worked in that field for twenty years, and many clients she helped two years ago were now able to live and became productive citizens in the community.

Ms. Mandel said without funding it would be very difficult to continue the progress that she had made with her clients, and she asked the Subcommittee to give the children with autism a voice and allow them to continue to improve their speech through therapy.

Jan Crandy, Commission on Autism Spectrum Disorders, introduced herself to the Subcommittee. During the 2009 Legislature, the Commission reported that autism touched one in 150 children at that time, but today the numbers had drastically increased. The Centers for Disease Control and Prevention (CDC) reported that the current statistic was one in 110 children suffered from autism with the American Academy of Pediatrics reporting that one in 91 children were affected by an autism spectrum disorder. With those numbers, said Ms. Crandy, Nevada should be increasing case growth rather than cutting the funding for autism programs. Treating autism now was saving Nevada money, while stopping treatment prematurely would not be cost-effective.

Ms. Crandy stated that research had proven that 47 percent of the children who received evidence-based treatment could reach normal functioning levels and could attend regular education classes. That was the hope of every parent who received funding for an autistic child. Ms. Crandy reported that 83 percent of the children in the Mental Health and Developmental Services' (MHDS) Self-directed Autism program were enrolled in Medicaid; the majority did not have private insurance, which meant they would not receive treatment without that program. If that were the case, said Ms. Crandy, the majority would ultimately require a lifetime of support services.

Ms. Crandy stated that many of the children in the Self-directed Autism program were making positive gains that demonstrated that with another year of treatment they would attain a normal functioning level. Research had demonstrated that when treatment was stopped prematurely, children would regress and the money that had been invested in those children would be lost.

Chairwoman Smith had asked persons to come to the Subcommittee with solutions, and Ms. Crandy said if cuts had to be made she hoped that the Subcommittee would allow the children currently participating in the Self-Directed Autism program to be triaged. Perhaps a small percentage of children in that group could be safely exited with an appropriate transition plan. Perhaps some of the solutions previously mentioned by Jane Gruner, Associate Administrator for Developmental Services, MHDS, could be used, but there were existing waiting lists for most of those programs.

If funding for the Self-Directed Autism program was lost, Ms. Crandy reported there were children who would need to be placed in out-of-home placements within a short period of time. Currently, there were children in placement programs in Texas at a cost of approximately $521 per day. She believed that was quite expensive compared to the expense of treating children through the MHDS Self-Directed Autism program. Ms. Crandy reiterated that there were children currently enrolled in that program who would no longer need support in the community or support in school if allowed to complete the program. She opined that the Self-Directed Autism program was saving the state money.

Ms. Crandy reported that 90 percent of the children who did not receive treatment would require some type of life-long support system and would become dependent upon taxpayers. She stated that the MHDS Self-Directed Autism program was funding only 174 children, the Autism Treatment Assistance Program (ATAP) through the Aging and Disability Services Division was only serving 110 children, and the latest information available indicated the Nevada Early Intervention Services Program was serving 107 children. Ms. Crandy stated that a waiting list existed for every program with parents calling on a daily basis for possible open slots.

According to Ms. Crandy, at the present time there were over 6,000 children in Nevada suffering from autism, and the question was whether the state should propose the elimination of programs or whether consolidation of programs might be considered. Adding case growth to the programs should be a priority, and Ms. Crandy said the Commission would like to work with the Legislature to try and arrive at solutions. The Commission was grateful for the support of the Legislature. Ms. Crandy thanked the Subcommittee for allowing her to testify.

Senator Leslie asked whether the Commission and the autism coalitions could work with the Division of Mental Health and Disability Services (MHDS) to find placements for the children who would be displaced through elimination of the Self-Directed Autism program. She would like to receive information at future joint subcommittee hearings about whether a transition plan had been established for each child.

Senator Leslie said the Subcommittee had heard conflicting testimony because the MHDS claimed that there were other services available for those children, while Ms. Crandy and others indicated that there were long waiting lists for the other programs. Senator Leslie said she would like to receive a treatment analysis for each child in the Self-Directed Autism program and what would occur if the program were eliminated. She realized that would encompass a great deal of work, but there were a great number of children who needed help. She again asked whether the Commission and the autism coalitions would be willing to work with MHDS and the parents of the autistic children to arrive at possible transition plans.

Ms. Crandy said she would be happy to work with MHDS regarding transition programs for the children in the Self-Directed Autism program. She noted that the Commission had not been able to grasp the needs of the majority of the children in the Autism Treatment Assistance Program (ATAP) administered by the Aging and Disability Services Division. The Commission would be happy to work with the parents of those children to determine an appropriate transition program.

Ms. Crandy stated that waiting lists existed for most of the residential autism programs, and the children from the MHDS Self-Directed Autism program would simply be moved to the waiting list for another program. She mentioned that the program employed approximately 2,000 part-time employees to work with the children, and those persons would become unemployed. Also, said Ms. Crandy, the program used over 645 providers and venders who supplied multiple services to the children. The elimination of the program would affect both businesses and the part-time employees.

Senator Leslie thanked Ms. Crandy and stated she was also willing to work with the Commission and MHDS.

Chairwoman Smith said she was interested in further discussion of Ms. Crandy's suggestion to triage the children affected by the elimination of the MHDS Self-Directed Autism program and the possible consolidation of programs over the long term. Chairwoman Smith stated those discussion could occur at future joint subcommittee budget hearings.

Senator Cegavske stated she would also be willing to work with Senator Leslie and the Commission in transitioning the children from the MHDS program to other programs. Senator Cegavske asked whether there had been any studies conducted regarding the number of children being labeled as autistic or whether professionals had become sophisticated enough to truly diagnose and label children as autistic.

Ms. Crandy did not think that all children in Nevada suffering from autism were being diagnosed, and she also believed that children suffering from autism were often mislabeled. In the Nevada Early Intervention Services Program, there were only 107 diagnosed children. Ms. Crandy said that program was screening additional children who displayed signs of autism, but there were no diagnoses available for those children.

Ms. Crandy stated she was "scared" by the look of autism, and she believed that the children she had observed definitely suffered from autism. She commented that "the numbers were real." The answer to Senator Cegavske's inquiry was that there were better tools available today to make a diagnosis of autism, and that could be the reason why the numbers had increased nationwide. Ms. Crandy opined that there was improvement needed in Nevada in the area of diagnosis.

There were two autism programs available, said Ms. Crandy, the Self-Directed Autism program administered by MHDS, and the Autism Treatment Assistance Program (ATAP) administered by Division of Aging and Disability Services. That was an "assistance" program because it encouraged parents to add funding to secure the appropriate research hours for their child. Research took 30 to 40 hours per week for the "best-outcome" children, and Ms. Crandy said the funding for both autism programs would not pay for every hour of treatment received by a child. The parents were actually trained and worked with their children within the programs.

Ms. Crandy noted that both autism programs were self-directed, which meant that the parents could select a provider. She further advised that ATAP only funded evidence-based programs, while the program through MHDS allowed parents to pick a variety of programs, some of which were evidence-based. Ms. Crandy believed that the majority of the children were involved in evidence-based programs within the two autism programs, but parents could select other programs for their child, perhaps when an evidence-based program was not working or because parents wanted other options. The MHDS Self-Directed Autism program provided the flexibility to select other programs.

Senator Cegavske noted that past testimony from parents indicated that some programs worked better than others for their child. Ms. Crandy hoped that research would produce additional evidence-based treatment plans in the future.

Testifying next was Karla Whitney Brune, who stated she had been born here in Nevada. Ms. Brune said that medication for mental illness was responsible for the stabilization of a person suffering from paranoia who "knifed" her husband. While mental health was attempting to fund the plan for workable medications, that person purchased a gun. Ms. Brune said police officers trained in working with mentally ill persons interfered and were able to convince that person to commit himself. She asked that the Subcommittee retain funding for medications and trained officers who understood mental illness. Ms. Brune stated that 1 in 100 persons suffered from schizophrenia and 1 in 110 persons suffered from autism.

Appearing next before the Subcommittee was Joe Tyler, who introduced himself as the Executive Director of NAMI of Northern Nevada. Mr. Tyler believed that persons were recovering more quickly with the newer medications currently available for treatment.

Mr. Tyler stated that the proposed budget cuts would cost lives and place undue hardships on those who currently suffered from mental illness. He said NAMI did not want to see programs rolled back as in 1991, when program funding was cut by 45 percent to 50 percent. Mr. Tyler said then-Governor Bob Miller literally balanced the budget "on the backs of the mentally ill," and decimated the services offered in Nevada. The state was left with a bad reputation from those cuts, and there had already been budget cuts of 20 percent in mental health services. Nevada was ranked number one in suicides and last in per capita spending.

Because of the disabling nature of most mental illness, most individuals required quality care and medication, which Mr. Tyler said were currently available; he reiterated that medications were not a problem. More persons had been allowed to die because they were released untreated from facilities when they were still a danger to themselves and others. Mr. Tyler opined that doctors had to do better in triaging the dangerous patients and keep those patients in facilities long enough to stabilize.

Also, said Mr. Tyler, because of the nature of treatment needed by those with mental illness, the services that took a proactive role in helping persons with mental illness secure the proper medication and receive treatment should be preserved. Mr. Tyler opined that the state must maintain its psychology service, preserve service coordination, and of course, preserve the important Mental Health Court programs.

Mr. Tyler said that access to care was a problem, and with the high homicidal and high suicide rates in Nevada, law enforcement should be assisted by providing incentives toward getting persons who were "living on the edge" into the proper treatment programs. Mr. Tyler stated it was a matter of "help our cops to help" by providing education for crisis-intervention team training, such as the training offered by NAMI and state hospitals. Cooperative agreements were also needed with outlying rural communities to assist with costs associated with transport of patients into urban hospitals.

Mr. Tyler said he realized that the current economic situation was difficult, and he had no answers for the Subcommittee.

Testifying next before the Subcommittee was Donna Marie Shibovich, who testified from written testimony (Exhibit E).

> My name is Donna Marie Shibovich and I am the state consumer representative for NAMI of Nevada. The persons I advocate for are the struggling, the cut, the neglected, the homeless, the jailed and the suffering—the mentally ill. I myself have had a 25 year battle with schizoaffective disorder and I take medicine for this. An important thing we need to do is maintain core services for this population including the hospital itself (Northern Nevada Adult Mental Health Services – NNAMHS), medication and pharmacy, and case coordination. Other areas of importance are housing, Mental Health Court, triage centers, and primary care services. I just cannot see how we can make it with cuts in these areas. We need our medication and it should not be so very hard to get state of the art medication. The whole idea behind maintaining these programs is that it is cost-effective, seeing that to jail or hospitalize someone costs far more that it would to treat them in

> the early stages of illness—hence, nipping the problem in the bud through medication and outpatient therapy.
>
> Speaking of therapy, there is a proposal to eliminate our Psychosocial Rehabilitation program at NNAMHS; this includes our canteen and our supported employment program. I and many others will be devastated without the canteen. This canteen is a safe, smoke-free place to hang out and socialize and to go and wait for doctor appointments and lab work. One can also get a bite to eat for a decent price or a glass of water if needed. Everyone loves this place and it also generates success stories of persons who had started out working in this canteen and found jobs in the community. I personally have been helped by supported employment because I, with their help, secured my present job at Joann Fabrics (I have been there over 12 years)! Others should be given the opportunity as well. We have had many quality of life cuts like the canteen I just described, such as our weekly outings, and we even lost our fully functional library with records and record players and all kinds of books and magazines. I know this may sound petty, but if these things bring someone happiness, it is worth the effort. There is not, after all, much happiness found in mental illness.
>
> I do know that some of you know our plight and will help us fight this uphill battle. I also know that some will remain indifferent and others will not see the need for mental health services because of being inundated with so many requests for support. Without good mental health all else can be meaningless. We have to want to live life, and with your help, we can become productive citizens in our society by giving back to life and to ourselves. Lastly, we did not ask for mental illness, nor do we wish this upon anyone, but we do wish for your support and ask for your help. Thank you for your time and consideration.

Chairwoman Smith assured Ms. Shibovich that none of the issues she mentioned were considered petty, and all were considered important to the quality of life experienced by mentally ill persons.

Testifying next was Cheryl Murphy, President, Depression and Bipolar Support Alliance (DBSA) of Southern Nevada; she stated she was also representing a new consumer group called Hope of Nevada.

Ms. Murphy stated she was also a consumer, mother, grandmother, and great grandmother of children diagnosed with mental-health-disorder problems. Her six-year-old great grandson that she was raising was currently in the Spring Mountain Treatment Center because of his mood-disorder problem.

Mr. Murphy indicated that she was present to address the budget, which she opined was "outrageous," and totally unacceptable. She stated that consumers needed help. The DBSA averaged 25 persons at each of 6 weekly support group meetings in Las Vegas and one in Henderson. There were support groups available for adolescents, and Ms. Murphy stated that Nevada was ranked fourth in the nation for adolescent suicides. Nevada had been ranked third in the nation, and Mr. Murphy believed that the ranking had improved because the state's Office of Suicide Prevention was doing its job.

Ms. Murphy noted that Nevada was ranked number 1 in the nation—and had been for the last 20 years—for the suicide rate among the senior population. That was an unacceptable ranking, and yet the state proposed to eliminate the senior-outreach program. Mr. Murphy said she did not understand that proposal because those cuts would affect our mothers, fathers, and grandparents, who deserved to enjoy a good quality of living rather than being afraid that they could not pay their bills or get help, which often led to suicide. Ms. Murphy reiterated that it did not make sense to her and she was a common sense person.

According to Ms. Murphy, one out of every four persons would suffer from a mental health disorder at some point in their life, or were currently diagnosed with disorders ranging from depression, anxiety disorder, and bipolar disorder. Ms. Murphy reiterated that mental health disorders affected many persons throughout the community.

Mr. Murphy said the mental health system was broken, and one of the solutions strongly advocated by the DBSA was a change of focus. Currently, the state had a crisis mode focus that concentrated on the number of persons using hospital emergency rooms with an emphasis to lower the number of persons using those services. Ms. Murphy said the focus should be on recovery and wellness programs because the evidence-based programs worked and were in use in 31 states around the country. The average initial cost for most of those programs was approximately $35 per person, and those persons went on to help others entering the program. The programs worked much the same as the Alcoholics Anonymous (AA) program in the area of sponsors. Ms. Murphy emphasized that the programs were evidence-based and had been proven to work, but Nevada's focus was not on recovery and wellness.

Perhaps it was time for Nevada to change its focus because money could be saved by using the aforementioned programs. Ms. Murphy said persons involved in a program of wellness and recovery took their medications, saw their doctors, and had a support system in place. Those persons would not commit crimes in the community and would not participate in substance abuse.

Ms. Murphy stated that she had been involved in the mental health area for approximately 13 years and the focus had remained the same. It appeared that the state was not looking outside the box and was stuck in the crisis mode. She opined that the state should start looking for programs that worked and would make the mentally ill population healthier. Ms. Murphy believed that would also save money for the state because while on the recovery and wellness program, persons became healthy in other ways too, which would result in overall savings in medical costs.

Ms. Murphy was aware that the Governor wanted to entice new businesses to relocate to Nevada, and he believed that the school system needed to be reviewed toward that end. She pointed out that $8.3 billion per year nationally was lost in productivity because of depression and other mental health issues. Ms. Murphy opined that if Nevada was unable to provide the needed services for the persons and businesses the Governor wanted to bring into the state, the businesses would not relocate. She pointed out that it was not just the school systems that needed to be reviewed, but also the services available for persons who worked in those businesses.

Kathleen O'Leary, Chief Deputy Public Defender, Washoe County Public Defender's Office, testified next before the Subcommittee. She advised that the Public Defender's Office represented defendants from the Mental Health Court program; patients involuntarily hospitalized at the Dini-Townsend Hospital; parents trying to reunify with their mentally ill children; and criminally charged individuals, a vast percentage of whom suffered from mental health issues.

Ms. O'Leary said previous testimony indicated that the *Nevada Constitution* required the state to provide inpatient services. Over the past several years, the Public Defender's Office had seen patient stays at the Dini-Townsend Hospital decline from 30 to 45 days on average per patient to between 9 to 11 days. Ms. O'Leary stated that over the past year the Washoe County Public Defender's Office opened 508 new cases for clients who had been hospitalized at least 3 days.

Ms. O'Leary noted that the faces of individuals in need of mental health services were not always those of the chronically severely mentally ill that many individuals initially pictured, but included neighbors, friends, and family members. Of the 508 persons who had been hospitalized over the past year, the vast majority were there because of a suicide risk, either an actual lethal attempt or such serious suicidal thoughts that hospitalization was required.

According to Ms. O'Leary, that was the result of the economy, the loss of homes, jobs and family relationships. The reason for the decline in hospital days was because of the number of fledgling and fragile mental health services that the state had finally begun to provide to individuals as outpatients. Currently, said Ms. O'Leary, there were 800 persons involved in outpatient mental health services at the Northern Nevada Adult Mental Health Services (NNAMHS). She noted that 3.5 psychologist positions had been identified for elimination. Those psychologists were the gateway for persons seeking services from NNAMHS because they evaluated patients to determine whether the patients needed group or individual therapy.

Ms. O'Leary said she had been told that 400 persons would not receive outpatient services because they would not have access to the psychology department. She indicated that the programs responsible for the decline in inpatient hospitalization included the triage centers, the Mobile Outreach and Safety Teams (MOST), and the Mental Health Court programs.

Ms. O'Leary indicated that the Public Defender's Office was quite familiar with the Mental Health Court program. From 2007 through 2009 there were 240 graduates from that program, 106 graduates in 2007 specifically. Prior to those 106 persons graduating, they averaged 5,011 days in custody in jail. After graduation, said Ms. O'Leary, that same 106 persons saw a total of 230 days in jail, a 95 percent decrease in confinement at a minimum of $100 per day, which represented a dramatic cost savings to the Washoe County Jail.

Ms. O'Leary said that Judge Breen had eloquently testified about the effect of eliminating the Mental Health Court program. In 2008 there were 82 graduates from the program and in 2009 there were 63 graduates. Disbanding Mental Health Court, eliminating the triage services, MOST, and outpatient and psychological services at the NNAMHS would result in the loss of lives. Ms. O'Leary said the 508 hospitalized individuals last year, the majority of who were suicidal, did not include the persons who were successful in their suicide attempt. Without the Mental Health Court program, there would be additional lives lost along with an increase in prison time. Ms. O'Leary said the hospital emergency rooms would be full and persons needing medical services would be made to wait while the hospitals dealt with psychiatric emergencies. Ms. O'Leary said that would affect businesses and tourism, and the overall quality of life for mentally ill persons would decline. There would also be a dramatic increase in the number of inpatient days at the Dini-Townsend Hospital.

Ms. O'Leary stated that although the overall population of northern Nevada had declined, the number of individuals seeking emergency services through the NNAMHS had not, and those persons included a great cross-section of Nevada's citizens. Ms. O'Leary said the Public Defender's Office hoped that the Subcommittee would review the proposed budget cuts and realize that the numbers were not going down. The economy was not "well enough" for the state's citizens to be "well enough," and the least the state could do was provide the emergency psychiatric services needed and deserved by the state's citizens.

Chairwoman Smith appreciated Ms. O'Leary's reference to the cross-section of citizens who needed help. At the dedication of the Friends of Northern Nevada Adult Mental Health Services Cemetery on January 21, 2011, some of those buried there were identified along with their professions. That was a good reminder that mental illness could affect persons in every walk of life.

Glenna Hammond, Proactive Parents of Dayton (PPOD), said she was one of the 174 persons who would be affected by the proposed budget cuts. She referenced Assembly Bill No. 162 of the 75th Session, which required certain health insurance plans to provide coverage for screening and treatment of autism. Ms. Hammond said the insurance companies were using the Mental Health Parity Act of 1966 as a means of refusing to cover treatment for autism. Those companies indicated that payment for services would increase the cost of the group by 1 percent and were, therefore, refusing to pay for treatment.

Ms. Hammond wanted the Subcommittee to be aware of that fact. She indicated that her son was not accepted on his father's insurance because of that, and he currently received Medicaid benefits. Without Medicaid funding, Ms. Hammond said her son would not have qualified for services for autism, such as the four years of home tutoring, which helped him prepare for kindergarten where he was functioning socially and academically almost to the level of other children. In some aspects, said Ms. Hammond, her son was able to perform better than other children in his kindergarten class. Ms. Hammond indicated that her son now spent three-fourths of his day in kindergarten, even though his autism had been diagnosed as mid-scale with severe behavioral problems. The remaining one-fourth of his day was spent in an autism classroom, particularly when he had serious issues.

Chairwoman Smith thanked Ms. Hammond for her testimony and for the information regarding A.B. No. 162 of the 75th Session and she stated that the Subcommittee would look into that matter.

Testifying next was Barry Lovgren, who submitted Exhibit F, a letter dated January 4, 2011, addressed to Deborah McBride, Director, Substance Abuse Prevention and Treatment Agency (SAPTA), with an attached questionnaire.

Mr. Lovgren said he was a private citizen who was retired from employment in the substance abuse treatment and prevention field. He wanted to bring problems with SAPTA to the attention of the Subcommittee.

Mr. Lovgren said some problems could be resolved as the Subcommittee delved into the MHDS budget, and the very good news was that not one resolution required additional funds. His finding was that treatment of substance abuse in pregnant women was down by half in Nevada from 2004, while the number of births was up by one-quarter. That was a recipe for substance-related birth defects that were life-long tragedies and were very costly to the state.

Mr. Lovgren explained that because of the risk of birth defects, the SAPTA block grant required that each of nearly 50 funded programs throughout the state offer treatment and admission priority to pregnant women. There were more pregnant women, and there was no evidence that the rate of substance abuse had decreased because treatment was readily available and pregnant women were admitted first. He questioned why the demand was falling.

According to Mr. Lovgren, treatment and admission priority often did little good if no one was aware of the program. The block grant required the state to publicize the availability of the program, but in 2000 SAPTA was cited in a legislative audit for failing to provide that publicity, instead passing the responsibility on to the treatment programs. Apparently, said Mr. Lovgren, that was acceptable to SAPTA, but the bottom line was that it simply did not work and demand for treatment was down by half.

Mr. Lovgren indicated that SAPTA said it would increase public awareness for services for pregnant women, but he did not know whether that effort would be funded with state or federal dollars. He noted that federal block grant funding was available. The block grant could fund statewide public education campaigns on the dangers of substance abuse during pregnancy, the availability of treatment, and the priority given to admissions for pregnant women.

Mr. Lovgren stated that the SAPTA Advisory Board told him they did not want to fund a statewide campaign and preferred the current system, and that SAPTA was already overburdened without more pregnant women seeking treatment. That missed the point of prioritization, said Mr. Lovgren, but it was true that more pregnant women seeking treatment would mean more of the other applicants for services unfortunately being placed on waiting lists.

Mr. Lovgren said demand was also down because SAPTA-funded treatment could mean financial ruin for the client. For example, at the present time a SAPTA-funded program could charge whatever it wanted for a woman with a husband and three children and an income 10 percent below the federal poverty level. Mr. Lovgren stated that when a woman inevitably fell into arrears on her payments, she could be summarily referred to collections and legal action taken. That action could include liens placed against whatever income and property was available to her family, just as long as she was still offered treatment because SAPTA insisted that services be provided independent of ability to pay.

Mr. Lovgren stated that SAPTA had, understandably, begun to view him as somewhat of a pest because he had looked into related areas. He sent SAPTA a questionnaire (Exhibit E) about the most important problems he had discovered, all of which were supported by documentation, and a few of which directly related to the budget, such as SAPTA paying to have certification inspections conducted for it under a subgrant. Mr. Lovgren indicated that state law allowed certification inspections only under contract because that provided better safeguards to the state. Things also occurred such as SAPTA not certifying detoxification technicians despite state law requiring that certification. What the questionnaire did not point out was that the same law prohibited SAPTA from paying the wages of uncertified technicians, which it did anyway.

Mr. Lovgren requested that Exhibit E and the answer he received be made a part of the minutes. He noted that SAPTA was not required to respond to the questionnaire he sent, but perhaps the agency would answer those questions for the Legislature. A few of the problems could be fixed by the Legislature not appropriating any money that SAPTA could continue to spend in violation of state law.

Testifying next was Jack Mayes, Executive Director, Nevada Disability Advocacy and Law Center. Mr. Mayes was aware that the Subcommittee was familiar with mandates of the *Olmstead Decision*, and he explained that his agency was charged with protecting and advocating for persons with disabilities. The focus was on individuals with mental illness and mental disabilities.

Mr. Mayes said he would give a more in-depth presentation, including more specific concerns, at future subcommittee hearings, but he noted that the agency had great concerns about some of the budget proposals. Specifically, the *Olmstead Decision* declared that it was discriminatory to force individuals into institutions for services. Mr. Mayes said the proposed budget cuts to certain programs would indeed force individuals into institutions, and at that point, the Nevada Disability Advocacy and Law Center would have no choice but to take action.

Mr. Mayes believed that previous testimony from individuals in the audience had expressed some of the most pressing concerns, which included the Mental Health Court program and continuing access to treatment. The agency felt that any cuts to access of prescription medications or counseling services would force persons into institutions, which was of great concern.

Historically, said Mr. Mayes, the Legislature had addressed the concerns brought forth by the Nevada Disability Advocacy and Law Center, and the agency looked forward to working with the incoming legislators and those it had worked with in the past to address those concerns. Mr. Mayes thanked the Subcommittee for the opportunity to present testimony, and he also thanked the consumers in the audience who came forward to express their concerns. At times in the past, it had been the Nevada Disability Advocacy and Law Center arguing on behalf of consumers, but today, the Subcommittee was able to hear about the impact that budget cuts would have on consumers, and he hoped the Subcommittee took those concerns into account.

Chairwoman Smith thanked Mr. Mayes for his testimony and agreed that the Subcommittee was fortunate to hear more and more from consumers about the impact of budget cuts and caseload increases on programs; that information was important to the Subcommittee.

In response to an inquiry from Senator Cegavske, Chairwoman Smith explained that because of time constraints, Dr. Cook would address the cost of capital improvement projects at future joint subcommittee hearings.

The Chairwoman declared the Subcommittee in brief recess at 11:05 a.m. and reconvened the hearing at 11:14 a.m.

Chairwoman Smith indicated that the Subcommittee would hear the overview of the budget for the Division of Child and Family Services.

HUMAN SERVICES
CHILD AND FAMILY SERVICES
BUDGET PAGE DHHS DCFS-1

Diane Comeaux, Administrator, Division of Child and Family Services (DCFS), introduced herself to the Subcommittee.

Ms. Comeaux referenced Exhibit G, entitled "Department of Health and Human Services, Division of Child and Family Services, Presentation to the Legislative Commission's Budget Subcommittee," dated February 1, 2011, which had been presented to Subcommittee members.

Calling attention to page 2 of the exhibit, Ms. Comeaux said the DCFS was responsible for child protective services and child welfare service delivery in rural Nevada, and the Division had oversight over county-operated child protective services and child welfare services in the larger urban areas. The DCFS was also responsible for children's mental health and behavioral health treatment and residential services, both outpatient and inpatient acute in urban Nevada. The Division had statewide responsibility for juvenile justice services to include two state-operated youth training centers and youth parole. Ms. Comeaux stated that page 2 of the exhibit also listed the budget accounts and the services offered under those accounts.

Continuing, Ms. Comeaux said page 3 of the exhibit depicted the accomplishments and strategic priorities for child welfare. The DCFS recently received approval of its Program Improvement Plan (PIP) by the Administration for Children and Families [a federal agency] with an effective date of December 1, 2010. The PIP was created by many committed stakeholders working with the child welfare agencies who believed that positive outcomes could occur if the activities listed in the plan were completed successfully and collaboratively. Ms. Comeaux indicated that the PIP was also based on a very strong collaboration with Nevada's court system.

Ms. Comeaux indicated that with support from the Casey Family Programs office, supervisory training had been initiated for all child welfare agencies, using a nationally acclaimed trainer. The DCFS also implemented telemedicine capacity for providing forensic examinations of rural child victims of sexual abuse; that program was currently being piloted in Elko, which was part of the Division's federal Child Abuse Prevention and Treatment Act (CAPTA) activities.

Ms. Comeaux said with national technical assistance the DCFS completed an assessment and redesign of its statewide Independent Living Program and policies and the referral process.

Listed on page 3 of the exhibit were the strategic priorities as outlined in the PIP, and Ms. Comeaux briefly explained that the priorities were:

- Strengthen and reinforce safety practices.
- Preserve connections and strengthen relationships.
- Improve the timeliness and appropriateness of permanency planning.
- Strengthen child welfare supervision and middle management skills.
- Expand service options and create flexibility for services to meet the needs of children and families.

Page 4 of Exhibit G depicted the accomplishments and strategic priorities for juvenile justice services. Ms. Comeaux indicated that the Division's institution and parole staff participated in the statewide Juvenile Sex Offender Specific Certification training in November 2010. There were also a number of county staff persons participate in that training, and DCFS staff was now completing a six-month practicum as a follow-up to the training. Ms. Comeaux stated that sex-offender-specific services would be provided at both the Nevada Youth Training Center (NYTC) and Caliente Youth Center, as well as by the Division's youth parole staff.

Ms. Comeaux indicated that the Division's youth parole staff had provided training to institutional staff on gang awareness, and the institutions were transitioning from the Cognitive Restructuring program model to the Thinking for a Change (T4C) model. That was the same model used throughout Nevada by county probation offices. Ms. Comeaux stated that DCFS was working with the National Institute of Corrections to identify trainers to pilot Aggression Replacement Training (ART) at the institutions. She noted that ART training would be used to treat youth who were behaving aggressively as opposed to officers doing a "take-down."

Ms. Comeaux stated that in the interest of time, she would not address each of the juvenile justice services strategic priorities listed on page 4 of the exhibit.

Continuing her presentation, Ms. Comeaux referred to page 5 of the exhibit, which depicted the accomplishments and strategic priorities for children's mental health. She noted that the Desert Willow Treatment Center (DWTC) successfully completed a reaccreditation survey by the Joint Commission, and it was the best survey the Division had enjoyed since the opening of DWTC. Ms. Comeaux complimented the staff at DWTC for doing an outstanding job during the survey. It was quite an accomplishment because there were a number of vacant key positions.

Ms. Comeaux stated that Early Childhood Mental Health Services served as the test site for the validity study for the Early Childhood Services Intensity Instrument for the American Academy of Child and Adolescent Psychiatry. She said DCFS was happy to be nationally recognized for the work being done in the Early Childhood Mental Health Services, which was the reason it had been asked to assist as a major test site.

Ms. Comeaux stated that two Northern Nevada Child and Adolescent Services' staff qualified as trainers of Aggression Replacement Training, and they had been able to successfully train the Division's inpatient staff at the Adolescent Treatment Center, Family Learning Homes, Oasis, and DWTC.

Page 6 of the exhibit depicted the organizational chart of the lead staff and offices within the DCFS. Ms. Comeaux stated that questions specific to the offices could be directed by email to the appropriate person, or legislators should feel free to contact Ms. Comeaux directly.

Ms. Comeaux referred to the chart on page 7 of the exhibit, which depicted the overall budget for the Department of Health and Human Services (DHHS); she called attention to the DCFS budget, which was approximately $433 million for the biennium, representing 7.12 percent of the overall DHHS budget. Page 8 of the exhibit depicted the General Funds that were included in The Executive Budget for the DCFS, which amounted to approximately $207 million over the biennium, or 10.7 percent of the overall DHHS General Fund allocation.

More specifically, page 9 of the exhibit depicted the breakdown of the different service areas and the percentage of the Division's overall budget used for each area. Ms. Comeaux said the breakdown was:

- 14 percent for Children's Mental Health
- 12 percent for Juvenile Justice
- 4 percent for Victims Assistance Services
- 9 percent for Administrative Activity
- 61 percent for Child Welfare Services

The DCFS was funded 47 percent by General Fund, 33 percent by federal funds, and 20 percent by other funding sources. Ms. Comeaux said the other funding sources included federal funding that was passed through from either the DHHS Director's Office or other budget accounts.

According to Ms. Comeaux, page 10 of Exhibit G depicted the summary of the Division's priority and performance budget. The information was broken out specific to activities and the level of priority of each area, along with the breakdown of cost contained in The Executive Budget.

Chairwoman Smith asked Ms. Comeaux to be prepared to discuss the prioritization process at future joint subcommittee hearings and how that was developed. Ms. Comeaux stated she would comply with that request.

Ms. Comeaux stated that page 11 depicted the full-time equivalent (FTE) positions for DCFS. The budget recommended a reduction of 31.02 FTE staff, and of that number, there was the potential for 3 lay-offs, and there was the potential to place 1 or 2, but not all, of those staff members elsewhere.

Ms. Comeaux stated that page 12 of the exhibit contained the budget highlights for DCFS. The shaded areas were the areas she planned to discuss, and she asked the Subcommittee to feel free to ask questions about the areas that were not shaded.

Referring to the heading "Administrative" on page 12 of the exhibit, Ms. Comeaux explained that The Executive Budget included a technology investment request for the Division's Unified Nevada Information Technology for Youth (UNITY) system, which would be $3.8 million over the biennium. Also recommended in the budget was the elimination of the Temporary Assistance for Needy Families (TANF) to Title XX transfer from the DHHS Director's Office, which would eliminate the mental health room and board payment for noncustody children. Ms. Comeaux stated that the majority of the children were in the custody of county probation departments. Also under "Administrative" was the addition of two social service program specialist positions to perform Program Integrity/Oversight to help evaluate and monitor child welfare performance throughout the state.

Ms. Comeaux stated there was a decision unit in the budget that would fund an additional accounting clerk for the Washoe County Integration account. There was also a recommendation to implement an annual capped block grant and incentive payment program to support child welfare services. Ms. Comeaux said the budget also proposed to assess the rural counties for child protective services currently funded with General Fund appropriations. That would be consistent with the current practice in Clark and Washoe Counties.

Continuing her presentation, Ms. Comeaux stated that page 13 of the exhibit continued budget highlights for Children's Mental Health and Juvenile Justice. The budget included $181,000 to help fund the priorities outlined in the Nevada

State Plan for Children's Mental Health developed by the Commission on Mental Health and Developmental Services. That also included a redirection of six existing positions to support policy development and quality improvement activities consistent with that strategic plan. The budget proposed closure of the Western Day Treatment Program, which was one of three, and would eliminate one child care worker position for a savings of $210,000 per year. Ms. Comeaux said the projection was that DCFS would go from serving 882 children a year down to 847 in Clark County. The closure of the outpatient counseling satellite office in Reno was also proposed, but that would not eliminate any staff. Ms. Comeaux pointed out that the DCFS lost a number of supervisor positions with the last round of budget cuts, so staff was being relocated back to the DCFS office in Reno. The closure did not represent a reduction in services or staff.

Ms. Comeaux said the area of juvenile justice represented the area where the most significant changes had been proposed. The budget proposed a reduction in the General Fund appropriation that supported the community corrections partnership block grant, outpatient treatment, and sex offender evaluations. She noted that reduction would be $2.8 million over the biennium. There would also be a reduction in General Fund appropriations to the county youth camps of approximately $3.4 million over the biennium. Ms. Comeaux stated there had been a proposal to close three 20-bed living units at the Nevada Youth Training Center (NYTC), and a change in staffing patterns to implement the conversion of one 20-bed unit to an intensive supervision unit and one 20-bed unit to a 30-bed unit for a $2.2 million reduction over the biennium. Ms. Comeaux stated that the budget also proposed a reduction to the assessment to judicial districts for youth parole services.

Ms. Comeaux asked whether there were other budget highlights that Subcommittee members would like to discuss.

Senator Rhoads asked what would occur when services were passed to rural counties, and those counties were unable to assume the cost for those services. Ms. Comeaux replied that she did not know. Senator Rhoads stated that it appeared no one knew the answer, and he wondered whether the counties could be sued or whether the state would be required to provide those services once again. Ms. Comeaux stated that for certain services to be passed on to the counties, a bill draft request (BDR) had been submitted that would change *Nevada Revised Statutes* (NRS) to require the counties to either pay the assessment or eliminate the state's responsibility to pay for those services. Ms. Comeaux assumed there would be significant discussion when that bill was introduced.

Senator Kieckhefer referenced the proposal to close three 20-bed units, a 60-bed reduction, at the NYTC. He asked whether that represented a reduction in capacity with courts no longer able to commit children to the facility, or did DCFS anticipate a reduction of the number of youth being sent to the facility.

Ms. Comeaux explained that the proposal was for a 50-bed reduction, and she would address that issue later in her presentation. She asked the Subcommittee to remember that there had been a significant reduction in the number of commitments from the counties to the state facility and if that were the only change, it would appear that the reduction of 50 beds could be absorbed. However, said Ms. Comeaux, combined with the other proposed cuts, the elimination of beds at NYTC would require further discussion.

Assemblyman Hambrick asked how the proposed cuts at NYTC would affect federal funding and whether there would be a ripple effect as the budget cuts were implemented. Ms. Comeaux reported that there was a very limited amount of federal funding for juvenile services because that area was largely supported by General Fund appropriations. The only federal funding would be the grant funding overseen by the Commission on Mental Health and Developmental Services, and she did not anticipate a reduction in funding for those grants.

Senator Denis referenced the proposed upgrade to the Division's UNITY system. He noted that the budget included a proposal to reduce the number of information technology (IT) staff, and he requested further clarification.

Ms. Comeaux explained that the reduction in IT staff was approved by the 26th Special Session (2010) when vacant positions were eliminated. The Division had taken that into consideration when it submitted its technology investment request. Typically, said Ms. Comeaux, when the Division submitted technology investment requests for changes to the system that took a short period of time, the Division generally used master-service-agreement contactors to perform the development work and state staff for ongoing support. Ms. Comeaux said the DCFS believed that all factors had been taken into consideration in its IT investment request.

Chairwoman Smith was curious about the status of the expansion at the Desert Willow Treatment Center (DWTC). She was aware that the expansion had been removed from the Capital Improvement Program (CIP) list, but she believed the expansion should have CIP oversight. Chairwoman Smith asked about the long-term plan.

Ms. Comeaux stated that was not an issue she planned to discuss. The DCFS had discussed the expansion with the Interim Finance Committee (IFC), and at that time the final decision had not been made regarding whether or not the project would continue. Because of the economic situation, the Division proposed a review of the expansion; the response from the federal government was the same in that it did not want to reimburse states that provided services for both residential treatment and acute psychiatric treatment from the same hospital. Ms. Comeaux said that component had not changed, but a number of things had changed, and the Division still did not know the effects from healthcare reform and was unsure of the number of children who would be eligible for services within the community.

Ms. Comeaux indicated that when children were admitted to the Desert Willow Treatment Center (DWTC), they typically were not Medicaid-eligible, but as a state agency, the Division had the ability to make those children eligible for the period of time they remained in treatment. The DWTC was used as a safety net. The DCFS had seen a significant decline in the number of children admitted to the facility for acute psychiatric services, but were seeing some increases in residential treatment. The DCFS was in the process of possibly closing one of the two units at the DWTC that provided acute psychiatric services.

Ms. Comeaux indicated that if the federal government intervened and ordered the Division to stop providing both residential treatment and acute psychiatric treatment from the same hospital, and began disallowing claims, the DCFS planned to take the General Fund portion and work with the community for the small number of children who continued to need acute psychiatric services. The state would then pay for those services, if the facility was not able to make those children Medicaid-eligible.

Chairwoman Smith stated that she would like to continue the discussion regarding the DWTC during future joint subcommittee meetings.

Senator Horsford asked for elaboration of the proposal to assess judicial districts for youth parole services. Ms. Comeaux reported that she would address that issue as she continued her presentation, if agreeable with Senator Horsford; he stated that would be acceptable. She pointed out that page 27 of Exhibit G outlined the proposal to assess all counties for the cost of youth parole services currently funded with General Fund appropriations.

Continuing her presentation, Ms. Comeaux referenced page 14 of the exhibit, which continued budget highlights. There had been a significant change in Federal Medical Assistance Percentage (FMAP) in the Division's budget that would affect two areas, Title IV-E funding and Medicaid funding for children's mental health services. The effect of that change was approximately $4.6 million over the biennium.

Ms. Comeaux said the Clark County Integration budget showed a reduction in State General Funds because of an increase in Title XIX Medicaid revenue. Clark County believed it could bring in $303,000 per year in Medicaid revenues, with a corresponding reduction in State General Funds.

Ms. Comeaux stated that there had also been an increase in General Funds because of the elimination of $6.6 million in TANF transfer from the Division of Welfare and Supportive Services.

Ms. Comeaux said that caseload growth was anticipated at $22.3 million over the biennium for child welfare services, more specifically adoption caseload growth as follows:

- A 9.15 percent increase in fiscal year (FY) 2012 in the rural areas and a 9.8 percent increase in FY 2013.
- A 9.46 percent increase in Clark County in FY 2012 and a 9.33 percent increase in FY 2013.
- A 9.07 percent increase in Washoe County in FY 2012 and a 9.01 percent increase in FY 2013.

Ms. Comeaux stated that the caseload for substitute foster care was projected at a 2 percent increase in the rural areas, with Clark and Washoe Counties projecting flat caseloads over the biennium.

The caseload for treatment foster-care homes in the rural areas was projected at a 4 percent decline, with the caseload for Washoe County remaining flat, and the caseload for Clark County projected for a 9.7 percent increase in FY 2011, and then flat in FY 2012 and FY 2013.

Ms. Comeaux stated there were three vacant positions in the Children, Youth and Family Administration budget that were held vacant as a result of budget reductions approved by the 26th Special Session. Those positions included one accounting assistant, one management analyst, and one social service program specialist. Ms. Comeaux indicated that two IT positions had also been held vacant in the UNITY/SACWIS (Statewide Automated Child Welfare Information System) budget.

Finally, said Ms. Comeaux, the 2009 Legislature authorized seven additional family support workers for DCFS for the rural areas based on projected reimbursement from Supplemental Security Income (SSI) to support the positions. That income was not realized as projected and those positions had not been filled. Ms. Comeaux said there was a recommendation to eliminate those positions in The Executive Budget.

Senator Horsford said that separate from the budget submissions during the 2007 Legislative Session, legislation had been submitted that dealt with the Division submitting an alternative budget approach based on front-end services. He asked whether Ms. Comeaux planned to discuss that issue.

Ms. Comeaux replied that she was not aware of such legislation. Senator Horsford said he sponsored a bill during the 2007 Legislative Session that directed the Division to seek an alternative budget scenario to identify approaches to fund front-end services. He stated that he was not aware of any proposals, and he asked Ms. Comeaux if she recalled that legislation. Ms. Comeaux stated that she did not recall that legislation, but she would research the matter.

According to Ms. Comeaux, page 15 of Exhibit G described the proposal to provide an annual capped child welfare block grant. The Executive Budget recommended the implementation of an annual capped block grant in the amount of $50 million in each year of the biennium. The purpose of the block grant was to limit the state's continued liability for funding child welfare services and to grant funding flexibility to the counties in spending their annual child welfare budget.

Ms. Comeaux indicated that the block grant funding concept would remove the categories required by General Fund revenue appropriated for the purpose of child welfare integration. That would allow the counties to redirect those funds to services not restricted by traditional definitions and funding limitations, but driven by the needs of the children and the families in their community. Additionally, said Ms. Comeaux, the county would have the ability to retain and reinvest any unspent General Funds remaining at the end of the fiscal year.

Ms. Comeaux stated that also included in The Executive Budget was $7 million in each year of the biennium to support a fiscal incentive program designed to stimulate and support improvement in key areas identified in the agency improvement plan. The budget bill also proposed language that would allow the counties to submit an initial application to the Division that targeted defined improvement goals, identified resources needed to achieve those goals, established baseline data, and stressed goals they believed they could achieve within a one-year period.

Ms. Comeaux said once the initial application was approved, the counties would have access to the incentive dollars. On or before September 1 of the following year, the counties would submit a final application that included the actual performance data achieved in the prior fiscal year. The performance data would be used as the basis for the final incentive payment amount. If the county did not meet the targeted outcomes, the incentive award amount would be adjusted based on the applicable percentage. Ms. Comeaux referenced page 16 of Exhibit G, which depicted the applicable performance-level percentages.

Continuing her budget overview, Ms. Comeaux stated that page 17 of the exhibit showed the effect that the proposal would have on the counties. The Division had calculated the effect in many different ways, and what was reflected in the exhibit was a comparison of the incentive amount to the legislatively approved amount for both Clark and Washoe Counties in fiscal year (FY) 2011. The chart also depicted the amount included in The Executive Budget prior to the calculation for the block grant.

Ms. Comeaux said she would provide a copy to the Subcommittee of the comparison of the agency's requested budget to the recommendation in The Executive Budget.

Calling the Subcommittee's attention to page 18 of the exhibit, Ms. Comeaux stated that accountability and oversight was part of the block grant concept. Currently, under *Nevada Revised Statutes* (NRS) Chapter 432B, the Division was required to plan, coordinate, and monitor the delivery of child welfare services provided throughout the state. The aforementioned BDR that had been submitted would clarify that oversight responsibility and included language that would require the Division to collect data, evaluate services, and review and approve agency improvement plans to supervise county performance in the delivery of child welfare services.

Ms. Comeaux said the included language would require each county to submit an agency improvement plan to the Division in January of odd-numbered years, commencing in January 2013. The agency improvement plan was a very similar process to the Program Improvement Plan that was recently approved by the federal government for the Division, which was currently in the process of implementing that plan. Ms. Comeaux stated that plan would cover the time period between January 2011 and January 2013.

Additionally, said Ms. Comeaux, language was included in the BDR regarding a program evaluation process, which would require the counties, on or before September 1 of each year, to submit data regarding the previous fiscal year on the outcomes and performance indicators included in the agency improvement plan. The Division would then be required to submit a final report to the Governor and the Legislature on or before November 1 of each year that incorporated statewide information.

Ms. Comeaux stated that to enhance the Division's ability to support its oversight role, The Executive Budget recommended funding for a technology investment request (TIR) for the child welfare data system and for two additional program integrity/oversight positions.

According to Ms. Comeaux, child welfare work was extremely labor intensive. The time that caseworkers spent face-to-face with families was paramount and the area where caseworkers spent most of their time. The Division had 1,781 users accessing the UNITY system, and there had been a number of times that users told the Division that it should examine the user friendliness of the system.

Ms. Comeaux indicated that page 19 of the exhibit listed the three separate reviews and/or audits that had examined the UNITY system and the findings. For example, the Nevada Institute for Children's Research and Policy (NICRP) audit indicated that the UNITY system should generate helpful reports, should auto-fill when possible, and be streamlined so there was less repetition in entering data.

Ms. Comeaux indicated that the Child and Family Services Review (CFSR) was the federal government's review of state child welfare systems. That review found that it was problematic to navigate the UNITY system and also found that it was not necessarily a useful case-management tool.

In 2007, said Ms. Comeaux, the Blue Ribbon Panel for the Review of Child Fatalities issued a report that concluded that the state's UNITY data system must be examined to determine the necessary changes to ensure it was user-friendly, streamlined, producing adequate hard-copy documentation, and producing management reports that could be used effectively as management tools.

Ms. Comeaux stated that with the help of Casey Family Programs, the Division contracted with Integrating Factors, Inc. (IFI) to conduct an evaluation of the UNITY system. The evaluation conducted by IFI was a very interesting process. First, IFI documented the work-flow process of a worker every step of the way. For example, said Ms. Comeaux, IFI work-flowed the entire process of inputting a child protective services (CPS) investigation in UNITY. The IFI evaluated the three areas and then had an "experienced user" input a case and walk through the process. The IFI timed that process to ascertain the amount of a worker's time spent on UNITY data entry.

Page 20 of the exhibit depicted a summary of the evaluation conducted by IFI. Ms. Comeaux noted that for an experienced user to complete the necessary data entry for a case required approximately 15.7 hours a week. Of that time, 4 hours were spent on correcting errors and adding missing information, and 3.8 hours were spent filling out forms outside the UNITY system. The evaluation also found that 23.5 percent of the worker's time spent on UNITY was on data entry, and 23.07 percent of the worker's time was spent on non-value-added tasks such as duplicative data entry and completing external documents that could be auto-generated.

Ms. Comeaux indicated that 36.69 percent of the worker's time was spent on gaining case awareness by reviewing allegation history and reading case notes. The case notes in UNITY could not be queried and data could not be pulled from the case notes. A caseworker reviewing a recently assigned case would be required to read all case notes in UNITY.

Ms. Comeaux said the technology investment plan submitted by DCFS would seek to accomplish two things. The first was to design and implement a new presentation layer for UNITY using Web portals. Part of the problem with UNITY was that a user had to navigate through the system to complete a simple task. If the user input a CPS investigation, it required multiple screens. Ms. Comeaux indicated that the design of the Web-portal screens would be similar to accessing information on the Internet, and when a user pulled up the screen to input a CPS investigation, all data elements would show on one screen. The second improvement, said Ms. Comeaux, would create a data warehouse to be used by management and other stakeholders to extract data in a statistically relevant way.

According to Ms. Comeaux, the approval of the IT investment project would help bring the Division the "hard" IT infrastructure that was critical and necessary to analyze, monitor, and evaluate child welfare performance data.

In addition to the IT improvement project, the Division was working with Casey Family Programs to join the Center for Foster Care and Adoption Data. Ms. Comeaux explained that the Center was a joint partnership with the American Public Human Services Association and Chapin Hall Center for Children at the University of Chicago. Ms. Comeaux stated that the Center had a longitudinal database in which a number of states participated, which would give the Division a very powerful tool that would provide long-term information to assess the outcomes when new policies or programs were carried out.

The Division would have the ability to immediately see the effects data-wise compared to the targeted outcomes.

Senator Horsford asked whether the UNITY program was also used directly by the counties, and Ms. Comeaux replied that was correct. Senator Horsford understood there was one system for the entire child welfare system in the state, and Ms. Comeaux replied that was correct. She explained Title IV-E required every state to have a Statewide Automated Child Welfare Information System (SACWIS) in place, and all counties were required to use that system.

Senator Horsford asked what, if any, coordination there was between the SACWIS and UNITY systems. Ms. Comeaux said there were a number of interfaces in the SACWIS system, but to specifically respond to Senator Horsford’s question, the UNITY and SACWIS systems were not coordinated and did not communicate with each other.

Senator Horsford said he chaired the Legislative Commission’s Subcommittee on the Placement of Children in Foster Care during the 2007-2008 interim, and it was his recollection that approximately 30 percent of the families and/or children involved in the welfare system were also involved in the juvenile justice system and child protective services. He stated that it appeared those children were often assigned multiple case managers in each service area, and Ms. Comeaux stated that was correct.

Senator Horsford asked whether that aspect along with how the system could improve coordination of case-management functions or efficiency had been part of the Integrating Factors, Inc. (IFI) evaluation. Senator Horsford applauded the outcome of the evaluation and the work that the Division had been doing with Casey Family Programs, which offered their services for free. His question was whether the ability to link multiple systems or improve the efficiency among multiple systems to improve case management had been part of the evaluation.

Ms. Comeaux replied that linking systems had not been part of the evaluation; the specific purpose was to evaluate the user friendliness of the UNITY system and to try and determine why it was difficult for the Division to access child welfare data. Although the UNITY system had places for data input there was certain information that simply was not entered into the system because of the amount of hours required for staff to input the data and improvement in that area was the basis of the evaluation.

Ms. Comeaux said she understood Senator Horsford’s inquiry, but the Division had not looked at improving efficiencies across multiple areas to provide case-management services.

Senator Horsford noted that Ms. Comeaux said the Division was working to join the Center for Foster Care and Adoption Data, which was a joint partnership with the American Public Human Services Association and Chapin Hall Center for Children at the University of Chicago. He wondered whether there was any partnership with Nevada's research universities to become involved in that Center as well, so that the capacity could be built within the state to meet those needs rather than turning to other programs.

Ms. Comeaux said that was not part of the evaluation. The Center for Foster Care and Adoption Data was a data system that had already been designed and developed, and the Division had the opportunity to join Chapin Hall Center through the assistance of Casey Family Programs, which paid the $30,000 to join, as well as $30,000 per year for the upcoming biennium. Because the system was already developed, said Ms. Comeaux, the cost for the Division to join was relatively small. She emphasized that the Center's database was very dynamic and a number of states were already participating. Ms. Comeaux opined that it was a very good deal for the Division to access solid data to help it better manage its programs.

Senator Horsford asked for clarification regarding Chapin Hall. Ms. Comeaux replied the title was Chapin Hall Center for Children, located at the University of Chicago; the pertinent information was listed on page 22 of Exhibit G.

Senator Horsford said his point was not that the Division should not work with the Center, because obviously there were some best practices and efficiencies that the Division could learn, but he wondered whether local research centers, either at the University of Nevada, Reno (UNR) or the University of Nevada, Las Vegas (UNLV) could be brought in to learn about the data system. In the event the database from the Center became no longer available to the Division, it could use the program available through Nevada's universities. Ms. Comeaux agreed that was a logical next step.

Chairwoman Smith asked Ms. Comeaux to continue the budget overview in a timely manner because of time constraints.

Ms. Comeaux referred to page 23 of the exhibit, and advised the Subcommittee that The Executive Budget included two additional program integrity/oversight positions that would help contribute to the needed "soft" infrastructure that was necessary to develop a complete continuous quality-improvement process. Page 24 of the exhibit depicted the structure, approaches, processes, and tools for the process.

Ms. Comeaux stated that page 25 depicted the budget highlights for Child Protective Services (CPS). Included in The Executive Budget for Rural Child Welfare, budget account (BA) 3229, was a proposal to assess rural counties for the cost of child protective services currently funded with General Fund appropriations. That request was consistent with Item 6 in the Reforms to State Government Functions section of the final report of the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies, as presented to the Interim Finance Committee (IFC) on December 17, 2010.

Per Ms. Comeaux, the Division was proposing that the assessment be determined based upon the percentage of the population of persons under 18 years old. Page 26 depicted the cost to the counties for that assessment.

Regarding Youth Parole Services (BA 3263), Ms. Comeaux indicated that page 27 of the exhibit outlined the assessment to counties for youth parole services. The Executive Budget included a proposal to assess all counties for the cost of youth parole services currently funded with General Fund appropriations. The Youth Parole Bureau was charged with supervising post-incarcerated youth within their respective communities and facilitating reintegration processes to assist the youth to readjust and prosper within their communities.

Ms. Comeaux explained that the bill draft request (BDR) for juvenile justice services proposed that the assessment would be determined based upon a percentage of the public school enrollment for youth Grades 7 to 12. Also included in that budget was a reduction in the costs that were paid to the counties for detention reimbursement. Page 28 of the exhibit, said Ms. Comeaux, displayed information pertaining to the cost to the counties for those two items.

Ms. Comeaux referred to page 29 of the exhibit, which depicted juvenile justice services, and state-funding elimination for community alternative-correction placements. The Division provided General Fund support to local jurisdictions to support community alternative-correction placement activities. According to Ms. Comeaux, that support included funding for the community corrections partnership block grants, funding to pay for sex offender evaluations and outpatient treatment, and partial support for the county youth camps.

Ms. Comeaux noted that The Executive Budget eliminated the General Fund support for the community corrections partnership block grants, outpatient treatment, and sex offender evaluations in BA 1383, Community Juvenile

Justice Programs. The Executive Budget also eliminated the General Fund support for the county camps.

Ms. Comeaux explained that the current budget for county youth camps included General Fund support of $541,809 per year for Clark County, which accounted for 4 percent of the budget for the Spring Mountain Youth Camp and $1,163,170 to Douglas County to support the Aurora Pines Girls' Facility and China Spring Youth Camp, which made up about 36.8 percent of the county's overall budget for the facilities.

Page 30 of the exhibit, said Ms. Comeaux, depicted the various county youth camps, the number of children being served by those camps, the average daily population, and the length of stay. Page 31 of the exhibit contained the summary of the Community Correctional Partnership Block Grant Program and the number of children served by each county based on the amount of money the county received in fiscal year (FY) 2010 and FY 2011. Ms. Comeaux said that page 32 of the exhibit depicted the cost to the counties based on that recommendation.

Ms. Comeaux said that page 33 of the exhibit explained the elimination of state funding in BA 3145, Children, Youth and Family Administration, for the nonmedical or non-Medicaid eligible expenses for children who were receiving treatment-home services. The Division currently paid $42.04 per day and the number of children being served in that category averaged approximately 220 per year. Ms. Comeaux indicated that the Division had seen about a 7 percent annual increase in the number of children served each year. Page 34 of the exhibit reflected the payments made to providers for those services.

According to Ms. Comeaux, budget account (BA) 3145 was extremely difficult for the Division to manage because there was no process in place for counties to seek authorization prior to placing a child in one of the treatment homes; she noted there was a requirement through Medicaid for the counties to obtain authorization for children to receive services in those homes. The process was similar to the authorization process for children receiving services in their own homes. Ms. Comeaux said the only way the Division was aware that county probation or the parents had placed a child in one of the facilities was when the Division was billed for services. The budget reduction would be approximately $3.5 million per year, as outlined on page 34 of the exhibit.

Senator Leslie asked about the closure of the White Pine Boys Ranch. Ms. Comeaux stated that the White Pine Boys Ranch had closed sometime in January 2011. Senator Leslie wondered whether the closure was because of the loss of Medicaid funding, and Ms. Comeaux replied that she was not certain why the facility had closed.

Senator Leslie asked whether the aforementioned bill draft request (BDR) submitted by the Division for the juvenile justice services' budget would specify that even when the counties committed more youth to the youth camps, the Division would no longer pay for their mental health care.

Ms. Comeaux explained that there were two reasons why a judge could commit a youth to a state facility: one was for correctional care and the other was to address mental health needs. The courts would continue to have the ability to commit youth for correctional care, but the commitment for mental health needs would be the responsibility of the counties.

Senator Leslie opined that the incentive for judges would then be to commit youths in need of mental health services as a correctional commitment so that the youth could receive some assistance. Ms. Comeaux indicated that when the court committed a youth for mental health reasons, the Division would place them in a mental health placement rather than a correctional placement. However, she believed that there was a potential for judges to commit youths as correctional commitments so that mental health needs could be met.

Senator Leslie noted that in 2009, the joint subcommittees saw an increase in the number of youth being committed to state care by parents so that their children could receive mental health care. She asked whether the Division believed there was a potential for such commitments to continue.

Ms. Comeaux said that largely because the number of children placed in mental health services were placed by youth parole, it would depend on the reasoning and whether or not the county could meet the mental health needs of those children.

Ms. Comeaux indicated that a review of the payments made by the Division indicated that the children had most likely been placed for correctional-type care in facilities such as Rite of Passage. Senator Leslie pointed out that there were also mental health placements, and many of the facilities addressed mental health and behavioral issues.

Senator Leslie asked about the dialogue that had occurred between the judicial districts, the counties, and the Division about the shift in payment structure. Ms. Comeaux replied that there had been no dialogue between the Division and those entities prior to release of The Executive Budget.

Senator Leslie said she was concerned because the counties were also making budget cuts and did not have extra funds, and the choices would be whether the children in need of mental health services continued to receive treatment or whether there were other areas where cuts could be made. She opined that the proposed budget cuts were not a good solution, but realized it was a tough choice.

Continuing her presentation, Ms. Comeaux stated that page 35 of Exhibit G depicted a reduction in correctional beds at the Nevada Youth Training Center (NYTC) from 160 beds to 110 beds. The chart indicated that there had been a significant decline in the number of commitments for correctional care. The current language in *Nevada Revised Statutes* (NRS) indicates that the superintendent must accept a child at the facility unless a determination was made that there was not adequate room or resources to provide for the necessary care of the child. Ms. Comeaux said the aforementioned BDR would clarify the language in NRS to establish an equitable allocation methodology to determine whether or not there was adequate room and resources in the facility. That methodology would be consistent with the methodology for assessing counties for youth parole services.

Ms. Comeaux called the Subcommittee's attention to page 37 of the exhibit, and stated that The Executive Budget proposed to continue the closure of the Summit View Youth Correctional Center in Las Vegas. The facility budget included approximately $1.34 million in each year of the biennium for the debt-service payment, as well as funding to continue paying a part-time maintenance staff, the cost of maintaining the buildings and grounds, and the utilities.

As previously discussed, said Ms. Comeaux, the Department of Health and Human Services (DHHS) had worked with the Treasurer's Office, the Governor's Office, Division of State Lands, and bond counsel to discuss possible reuse scenarios for the Summit View facility. The options included the sale or lease of the facility or entering into a management agreement for the operation of the facility.

Ms. Comeaux noted that there were a number of very specific requirements by State Lands prior to the selection of an option. One of those requirements was the receipt of two appraisals to determine fair market value so that a determination could be made regarding the sale price or the lease value of the property. State Lands had gone out to bid for an appraisal a number of times and received one successful bid. A contract was entered into, and the facility was appraised at a $14.7 million sale value and a $1.17 million lease value. Ms. Comeaux said there had been no response to the bid for a second appraisal, and the Division was awaiting that process before determining the next steps to take.

Chairwoman Smith asked whether there had been an interest expressed in the property. Ms. Comeaux said DHHS had been contacted by a number of persons expressing interest in the facility. The process of determining whether the facility would be leased or sold would occur through a public-offering process; it would be a public sale to the highest bidder that came close to the appraised value, and the lease of the property would be through a request-for-proposal (RFP) process. State Lands would stipulate the lease value and would bid the property for lease, and bond counsel would be required to approve the lease.

Senator Horsford stated that he had objected to the closure of the Summit View Youth Correctional Center because that meant moving juveniles from southern Nevada to other facilities throughout the state where family visits were impossible, thus making unification much more difficult. He questioned the public offering process and asked for clarification.

Senator Horsford believed there were groups that wanted to take over the facility who had met behind the scenes to move their process along, and the public would not be aware that the proposition was even under consideration until the plan was released. He asked how to ensure that there was a public-offering process about the proposal for the facility and whether it was for the highest and best use based on the bond obligations that existed on the facility.

Ms. Comeaux explained that there was a requirement in NRS that the Division of State Lands could only sell or lease property through a public process. For a sale, the Division generally used a public-auction process or a sealed-bid process where all interested parties would have an opportunity to attend and make an offer on the property. The lease of a property generally involved the RFP process where all interested parties could submit a proposal. Ms. Comeaux stated that the process also required approval by the Interim Finance Committee (IFC).

Continuing her presentation, Ms. Comeaux referred to Exhibit G, page 39, which depicted the budget for children's mental health services. She stated that Senate Bill No. 79 of the 75th Session (2009) placed new requirements on the Commission on Mental Health and Developmental Services to create a subcommittee on the mental health of children to review the findings and recommendations of each of the three mental health consortiums and to create a statewide plan for the provision of mental health services to children.

Ms. Comeaux stated that at its July 15, 2010, meeting, the full Commission approved the proposed plan that was developed by that subcommittee. The Commission's plan envisioned a comprehensive, coordinated system of care for behavioral health that integrated services and supports for children and their families while emphasizing accountability. The system was comprised of prevention, early intervention and treatment programs, and services for children from birth to 18 years of age.

Ms. Comeaux indicated that for budget account (BA) 3145, Children, Youth and Families Administration, The Executive Budget recommended funding in the amount of $90,752 in each year of the biennium to support the priorities outlined in the strategic plan. That included funding to contract with a board-certified child and adolescent psychologist for consultative services equal to approximately six hours per month, and $15,000 in each year of the biennium to support each of the three regional mental health consortiums.

Per Ms. Comeaux, The Executive Budget also recommended the reallocation of six service-delivery positions to support the priorities of the Nevada Children's Mental Health Plan. The reallocation included two public service intern 2 positions and four mental health counselor 3 positions. Ms. Comeaux indicated that the duties and realignment of those positions was outlined on page 40 of the exhibit.

Ms. Comeaux advised the Subcommittee that page 42 of Exhibit G depicted the various bill draft requests (BDRs) submitted by the Division. She stated that a BDR had been submitted that would transfer the licensing of child care to the Health Division. The remaining exhibit pages depicted caseload information for all areas within the Division, and beginning on page 48 was a copy of the Division's "Priorities and Performance Budget" that outlined each activity of the Division. That concluded her budget overview, and Ms. Comeaux encouraged the Subcommittee to review the remaining pages of the exhibit.

Chairwoman Smith noted that representatives from Clark and Washoe Counties were present to address the Subcommittee, along with other persons in the audience.

Thomas Morton, Director, Clark County Department of Family Services, stated that he wanted to primarily comment on the concept of the block grant funding. According to Every Child Matters in Nevada, the state ranked third from the bottom in per capita funding for child welfare services in the nation. Therefore, Nevada did not have a system that was funded at a level where it could thrive, but rather at a level where it could survive in some context. Mr. Morton stated that one of the mechanisms in the proposed block grant was to incentivize approximately $5 million of the county's operating budget. That was not an enhancement incentive, but a reduction of the General Fund in the county's block grant, with the provision that it could be returned to the county if the county created an improvement plan and reached those objectives.

Mr. Morton likened the proposal to a person who was malnourished and needed 2,000 calories a day to actually gain weight and thrive, but who was currently receiving 1,500 calories a day, then proposing that another 200 or 300 calories be taken away with the understanding that if the person could create a plan to gain weight, the 300 calories would be restored. Mr. Morton said it appeared there was a bit of "slight of hand" with the idea of the incentive program; he noted that New York state had incentive programs for its counties, but those programs were truly enhancement funds and were not funds that had been taken away from the operating budget and then restored with the provision that program improvements be made.

Mr. Morton explained the structure of the county's child welfare agency. The county agency identified a child who had been maltreated, evaluated the child and the family, developed plans, and then referred the child and/or family to the appropriate service areas. He emphasized that the county agency was not a clinical agency. The entire service array used by the county to achieve permanency outcomes for children, such as repairing conditions in the family, returning the children to the home, or moving children to permanency through guardianship or adoption was contained in the budgets of other agencies.

Mr. Morton stated that the county's ability to achieve program improvements was usually dependent on resources outside the county's direct control. The judicial system in Clark County currently carried caseloads twice that recommended by the National Council of Juvenile and Family Court Judges (NCJFCJ), the district attorney handled four times the cases recommended by the American Bar Association's Center on Children and the Law, and the county's foster care caseworkers currently handled 32 cases each. Mr. Morton said the national standard and numerous workload studies in other states had shown that once a caseworker's caseload went beyond 12 to 15 cases, services declined and safety deteriorated. In essence, said Mr. Morton, with a caseload of 32 children, caseworkers were only able to spend 30 minutes a month in direct contact with a child.

The system was still underfunded, said Mr. Morton, and the state was now proposing a block grant concept. There were certain aspects of the concept that were appealing, such as the flexible use of funds, but that was a bit deceptive as well because the budget for the Clark County Department of Family Services was comprised of (1) adoption subsidies; (2) foster care maintenance payments; and (3) salaries. Mr. Morton noted that the adoption subsidy caseload was projected to grow at 11.8 percent per year, which reflected about $1.3 million in additional General Fund cost being shifted to the county. If the county did not have the ability to make that up, the only way the Department of Family Services could pay for the increased adoption subsidy costs was by reducing personnel and increasing caseloads even further, which would in essence take the Department back to 2005-2006, a period legislators were very familiar with. The 2005 Legislature had passed many laws to increase accountability for Clark County.

Mr. Morton believed there was a historical disparity or inequity of the funding of northern Nevada versus southern Nevada that predated integration. He referred to page 17 of Exhibit G, which depicted the effect of the General Fund reduction for Washoe County versus Clark County. A comparison of the figures for fiscal year (FY) 2012 and FY 2013 as recommended in The Executive Budget showed a negative impact for Washoe County of 0.61 percent in FY 2012 and 0.12 percent in General Fund in FY 2013. In contrast, said Mr. Morton, the negative impact on Clark County was 3.7 percent in FY 2012 and 5.3 percent in FY 2013.

Mr. Morton said those statistics begged the question of whether the children of Clark County were worth less. He did not think so, and perhaps there was an explanation behind the calculations. Fundamentally, said Mr. Morton, there was an appeal to the block grant concept, but the only way the county could reinvest funds would be by reducing the foster care caseload, and the only way to reduce the foster care caseloads was if mission-critical services, such as adult mental health, substance abuse, children's mental health, child care, and other human services, were dismantled. Mr. Morton stated that dismantling those services could cause an increased length of stay in foster care and children not moving to permanency and an even greater cost shift to Clark County residents.

Senator Horsford asked Mr. Morton to provide the Subcommittee with strategies and approximate dollar amounts of the prevention services at the level needed by the county. He was aware of the continued need for services and that the proposed cuts would impact the counties, but future joint subcommittees would need to know how much needed to be spent in each area to prevent the removal of children from parents and placement in foster or adoptive care.

Mr. Morton said he would be glad to provide the information about what he believed was missing. He believed there was also a maintenance of effort (MOE) provision that the state would fail to meet for SAPTA block grant funding in the upcoming biennium. The SAPTA grant funded substance-abuse services, and if those funds were no longer available, one of the county's major providers, Bridge Counseling Associates, would be serving DUI (driving under the influence) offenders and would not have the capacity to serve families in the child welfare system.

Senator Horsford asked whether there was further information Mr. Morton could provide to the Subcommittee about the need for community-based strategies. The DCFS budget discussed a block grant to the counties, but in actuality it was about building capacity among nonprofits that were serving families to keep them together, so the agencies could step in when there were issues to avoid children being removed and placed in foster care.

Mr. Morton said that large investments were not necessarily needed, but one that was needed was purchase of service funding. He said he was in a somewhat different position than his colleagues in Washoe County, in that Clark County had zero purchase of service funds, whereas Washoe County did have purchase of service funds. Mr. Morton believed that Clark County was deficient not only in nonprofit organizations in the traditional sense of family service agencies, but also in funding for faith-based participation. Other comparably sized urban communities around the country often realized significant funding for faith-based organizations to provide supports to families, such as family mentoring programs, respite care programs for children and families, and respite programs for foster families.

Mr. Morton felt that the fundamental issues faced in repairing conditions in families were largely combined into three major areas: (1) mental health, particularly maternal depression; (2) substance misuse and abuse; and (3) domestic violence. On top of that, there were children's mental health issues that Mr. Morton believed created another problem in Nevada. He stated that Clark County was working with the Division of Child and Family Services (DCFS) to revise its treatment-foster-care model, but revision of that model would require an investment of additional funds to arrive at a working model.

Mr. Morton stated that the Department of Family Services had conducted a clinical review of a number of cases, a fairly significant sample of almost 80 children in Clark County who received services, and the Department found that most children did not get better, and in fact, half got worse after entry into the treatment program. Children could not be moved to permanency unless there were effective children's mental health services available, and it appeared that what was currently being done in Clark County was not effective.

Mr. Morton stated that he would be happy to provide the requested information to the Subcommittee.

Chairwoman Smith recognized Mr. Schiller.

Kevin Schiller, Director, Washoe County Department of Social Services, said he would like to address a few budget issues specific to Washoe County. One was in relationship to front-end and back-end funding, which would be discussed quite frequently during the upcoming months. Mr. Schiller said one of the key areas of focus was innovative practices. Those practices involved using family solutions teams, diversion programs, and purchase-of-service contracts with community providers, with the primary goal of keeping children out of foster care and keeping them safe.

From the budgetary perspective, Mr. Schiller favored the block grant concept because it gave the county the flexibility to continue moving forward with those practices. Mr. Schiller said that approximately 3½ years ago, Washoe County had about 1,050 children in foster care, and he was happy to report that the county had been able to maintain a level of 750 children in foster care over the past two years through use of innovative practices. Mr. Schiller said he would argue that was because of a combination of front-end funding and back-end funding used by the county to keep children out of care and return them to their homes.

Secondly, said Mr. Schiller, in respect to the block grant, as the County moved forward it was attempting to determine how, with shrinking resources that would affect each and every one of the communities, the County would approach child welfare in conjunction with the families.

Mr. Schiller stated that through the use of innovative practices and through reductions in foster care, Washoe County was able to reinvest funds to build its resources in the community. Mr. Schiller stated that the Washoe County Department of Social Services collaborated with juvenile services to assist children who entered treatment-level foster care. The Department attempted to leverage the innovative practices to identify the needs of those children.

Mr. Schiller said that through its innovative practices, the Washoe County Department of Social Services was able to look at reimbursement activities through Medicaid and targeted case management to offset the State General Fund.

Mr. Schiller said the Department's funding had remained flat over the past few years. The one area of concern in Washoe County was the reduction in juvenile services funding, which would have a significant impact on the Department of Social Services. He explained that in the area of juvenile services, if a parent declared that the child could not be cared for in the home, that parent was still accountable and responsible for that child according to *Nevada Revised Statutes* (NRS). Mr. Schiller believed that what would occur was that parents who could not access services for their child would refuse custody of that child and make that child part of the caseload for the Department of Social Services.

Mr. Schiller said it appeared the most significant piece of the proposed DCFS budget was how Washoe County would approach that population collaboratively. He emphasized that Washoe County worked collaboratively with juvenile services in an attempt to project what that number would ultimately be. He believed that parents refusing custody of their child would have a direct effect on the caseload of the Department of Social Services. That was not outlined in the proposed block grant currently under review, and he wanted to make sure that everyone was aware of those cases, and how increases in juvenile cases would project and how services could be provided.

Mr. Schiller said the majority of the children within juvenile services required treatment-level foster care. The therapeutic foster care component involved another system that was also currently struggling. Mr. Schiller stated that Washoe County had seen the effects of budget reductions with children in treatment-level foster care. For adolescents to receive adequate support and services, the challenge for the Department of Social Services would be how that system was going to move forward and how it would be funded.

Chairwoman Smith stated that the Subcommittee was attempting to absorb a great deal of information, and she was sure that there would be additional questions during future joint subcommittee meetings.

Testifying next was Carey Stewart, Director, Washoe County Juvenile Services, who advised that he was also the current president for the Nevada Association of Juvenile Justice Administrators. According to Mr. Stewart, the state and county had maintained a good collaborative partnership over the years, and some of the results of that partnership were becoming apparent. The reliance and need for state correctional beds had been reduced statewide, and those reductions had been based upon a current formula that included the partnership between the counties and the state through community corrections block grant funding and the funding formula for the county correctional camps.

Mr. Stewart said he anticipated that a reduction in those two funding formulas would have a catastrophic effect on the state's juvenile correctional system. The Summit View Youth Correctional Center was closed by action of the 26th Special Session, but at the same time the community corrections block grant funding was enhanced. Since that time, said Mr. Stewart, there had been a continual decline in the need for state correctional beds. Also noted in Ms. Comeaux's budget presentation was the phenomenal reliance of the statewide juvenile justice system on the number of youth committed to county camps.

Mr. Stewart noted that 486 youth statewide had been committed to county camps as an alternative to state correctional care, which indicated that the money invested by the state in those two programs had reaped valuable benefits and cost savings. The cost savings were not only for the taxpayers but also for the youth being served. Mr. Stewart said if the system simply relied on deep-end correctional care, then the youth it served would be treated unjustly. The injustice would be for the youth who entered the system without community-based programs available so those youth could remain with their families in the jurisdiction where they resided and become successful in their communities.

Senator Leslie asked, with the proposed reduction in the community corrections block grant, whether Mr. Stewart anticipated that Washoe County would commit more youth to state facilities. Mr. Stewart believed that would occur because the focus of the grant funds had been on county correctional services, and over the past year Washoe County had committed only 40 youth to state correctional care. When the community corrections block grant funding was reinstated in 1998, Mr. Stewart said Washoe County had committed over 150 youth to state correctional care. He emphasized that there would be more state commitments because there would no longer be other alternatives.

Testifying next before the Subcommittee was Joseph Haas, who stated he was the psychologist in charge of the Mental Health Team at Washoe County Juvenile Services and more recently at Social Services. The collaborative efforts between those two agencies were designed to both improve the care of youth in the system, but also to head off youth with mental health conditions from penetrating the juvenile justice system, and hinder those youth who were at-risk of entering custody.

Mr. Haas stated that for many years juvenile services had collaborated with DCFS very successfully, as indicated by Ms. Comeaux, in providing wraparound care in northern Nevada. One collaborative effort was to place seriously emotionally disturbed children in community-based treatment homes. Mr. Haas said such placements provided necessary treatment for youth that helped them improve, but even more importantly, the homes prevented parents from having to forfeit custody of their children solely because the children had mental health needs for which the parents were unable to pay.

Mr. Haas indicated that the room-and-board rates that partially funded those programs were, and he would argue continued to be, a sound investment to keep children and families together by allowing youth to receive treatment while remaining in the parent's custody. However, the proposed cuts to room-and- board rates would derail that key collaborative effort between county and state, and that had been a key building block in serving the most vulnerable youth in the community.

Ms. Haas said there was the potential for misconception that as a whole, youth in the juvenile justice system were simply misbehaving and that detention might teach them a lesson. National research and the county's local experience contradicted that idea. In fact, said Mr. Haas, 60 percent to 70 percent of detained youth suffered from mental health conditions and, as a general rule, generally suffered from more than one condition. In Washoe County's detention center, approximately half of the detained youth were on suicide watch, where they were checked every five minutes because of past behavior they had shown in or out of the detention facility. Mr. Haas said county services routinely treated youth suffering from psychosis, severe trauma reactions, bipolar disorders, a history of profound physical and sexual abuse, attention deficit disorder, developmental disabilities with extremely low IQs, and mild forms of autism, in addition to youth who had developed patterns of acting out and disregarding the rules of society.

The argument was not that youth were not in need of accountability, but accountability without treatment for youth with very challenging conditions simply did not work, said Mr. Haas. Those profound needs had driven the state and county to develop community alternatives, both for behaviorally challenged youth and for youth with more pronounced mental health conditions. It was those alternatives that the room-and-board budget cuts would deeply impact for the state's youth.

Chairwoman Smith commented that the use of residential facilities should be done in the most cost-efficient manner for the taxpayers because every action had to be fiscally prudent in paying the cost for institutionalization.

Testifying next before the Subcommittee was The Honorable Frances Doherty, District Court Judge, Second Judicial District, Washoe County, who indicated that she was the presiding judge for the Juvenile Delinquency Court, was a member of the Nevada Juvenile Justice Commission, had for five years sat as Master in Juvenile Delinquency Court during the 1990's, and served as a District Court Judge presiding over Juvenile Court for the past eight years.

Judge Doherty said that today was the day of measured response, and she had repeated that mantra all morning because measured response was exceedingly difficult in response to the budget that had been presented by the Division of Child and Family Services (DCFS). Judge Doherty stated that she shared the challenge of looking at the proposal as new numbers and had seen those numbers this morning for the first time with any level of detail. She was certainly aware of what was coming, both as a citizen of the State of Nevada who cared very much about the financial integrity of the state, and as a professional in the juvenile justice system.

Judge Doherty said there was much to be proud of with respect to juvenile justice in the State of Nevada. Washoe County had worked very well over the last five to ten years with its state colleagues and had a great deal of respect for those colleagues in their recognition of the significant roles played by the county and the state. Judge Doherty stated that the county had worked collaboratively with DCFS on issues such as keeping commitments low, and Washoe County had in fact reduced its commitments of youth by 50 percent. The state had likewise recognized those efforts and recognized the benefit of keeping children in community-based circumstances, preferably in their homes, surrounded by community, family, spiritual support, and educational familiarity. Judge Doherty stated that all components of growing healthy individuals dictated keeping children close to home.

Judge Doherty said that the efforts put forth by Washoe County, particularly since it had become involved in the Juvenile Detention Alternatives Initiative five years ago paid for by grants from the Annie E. Casey Foundation, had allowed the county to provide those components. When a child was placed by the Juvenile Delinquency Court, it was with recognition that the Court was changing that child's existence immediately and potentially for the long run. Judge Doherty said such action was not taken lightly, and the Court's priority was ordering fewer alternative placements. The Court used its resources and skills to accomplish that.

When the county saw the numbers that had been presented by DCFS this morning in its budget, said Judge Doherty, and when the county reflected on the relationship it had developed with the state and the efforts in supporting each other in each budgetary challenge over the years, the budget could be viewed with nothing other than cynicism. The budget was presented in a manner that was identified as a necessity to cut dollars without the obligation and responsibility to recognize what those cuts would mean. Judge Doherty said what those cuts meant to every jurisdiction in Nevada was the inability to keep children close to home, the inability to work alternative placement priorities, and the exclusive ability to commit children as the only mechanism to intervene on behalf of children in the juvenile justice system.

Judge Doherty said corrections was a priority of the system and the Juvenile Court, but the challenge went well beyond juvenile corrective behavior. The challenge was to grow healthy citizens who were employable and able to control their behavior in a manner consistent with society via a system that allowed them to address their acting-out behavior. That behavior was often based on the foundation of child abuse, sexual abuse, domestic violence, and alcohol abuse in the immediate family. Judge Doherty stated that the majority of our children lived in poverty, and she challenged the state to recognize what would occur when alternative placements to keep children in their community were removed.

Judge Doherty said the suggested reduction in commitment beds was not that significant if one relied exclusively on the view that commitments had been reduced. Absolutely, she said, the juvenile justice system had become smarter, used evidence-based practices, and had relied on family therapeutic intervention to keep children in their homes. Judge Doherty stated that was exactly what the system had done to reduce commitments statewide.

According to Judge Doherty, the proposed budget would undermine community partnership block grant funding, which identified alternative deep-end case-management services for each of the juvenile delinquency departments. Judge Doherty said it had been her experience that the rural areas relied heavily on that funding, which was allocated to keep children in supportive services that enhanced their ability to grow into strong, healthy adults. The youth camps were alternative placements that worked on skill development, again a critical placement tool for rural jurisdictions. Youth camps were used as alternatives to commitment to either the Nevada Youth Training Center (NYTC) or Caliente Youth Center (CYC) and ensured therapeutic and supportive intervention in a correctional youth-camp environment with a significant success level.

Judge Doherty said the proposal to eliminate payment for board and care for children in group homes would absolutely eliminate intervention services for the mentally challenged children who also engaged in correctional problematic behavior. The elimination of that funding would also take away the primary source of sex offender intervention for children who had acted out and needed therapeutic intervention beyond the environment of their homes. Judge Doherty stated the proposal would also affect those children committed to placement in facilities such as Rite of Passage, which was an alternative to commitment at NYTC or CYC.

Judge Doherty emphasized that elimination of board-and-care payments would result in the state facilities facing quadruple the number of commitments because, despite every effort to keep those children at home, at times it was not possible. Removal of every alternative to commitment, such as the China Spring facility alternative, alternative programs for sex offenders, and board-and-care alternatives, would result in the numbers at the state facilities reaching 700 or 800 commitments.

Judge Doherty believed that the budget proposal for DCFS would create an environment where children would be backed up in detention facilities, the resources of state staff would be pushed to the limit, and the focus on all therapeutic interventions would be diminished by virtue of the volume created by the elimination of the alternative support programs.

Judge Doherty said it looked like a budget where the agency had been instructed to cut 50 percent and simply produce the numbers, and that appeared to be what had been done. The counties had worked with DCFS for years, and as recently as last summer the counties recognized that budget cuts would be "coming down the road." They recognized that alternative planning had to occur and were willing to determine where the counties and the courts could work cooperatively with DCFS to develop alternative ideas. Judge Doherty said those discussions had been productive, but the current format of conversation was not a discussion, rather it was a mandate without insight and a path to future litigation because of overcrowding in the detention centers as children waited for commitment beds, due process and civil rights, health care, and other basic services children were entitled to in commitment facilities.

Judge Doherty commented that the proposal would undermine the significant gains that had been made in the juvenile justice system. The children in the juvenile justice system did not have the same constituency, but they had been identified as crossover child welfare children. Judge Doherty said that from January 2010 to December 2010, the juvenile justice system saw a minimum of five children having, or closely approaching, schizophrenic breaks. The challenges facing the system were terrific, and it responded to every single challenge because the system's commitment to the likelihood that the children in juvenile justice would grow up to be healthy adults was so high. Judge Doherty indicated that to engage in such a lack of partnership, lack of cooperation, and lack of integrated discussions when a plan was under development would cause entities to "trip over themselves" in future endeavors.

Judge Doherty proposed that, at a minimum, the juvenile justice system be asked to meet with the state and return to those conversations where the partnership could be reunited for the protection of the juvenile justice system in a way that benefitted all of Nevada. That should occur first, and perhaps a better or different proposal could be presented for consideration at future joint subcommittee meetings.

Chairwoman Smith thanked Judge Doherty for her testimony and stated that time was of the essence, but before the joint subcommittees became entrenched in individual budget considerations, the Subcommittee would request that DCFS have that conversation with the juvenile justice system. The proposed budget cuts were very troublesome in many ways, and Chairwoman Smith commented that Judge Doherty had done an excellent job of articulating the ways in which the cuts would harm the juvenile justice system.

Assemblyman Hickey said that listening to testimony about the effect the proposed budget cuts would have on mental health care services was heart wrenching. He asked whether those painful cuts were the result of Nevada's worst recession ever and the state's declining revenues, rather than some type of callous or cynical neglect from either the Governor or lawmakers. Assemblyman Hickey did not look at the proposal as a cynical budget. He acknowledged that it was certainly a painful proposal; however, the question of budget cuts remained. He asked whether it would be better to prioritize and give back to the juvenile justice system, while cutting budgets in other service areas. He wondered what would be the best answer to the budget dilemma.

Judge Doherty said her intent was to compare the budget to "cynicism" rather than concluding it was a cynical budget. She stated that the greatest disappointment was the absence of collaboration, and her testimony did not reject the possibility of budget cuts. As citizens of Nevada, the juvenile justice system was committed to the strength and fortitude of the state, and only in that type of state could strong children be grown. Judge Doherty said the juvenile justice system recognized the economic hardships. The challenge in the budget presented by DCFS was the departure in every respect from historical relationships in developing proposals, which Judge Doherty hoped could be rectified.

Senator Leslie indicated that she was the Senate Chair of the joint budget subcommittee that would review the DCFS budget, and she would certainly be willing to entertain an alternate plan. As indicated by Chairwoman Smith, time was of the essence, but perhaps a plan could be put together quickly. Senator Leslie offered her assistance in working with the Division and the juvenile justice system to devise a better plan.

The next person to testify was Patrick Michael Murphy, Clark County Coroner and lobbyist for Clark County, who believed it was important for everyone to realize that the proposed budget cuts were in reality not a "step" backward, but a "leap" backward. The proposed cuts to the General Fund appropriation to the Community Corrections Partnership Block Grant program would result in cuts to programs that were specifically designed to keep youth out of correctional facilities and reunite them with their families whenever possible. Those funds also provided youth with the opportunity to learn life and job skills so they could become contributing members of not only society, but specifically of their own families.

Mr. Murphy stated that the proposed cuts to funding for the Spring Mountain Youth Camp would mean that youth would be pulled away from contact with local family members. Having spent time at the camp as the former interim director, Mr. Murphy believed that the proposed budget cuts would diminish the ability to reunite youth with their families. It would also diminish the county's ability to remove youth from an inappropriate environment for a short period of time and provide them with the life skills that would allow them to return to that environment and avoid some of the obstacles they faced.

Assemblyman Atkinson asked whether the county could provide statistics that depicted the cost per day for residents of the Spring Mountain Youth Camp and how much the county was spending on the camp. Mr. Murphy said he was confident that there were statistics that showed the cost per resident and that information would be provided. He stated he did not have those numbers with him today. Assemblyman Atkinson said that would be beneficial. He agreed with Mr. Murphy's statement about the importance of the program.

Scott Shick, Chief Juvenile Probation Officer, Douglas County Juvenile Probation Department, stated he was also a member of the Juvenile Justice Commission and Chair of the Policy and Legislation Committee. Mr. Shick voiced support for the comments made by Judge Doherty and Carey Stewart. He advised that the rural probation departments and jurisdictions wanted to be part of the solution and wanted to be brought to the table with representatives from the Department of Health and Human Services (DHHS) to reconfigure budget proposals and present an alternative budget plan to the Legislature.

Mr. Shick stated that he had spoken to his colleague in Las Vegas about the concerns of disproportionate minority confinement contact, which was an issue that should be considered in proposed budget reductions.

The Juvenile Detention Alternatives Initiative was a template of what juvenile chiefs had done and was supported by the counties. Mr. Shick reported that the results of the Initiative had been presented to the Subcommittee today, and the Supreme Court was reviewing the Initiative seriously. He expected that the Initiative would receive support from the Supreme Court. The Initiative was the business plan, strategy, and system that kept children in school, kept them with their families, and kept them in their communities. Mr. Shick advised that the models were available on the Internet, as well as the "Missouri Model" for correctional care, which was community-based and front-loaded. Mr. Shick hoped that the program could continue to move in the right direction, and that the appropriate cuts could be made to arrive at agreed-upon results.

Pam Becker stated she was present to represent the Washoe County Children's Mental Health Consortium and the Nevada Children's Behavioral Health Consortium.

Ms. Becker referenced page 42 of Exhibit G, which depicted the BDRs submitted by the Division of Child and Family Services (DCFS). She indicated that she would appear at future joint subcommittee meetings to discuss the BDR regarding children's behavioral health. The BDR had been in the works for a number of years and what the legislation would accomplish was to set standards of mental health care for the youth and their families in Nevada. Ms. Becker offered to discuss the proposed legislation privately with legislators and in committee meetings.

Chairwoman Smith said Subcommittee members were looking forward to reviewing the legislation as it moved forward. Chairwoman Smith asked whether there was further testimony to come before the Subcommittee regarding the budget overview for DCFS.

Wendy Garrison introduced herself to the Subcommittee as the new Director of the China Spring Youth Camp and the Aurora Pines Girls Facility in Douglas County.

Ms. Garrison indicated that the proposed budget cuts in The Executive Budget would amount to approximately one-third of the budget for the camps and when that was translated into real numbers of youth, it would essentially mean the elimination of the program for girls. The cost for the program for girls was approximately $1 million and the cost for the program for boys was approximately $2 million. Ms. Garrison asked that the Subcommittee consider the proposed cuts in dollars and cents, as she believed that was the easiest way to make the best argument to the Subcommittee. She appreciated the fact that budget cuts had to be made and that legislators faced a tough job.

Ms. Garrison said she would echo previous comments made in support of the juvenile justice system, not just the youth camps, but all service areas. She noted that partnership with the state had been the only way that children in rural areas were able to receive services.

Chairwoman Smith thanked Ms. Garrison for her testimony and asked that she continue to work with representatives from juvenile services to arrive at the best possible solution.

With no further testimony forthcoming regarding the budget overview for DCFS, Chairwoman Smith declared the Subcommittee in recess at 1:07 p.m. The hearing would resume after the break with Senator Horsford chairing the remaining budget overview presentations.

Chairman Horsford called the meeting back to order at 1:56 p.m. and asked Ms. Sala to present the overview for the Aging and Disability Services Division.

HUMAN SERVICES
AGING AND DISABIILTY SERVICES
BUDGET PAGE DHHS ADSD-1

Carol Sala, Administrator, Aging and Disability Services Division (ADSD), introduced herself and Brenda Berry, Administrative Services Officer 3, and Tina Gerber-Winn, Deputy Administrator of Programs, to the Subcommittee. She also introduced Kim Huys, the new Deputy Administrator of Fiscal and Information Technology (IT), located in the Las Vegas office. Ms. Sala said she was honored to be here for the 2011 Legislature and had been privileged to serve as the Administrator for the Division since January 2003.

Ms. Sala acknowledged how hard ADSD staff had worked over the past few years. The Division had been faced with difficult choices and continued to strive to balance its diminishing resources with the demand for services. Ms. Sala believed that staff had been very creative in trying to leverage services for the most vulnerable population and had worked closely with its community partners to provide those services.

Ms. Sala stated that ADSD had overcome considerable challenges over the current biennium including the [legislatively approved] consolidation of the

Division of Aging Services and the Office of Disability Services. She pointed out that 2011 was the first session for the combined Aging and Disability Services Division. The ADSD had also assumed the responsibilities of Elder Protective Services from Clark County over the past year and had worked toward implementation of an essential services model into its business practices.

Ms. Sala referred to Exhibit H, a booklet entitled, "Budget Presentation to the Joint Legislative Fiscal Committees, Aging and Disability Services Division," which had been presented to the Subcommittee. She noted that she would refer to the exhibit throughout her presentation and would reference the appropriate page numbers.

Continuing her presentation, Ms. Sala stated that the mission of ADSD was listed in the beginning of the exhibit. The Division primarily served Nevadans aged 60 and over and younger persons with disabilities. Nevada was now one of 39 states that had a combined agency of aging and disability services.

Currently, said Ms. Sala, ADSD administered eight budget accounts and was structured through seven units established by function: 1. Elder Rights; 2. Community Based Care; 3. Disability Services; 4. Resource Development; 5. Supportive Services; 6. Fiscal; and 7. Information Technology.

The Division was located in four regional offices: Las Vegas; Reno; Carson City; and Elko. Ms. Sala stated that ADSD provided services across the entire state from those four offices. Staff was often required to travel considerable distances, particularly in the rural areas, to provide services.

Ms. Sala stated that pages 2 through 4 of the exhibit depicted the percentage of funding for the Division in relation to the total Department of Health and Human Services (DHHS) budget, with page 4 depicting the breakdown of revenue sources for the ADSD. The exhibit included the following tabs: 1. Population Growth; 2. Budget Highlights; 3. Performance Indicators; 4. Caseloads; 5. Nassir Notes, which contained outlines of the Division's new programs; 6. FTE Summary; and 7. Performance-Based Budgeting.

Page 29 under the "Budget Highlights" tab contained information about the status of the Division's American Recovery and Reinvestment Act (ARRA) funding. Ms. Sala stated she would not review that information, but would be happy to respond to any questions from the Subcommittee.

Ms. Sala said she would like to review each budget account within the Division and provide the highlights, beginning on page 7 of the exhibit. The agency consolidation resulted in ADSD having eight budget accounts, with several of those accounts providing similar services. Ms. Sala indicated that The Executive Budget included numerous Enhancement (E) 900 decision units throughout the Division's budget accounts. The purpose of the E900 decision units was to create greater efficiency within the Division.

Ms. Sala explained that all staff tracked activities back to the appropriate cost pool using a comprehensive time-tracking system based on the Division's approved cost allocation plan (CAP). That reorganization should provide greater coordination of services to persons with similar needs and streamline the administrative functions. Three program budget accounts would be consolidated into one direct service budget account, (BA) 3266, Community Based Services. Ms. Sala further explained that all administrative functions would be moved to BA 3151, ADSD Federal Programs and Administration, leaving the Division with only six budget accounts.

Ms. Sala indicated that no restructuring of positions, job responsibilities or supervisory structure would result from the E900 decision units. The E900 decision units were contained throughout the Division's budget accounts and Ms. Sala said that in the interest of time, she would not review each E900 decision unit as she reviewed individual budget accounts.

Ms. Sala commenced her review of the Division's budget accounts as depicted under the "Budget Highlights" tab of Exhibit H, beginning on page 8.

Senior Rx and Disability Rx (BA 3156)

Ms. Sala stated that budget account (BA) 3156 relied primarily on tobacco settlement funding, with a small contribution of General Fund support for the program.

Ms. Sala explained that the program was targeted to low-income seniors and persons with disabilities and provided for premium payments for Medicare subsidy programs and coverage during the Medicare Part D gap. The base funding was aligned with projected tobacco settlement receipts that were allocated to the Division. The Senior Rx Program and Disability Rx Program were authorized under *Nevada Revised Statutes* (NRS) Chapter 439 and were given a medium priority using a priorities- and performance-based budgeting process.

Funding was continued for the Senior Rx and Disability Rx programs in BA 3156 and projected available funding was approximately $4.9 million for fiscal year (FY) 2012 and $6.9 million for FY 2013.

Senior Citizens' Property Tax Assistance (BA 2363)

Ms. Sala indicated that budget account (BA) 2363 administered the Senior Citizens' Property Tax Assistance program. The program provided relief to eligible senior citizens who were carrying an excessive residential property tax burden in relation to their income and to those seniors who, through rent payments, paid a disproportionate amount of their income for property taxes. The funding for BA 2363 was 100 percent General Fund. Ms. Sala noted that The Executive Budget recommended elimination of the program.

According to Ms. Sala, the proposal related to item number 8 in the Reforms to State Government section of the final Report of the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies, as presented to the Interim Finance Committee (IFC) on December 17, 2010.

The program was also authorized under *Nevada Revised Statutes* (NRS) Chapter 427A and the activity was given a low priority using a priorities- and performance-based budgeting process. Elimination of the program would require a bill draft request (BDR) to change the NRS and would result in the elimination of two positions, one program officer 2 position and one administrative assistant 3 position. Those positions were currently vacant as the incumbents had taken other positions within the Aging and Disability Services Division (ADSD) and the elimination would not result in layoffs.

Chairman Horsford noted that Ms. Sala said the elimination of the program was related to the report from the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies; however, under that recommendation the program was not proposed for elimination. Rather, the recommendation was to establish a new eligibility level for seniors below the federal poverty level. Chairman Horsford asked what had been the rationale behind the proposal to eliminate the program, recognizing that over 17,700 seniors had used the program in the previous fiscal year.

Ms. Sala explained that during the budget process, the Division was faced with extremely difficult decisions, and it had to determine what cuts would do the least harm as far as essential services needed to keep individuals in their homes. The Department of Health and Human Services (DHHS) had given the ADSD a budget target. The Division helped fill budget holes in other essential service areas within the DHHS by choosing to eliminate the Senior Citizens' Property Tax Assistance program.

Chairman Horsford asked whether other options had been evaluated. He noted that the recommendation from the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies was to reduce eligibility for the program. There were other options explored by that Committee such as having the counties assume funding for the program rather than eliminating the program altogether. Chairman Horsford said there had been approximately 17,700 seniors who relied on rebate checks averaging $335 last fiscal year to overcome property tax liabilities.

Ms. Sala explained that the Division had reviewed several options and was certainly willing to review additional options. During one round of budget cuts, the Division prepared an options matrix that depicted how many persons would use the program if renters were removed from eligibility and how many persons were on the program that owned other property; she pointed out that there were many different considerations, and at least eight options had been explored. However, said Ms. Sala, during the current round of budget cuts, the Division had to make determinations about what programs were needed by persons most at risk, and difficult decisions had been made.

Chairman Horsford asked Ms. Sala to provide information about the various options that had been explored by the Division regarding BA 2363 to the Subcommittee's Legislative Counsel Bureau (LCB) Fiscal Division staff. Ms. Sala stated she would be happy to provide that information.

Continuing her presentation, Ms. Sala referred to page 10 of Exhibit H, budget account (BA) 3140.

Tobacco Settlement Program (BA 3140)

Ms. Sala stated that budget account (BA) 3140 was depicted on page 10 of the exhibit and supported the Independent Living grants of the Fund for a Healthy Nevada. Those grants enhanced the independent living of older Nevadans through services which enabled them to remain at home and avoid institutionalization. Base funding was provided through tobacco settlement funds and aligned with tobacco settlement receipts allotted to the Division.

Ms. Sala said the projected available funding for BA 3140 was $3.7 million for fiscal year (FY) 2012 and $5.4 million for FY 2013. The FY 2012 funding was significantly less because of the sweep of funding from the Healthy Nevada Fund authorized by the 26th Special Session (2010) to assist in covering budget deficits. Ms. Sala noted that projections showed there would be an increased availability of grant funds in FY 2013.

The allocations to the Division were authorized in statute and the activity was given a high priority using the priorities- and performance-based budgeting process.

Home- and Community-Based Programs (BA 3146)

Ms. Sala stated that budget account (BA) 3146 provided services to those seniors most at risk of nursing home placement through three Medicaid waivers and a state-funded program. The four programs were: 1. Community Home-Based Initiatives Program (CHIP); 2. Community Services Options Program for the Elderly (COPE); 3. Waiver for the Elderly in Adult Residential Care (WEARC); and 4. the Assisted Living (AL) waiver. Ms. Sala said those programs offered community-based alternatives which were more cost effective than nursing home placement. The scope of direct services provided by the Division included case-management and waiver services such as homemaker, chore, adult day care, adult companion, respite, and state-plan personal care assistance for the CHIP waiver, which was accessed through Medicaid.

Ms. Sala noted that the Division also provided augmented personal care for the AL waiver and attendant care for WEARC. Additionally, the Division's social workers were responsible for administrative activities for the programs, which were billed back to Medicaid. Those activities included information and referral, identification of clients, assessment, determination of level of care, Medicaid outreach, development of service plans, ongoing oversight of recipient needs, quality management, and other activities for the proper and efficient management of Medicaid programs. Each social worker was projected to carry a caseload of 50 clients, which included 45 ongoing cases and 5 in process.

Ms. Sala stated that funding for BA 3146 was a combination of Medicaid Title XIX funds, State General Fund appropriation, and tobacco settlement funds. The state appropriation primarily supported the COPE program and caregiver training.

According to Ms. Sala, The Executive Budget recommended all Medicaid-waiver caseloads be held flat over the biennium, and COPE would be decreased to 96 slots each month over the biennium. Caseload charts for those four programs were found on page 43 through page 48 of Exhibit H.

Chairman Horsford stated that the projected waiting list for CHIP was 146 persons by November 2011. He asked about the rationale for keeping the enrollments flat when waiting lists already existed for the waiver programs.

Ms. Sala explained that when the Division built its budget, it negotiated with Medicaid for funding. In working with the Division, Medicaid determined that the caseloads would be kept flat, which was a decrease from the legislatively approved 2008 level when budget cuts were made. Ms. Sala said the Division kept the caseloads flat because of budget deficits. The Division had a system of prioritizing those most at risk, and when a person was in a nursing facility, they were placed at the top of the waiting list.

Ms. Sala said it was interesting to note that the Division's clientele were not like the clientele in the Medicaid-waiver programs that served younger disabled clientele, in that the Division's caseload experienced a significant turnover each month. She stated that there was an average of 45 persons each month exiting the program; she believed this was because the Division's clientele were frail senior citizens and many persons either passed away or were placed in hospital settings. Therefore, said Ms. Sala, the waiting list for the waiver programs was very fluid and there was constant turnover.

Between the prioritization process and the openings in the programs, Ms. Sala believed the waiting list could be managed and the Division could target those individuals who were most critically in need of services.

Chairman Horsford commented that earlier testimony indicated that additional funding for community- and home-based initiative programs would result in the state saving money over the long run.

Ms. Sala said she was an advocate of community-based services and believed that was the direction that used the funding most efficiently. However, the current budget proposal was within the Division's guidelines.

Chairman Horsford thought there was not an across-the-board budget cut approach, and the approach the Budget Division was taking was to prioritize based on need rather than simply making across the board cuts. Based on the information provided by Ms. Sala, it appeared the Aging and Disability Services Division (ADSD) had to hit a "mark" in budget preparation, which was an across the board approach to meet a certain level of funding and cut a certain percentage of the budget.

Ms. Sala explained that was how the Division started its budget deliberation; however, the Department of Health and Human Services (DHHS) had prioritized the various proposals and budget cuts, and she believed the Division had requested the funding it needed to provide services and meet the needs of its clients and also to comply with the required budget cuts, similar to the cuts being made by all state agencies.

Chairman Horsford wondered how a person not involved in community- or home-based programs would find assistance and who would provide services.

Ms. Sala explained that there were two elder rights advocates in ADSD, one in northern Nevada and one in southern Nevada, along with Aging and Disability Resources Centers to work with persons and families to determine what services were available in the community, whether it was a service from a local community provider that was granted funding through the ADSD, whether it was a county service, whether it was a service provided by a private, nonprofit organization, or whether it was a homemaker program. She noted that the Division attempted to help persons access needed services no matter the payment source. Ms. Sala said if a person had access to funds, the Division helped them leverage their private-pay source such as insurance. She reiterated that the Division did not only work with persons who were on the waiver programs.

Chairman Horsford thanked Ms. Sala for that information and asked that she continue her budget presentation.

Federal Programs and Administration (BA 3151)

Referring to page 13 of Exhibit H, Ms. Sala stated that budget account (BA) 3151 was the Federal Programs and Administration account, which included the Resource Development Unit, the Elder Rights Unit, and the Fiscal Services and Information Technology (IT) units.

Ms. Sala stated that the Resource Development Unit was the Division's grants unit that passed through the federal and state funding for grantees. The Elder Rights Unit was established under Title VII of the Older Americans Act and included legal services development. That Unit was also responsible for maintaining the statewide repository of elder-abuse reports, coordination of protective services, ombudsman functions for institutionalized seniors, and benefits counseling.

Funding for BA 3151 was a combination of State General Fund appropriation and federal funding. Ms. Sala indicated that the General Fund appropriation supported the Division administration, provided the required match for federal funds that was a critical piece within the Division, and supplemented elder volunteer programs, senior transportation, and rural senior services.

According to Ms. Sala, federal funds were received from the Administration on Aging under Title III and Title VII of the Older Americans Act, from the Department of Labor under Title V, and from the Centers for Medicare and Medicaid Services (CMS) for the State Health Insurance Assistance Program (SHIP). Funding was also received from the Taxicab Authority to operate the Senior Ride Program in Clark County.

Ms. Sala said decision unit Enhancement (E) 275 in The Executive Budget would upgrade the phone system in the Division's Carson City office and would upgrade the voice mail for 65 staff members who currently experienced delays in excess of six hours in receiving recorded messages. The Division's existing system was designated "end-of-life" so parts, upgrades, and maintenance support were no longer available. Ms. Sala indicated that the vendor was charging $85 per hour for service calls and replacement parts were only available from salvaging other systems retired by the state. The proposed phone system would be integrated and standardized with the existing state phone system and would eliminate dead ports and the resulting service degradation, which limited callers from dialing into or out of the system. Ms. Sala reported that she often received calls on her cell phone because persons were unable to get through on her office phone.

Decision unit E326 on page 14 of the exhibit established a volunteer component to help support Nevada's Long-Term Care Ombudsman Program. Ms. Sala indicated that the Older Americans Act of 1965 required that the ombudsman provide "timely and regular access" to Nevada's long-term care residents. Nevada had 47 licensed skilled nursing facilities, 588 residential facilities for groups (group homes), and Homes for Individual Residential Care (HIRC). Ms. Sala said those were the licensed facilities that were known to the Aging and Disability Services Division (ADSD), and the total bed capacity of those facilities was 12,119. Most of those bed occupants were frail, dependent, elderly residents. Incorporating volunteers into the program was a critical ingredient to the program's effectiveness and served as a step toward improving the status of long-term care residents through a consistent presence.

Currently, said Ms. Sala, the ombudsman was able to provide only a minimum number of non-complaint related visits to the 588 residential facilities for groups and HIRC. To meet the needs of residents in those types of facility, more noncompliant related visits must be conducted and use of volunteers would greatly increase the potential for those visits to occur. Volunteer ombudsmen would be expected to focus on the needs, desires, and concerns of residents. The goal was to recruit 25 volunteers who would maintain the same integrity that was characteristic of a paid ombudsman. Ms. Sala indicated that the state would provide liability insurance to all volunteers whose work would be in long-term care facilities across the state, provide background checks, reimburse volunteers for mileage, provide an ID badge, provide intensive training and a training manual, and provide other miscellaneous supplies to assist them in being successful.

Ms. Sala remarked that the state Long-Term Care Ombudsman Program activities were federal- and state-mandated. Those activities were given a high priority using the priorities- and performance-based budgeting process.

Ms. Sala indicated that decision unit Enhancement (E) 328, on page 15 of the exhibit, added an income eligibility component along with an administrative assistant 1 position and a program officer 2 position to the Senior Ride Program. Currently, said Ms. Sala, there was no eligibility screening process for persons who purchased taxicab vouchers. The Senior Ride Program allowed individuals aged 60 and older and persons with permanent disabilities to purchase vouchers, which allowed them to use taxicabs at a discounted rate. Ms. Sala pointed out that the Senior Ride Program was only available in Clark County and was funded through a surcharge placed on every taxicab ride provided in Clark County.

Ms. Sala advised that the Senior Ride Program was state-mandated under *Nevada Revised Statutes* (NRS) Chapter 427A. The activity was given a medium priority using the priorities- and performance-based budgeting process.

Chairman Horsford asked that Ms. Sala highlight the remaining budget accounts because Subcommittee members were in receipt of Exhibit H and would advise if they had questions.

EPS/Homemaker Programs (BA 3252)

Ms. Sala referred to page 18 of Exhibit H, budget account (BA) 3252, which supported the Title XX Homemaker Program and the Elder Protective Services (EPS) Program. The Division assumed all elder protective services from Clark County on July 1, 2010. The Division worked with a national consultant to identify best practices and review Nevada's service-delivery model in preparation for assuming the EPS services from Clark County.

Ms. Sala indicated that the Division conducted business differently from the Clark County EPS program. Once the transition commenced, the Division's caseload increased 226 percent in Las Vegas and 90 percent statewide. The Division opened a centralized intake call center where four administrative assistant 3 positions were specifically trained to receive EPS information, and the phones automatically rotated to those four workers. Ms. Sala reported that the Division's call volume had increased significantly.

In working with the national consultant, one issue of concern was the Division's staffing model. Ms. Sala stated that additional positions had been authorized by the Interim Finance Committee (IFC) on June 24, 2010, and the Division began filling those positions on October 1, 2010. However, the Division currently remained understaffed. As of November 2010, said Ms. Sala, the average caseload was 55 cases per caseworker statewide and 62 cases average per caseworker in Las Vegas. The nationally recommended caseload average was 25, and the Division proposed to reduce caseloads to 40 cases per caseworker.

Ms. Sala explained that the budget requested by the ADSD would include funding for wraparound essential services, some of which were formerly provided under the EPS model for Clark County. Those included homemaker services, mental health capacity evaluations, Temporary Assistance for Displaced Seniors (TADS), and emergency funds. The Division's intent, said Ms. Sala, was to offer those services statewide so no matter where an EPS client lived, that person would be able to access the wraparound services.

Ms. Sala reported that EPS activities were federal- and state-mandated. Those activities were given a high priority using the priorities- and performance-based budgeting process.

Ms. Sala indicated that the severity of the calls received by EPS had increased significantly, and the caseworkers had been handling some very horrendous situations over the past year.

Decision unit Enhancement (E) 690 was depicted on page 20 of Exhibit H, and Ms. Sala explained that The Executive Budget proposed to replace General Fund used for EPS with county reimbursement. The Aging and Disability Services Division (ADSD) would maintain responsibility for the program activities, but counties would be assessed a fee for the services provided by the state. Page 21 of the exhibit contained a chart that showed the percent of cases by county and the amount of the assessment. Ms. Sala indicated that the General Fund amount to be assessed to the counties would be approximately $1 million in fiscal year (FY) 2012 and $1.2 million in FY 2013.

Ms. Sala added that The Executive Budget proposed adding 11 social worker supervisors, and 2 elder rights specialists to the Division's service delivery model for Elder Protective Services (EPS). The elder rights specialists were lower level professionals that the Division would use to address self-neglect cases, which were time-consuming, thereby allowing social workers to concentrate on exploitation and abuse cases.

Community-Based Services (BA 3266)

Ms. Sala indicated that budget account (BA) 3266 included community-based services provided to persons with disabilities and was contained on page 23 of Exhibit H. The programs included:

- Personal Assistance Services (PAS)
- Traumatic Brain Injury Services (TBI)
- Autism Treatment Assistance Program (ATAP)
- Independent Living (IL) Services
- Communication Services

Ms. Sala stated that The Executive Budget proposed to hold the PAS, TBI and IL caseloads flat over the biennium. She explained that the available slots each month of the biennium for PAS would be 165 rather than the 149 depicted in the exhibit. The Aging and Disability Services Division (ADSD) had included decision unit Enhancement (E) 327 in its budget that requested reestablishment of the funding for ATAP.

Ms. Sala explained that the 74th Session approved a one-shot appropriation of approximately $2 million to establish the Autism Treatment Assistance Program (ATAP) to provide home-based autism therapy for 64 children. The 75th Session approved a second one-shot appropriation of $3.2 million to serve 110 children. She noted that the funding for ATAP had never been included in the Division's budget and had always been funded with one-shot appropriations. The ADSD was seeking to establish the funding source for the program and to provide a social services program specialist 3 position to manage the program.

Ms. Sala stated that decision unit E327 requested funding at the fiscal year (FY) 2010 base amount and would allow for an average monthly caseload of 83 children. According to Ms. Sala, ATAP was the only program in ADSD without designated staff. Autism was a very complicated condition and therapeutic interventions were continually evolving. Therefore, it was critical for ADSD to have the ability to assess emerging treatments and evaluate effectiveness. That was necessary to achieve proper utilization management, and Ms. Sala stated it was difficult to assign staff from another ADSD program to manage autism services as an additional responsibility, because of the level of expertise required for that program.

Senator Leslie asked whether a waiting list currently existed for ATAP. Ms. Sala reported that there was a waiting list, which was depicted on page 57 of Exhibit H. As of January 1, 2011, the current waiting list contained 205 children. Senator Leslie wondered whether the proposal in ADSD's budget represented a decrease from the prior legislatively approved amount. Ms. Sala replied that was correct.

Ms. Sala acknowledged that the number of children being served by ATAP would decrease from 110 children to 83 children. She explained that when the funding was built into the Division's current budget, it had to be included at the base-funding level, and base funding was significantly less than the amount previously approved by the 75th Session of $1.6 million in each year of the biennium. Also, said Ms. Sala, ADSD was asking for a position and the associated costs for the position would be approximately $50,000 in the first year and $65,000 in the second year of the biennium. She believed it was important that ATAP be staffed by an expert to serve children with autism in the most effective and efficient manner.

Senator Leslie said she was not arguing against the request for a position, but to have 205 children on the waiting list in need of services within the first three years of their lives to be most effective was very disturbing. Ms. Sala said the Division served children with autism until they reached the age of 19. The ATAP had a broader range of age than the autism programs available for younger children.

Senator Leslie asked about the model used for services and whether it was the same model used in the Division of Mental Health and Developmental Services' budget for services to autistic children. Ms. Sala said she could not answer that question. Senator Leslie asked whether the parents were allowed to select the specific services needed for their child. Ms. Sala stated that was correct. There were different levels of budgeting for families, depending upon the age of the child; for example, the funding for a child age zero to three years would be $1,500 and the amount decreased as the child aged. There was also a varied menu of services available for parents and the program was self-directed.

Ms. Sala said the Division had changed to the new fiscal intermediary in the fall of 2010, and families could now check real-time budget information. She noted that one year ago families underused their budgets because there was no tracking system, and they were not aware of the funds available each month. Currently, families could check their balance and add services for their child.

To decrease the caseload, Senator Leslie asked whether vacancies would be created through attrition rather than removing children from the caseloads. Ms. Sala stated that was correct. Historically, that had been the method used by ADSD to decrease other waiver services. Senator Leslie opined that the autism caseload would be more difficult to attrition off, to which Ms. Sala agreed.

Senator Cegavske asked whether ADSD had a person in mind to fill the requested position in ATAP. It appeared ADSD was looking for a person who was qualified to evaluate whether or not the children were in the right programs, and she asked for specifics regarding the position. Senator Cegavske also asked whether ADSD had any other position currently working in ATAP.

Ms. Sala said ADSD did not have anyone in mind to fill the proposed position. She said her philosophy was to open the position and "throw out the net" and hire the best candidate from the qualified applicants. Ms. Sala said she did not like to have a preconceived notion about whom to hire.

Senator Cegavske said that was part of her concern, but her question was whether there were qualified persons to fill the position and whether other states had such positions.

Ms. Sala indicated she was not aware of programs in other states, but she believed there were experts who had conducted research in the field of autism. More than simply identifying the children and determining whether they were in the right programs, there were other components that ADSD expected from the requested position, such as working with insurance companies to pay for services under healthcare reform. The program specialist would work with the families to determine whether the families could access insurance for payment of services and would also review best practices and intervention models that were being developed nationwide.

Senator Cegavske asked whether ADSD had a person on staff qualified to fill the position. Ms. Sala said it was not that there were no qualified persons, but rather there were no employees who could add the duties of managing the ATAP to their ongoing assignments. Ms. Sala indicated that ADSD had developed provider qualifications, but providers had to be monitored, and ADSD did not have the staff time to get the program up and running in the way it should. The Division was not able to continue to pull staff from other programs and duties to cover such things as the Autism Service Commission meetings. Currently, ADSD pulled different staff to cover the duties of ATAP.

Senator Cegavske appreciated the explanation provided by Ms. Sala because she had not been aware of the duties of the requested position.

Continuing her presentation, Ms. Sala stated that decision unit Enhancement (E) 690 on page 26 of Exhibit H, proposed to redirect the funding for the Traumatic Brain Injury (TBI) program and the Autism Treatment Assistance Program (ATAP) from General Fund to tobacco settlement funds in fiscal year (FY) 2013. Ms. Sala indicated that the statute for tobacco settlement funding needed additional flexibility regarding how the money would be allocated, and decision unit E690 was one of the proposals within ADSD's budget to redirect funding from the Trust Fund for Public Health to be allocated in other ways.

Senator Kieckhefer said most of the disability services provided by ADSD were for physical disabilities, and he asked why autism programs were funded through the Aging and Disability Services Division (ADSD) and also through the Division of Mental Health and Developmental Services (MHDS).

Ms. Sala replied that the autism services were part of the former Office of Disability Services that was combined with the Division of Aging Services to form the ADSD. The 75th Session approved another one-shot appropriation to continue the autism program for the Office of Disability Services, but Ms. Sala said she did not know why the services were originally funded through the Office of Disability Services.

Todd Butterworth, Chief, Disability Services, ADSD, explained that the services had been originally placed in the Office of Disability Services because there were many children with autism who did not have a concurrent mental retardation diagnosis. Those children were not eligible for services through MHDS. He reiterated that the main distinction between the two autism programs was that the ADSD program served children with autism who were not diagnosed with mental retardation.

Senator Leslie agreed with Senator Kieckhefer and also wondered why all autism services were not offered through one agency. She believed the programs could be available in MHDS even though there were two separate programs with one specifically addressing dual diagnoses. The program available through ADSD could be included in MHDS. Mr. Butterworth believed that could be possible, but he was unaware of whether there was a structural prohibition against serving children who did not have a dual diagnosis. Senator Leslie opined that was something that should be explored at future joint subcommittee hearings because there might be some efficiencies because of the expertise within MHDS. That was not a criticism of the ADSD program and she believed the Division had done a great job. Senator Leslie believed that the two programs should be reviewed in depth at future joint subcommittee hearings.

Mr. Butterworth stated that, quite honestly, the two programs had "a lot of the same folks running in the same circles" with the same providers. The ADSD worked closely with the MHDS program on a day-to-day basis. He also believed a review of the two programs would be worthwhile.

Continuing her presentation, Ms. Sala called the Subcommittee's attention to page 28 of Exhibit H, which contained the Division's last budget account.

IDEA Part C Compliance (BA 3276)

Ms. Sala indicated that budget account (BA) 3276, which supported the Individuals with Disabilities Education Act (IDEA) Part C activities, was 100 percent federally funded and provided for the oversight components of Nevada's Early Intervention Services. The Executive Budget recommended continued funding with no additions.

Ms. Sala informed the Subcommittee that concluded her budget presentation and she would be happy to answer questions.

Chairman Horsford opened public comment and asked whether there were persons present who wished to speak regarding the ADSD budget items.

Jan Crandy, Commission on Autism Spectrum Disorders, pointed out that to "get in the door" of the program at the Division of Mental Health and Developmental Services (MHDS), a child had to meet a certain level of care. The MHDS program considered family income while the Autism Treatment Assistance Program (ATAP) used a different criteria for income that allowed parents to provide a copay, so those parents were more likely to participate in buying hours for their child. Ms. Crandy believed the children in ATAP were receiving closer to the 30 hours of treatment research recommended for autistic children. Children with multiple "labels" were being served in ATAP and when MHDS had open slots, they were moved to that program.

Ms. Crandy said there was a question surrounding the level of care necessary for the MHDS program, and perhaps the Legislature would need to change that criteria to combine the programs. She believed ATAP had established better data to show performance and outcome criteria and the effectiveness of treatment. Ms. Crandy stated that ATAP only funded evidence-based treatment, whereas the MHDS program allowed parents to choose from an option of programs. While that provided additional choices, the programs were not always evidence-based.

Senator Cegavske referred to the position requested by ADSD in decision unit Enhancement (E) 327 for ATAP, and she asked whether parents of children in ATAP thought such a position was a necessary.

Ms. Crandy believed that the program was currently being served by case managers with a person within the Independent Living (IL) program providing oversight for the program. She believed that the Division did need a person to oversee the case managers and providers to ensure quality of service and establish additional data. Ms. Crandy noted that there was much data needed to assess performance and treatment outcomes.

Senator Cegavske said that she understood the position was needed to help the children and make sure they were in the right programs. In response, Ms. Crandy believed the position would maintain data and make sure that parents could see that progress was being made. Referring to her earlier testimony, Ms. Crandy suggested triaging the children, and she felt that there had to be an ongoing review of children's outcomes and gains to ensure they were making gains across all [cognitive] domains. There were some children who, despite the funding provided for treatment, remained flat and simply maintained their skills. Ms. Crandy said the data should be available to review the progress of a child and make a determination about whether it was time to withdraw the child from treatment or whether continued treatment would make a difference. The question was whether it was better to use funding for children who could make enough progress that in three or four years they would not require further state support.

Senator Cegavske asked whether those persons who were evaluating and teaching the children on a regular basis knew whether or not the children were making progress. Ms. Crandy said parents and teachers were aware of the progress being made by the children. Senator Cegavske asked why another person was needed to tell parents that their child was making progress. Ms. Crandy emphasized that the Division needed a manager for ATAP because it appeared that current staff could not provide sufficient management.

Chairman Horsford commented that the University of Nevada, Las Vegas, had an autism treatment program, and the director of that program helped to ensure that that the treatment being provided to a child was appropriate based on the needs of that particular child. He stated that he found it a very interesting model.

Chairman Horsford thanked Ms. Crandy for her input. He asked whether there were other persons who wished to present testimony.

Laura Coger, Program Manager, Consumer Direct Nevada, referred to the budget overview presented by Michael Willden, Director, Department of Health and Human Services (DHHS), and noted that the Medicaid budget called for a 15 percent reduction in waiver services, but she had not heard that reduction addressed today in the MHDS or ADSD budget presentations.

Additionally, said Ms. Coger, she was a member of the Personal Care Assistance Advisory Committee that was working with the state to identify efficiencies and, therefore, she was in contact with many personal care providers. The provider community was very curious about whether or not the 15 percent reduction in waiver services was actually going to be included in the budget proposals.

Ms. Sala advised that the rates would be included in the Medicaid budget, but it was her understanding that there was a proposed 15 percent rate cut to waiver services, which would include a 15 percent reduction throughout all service areas covered by Medicaid. Ms. Sala was not sure about the proposal for reduction in personal care assistance, which had previously been slated for elimination. She noted that was the key service that kept the waiver clients at home, and the funding for personal care assistance had been restored in The Executive Budget.

Ms. Coger said that providers of services and businesses needed to be able to count on the reimbursement rate so that caregivers could be paid and provision of services throughout the state guaranteed. She indicated that it was difficult when businesses did not know whether or not they would face a 15 percent rate reduction.

Bruce Arkell, representing Nevada Senior Advocates (NSA), stated that NSA believed there were additional changes that could be made within the ADSD budget, and he would like the opportunity to work with the joint subcommittee and the Division to discuss potential savings through less expensive ways to deliver services. Mr. Arkell said the NSA did not believe it had all the answers nor did the ADSD, but possibly a joint review of the budget could produce ways to save money.

Mr. Arkell said NSA was also concerned about the funding for Elder Protective Services by local governments. He said NSA was not sure how that would work, and it was waiting to see the bill that would make that funding change. Because of privacy issues, it would be difficult to establish a way to bill for services. Mr. Arkell pointed out that there would be some issues that would have to be addressed as the budget proposal moved forward.

Ms. Arkell indicated that NSA felt some issues could be dealt with at future joint subcommittee meetings; he reiterated that NSA believed that additional savings could be generated in the ADSD budget with improvements in service.

Senator Cegavske asked whether the ATAP was means-tested. Ms. Sala said there was a sliding fee scale for ATAP. She further explained that when the first one-shot appropriation was approved by the 74th Session there was an autism task force that suggested using a sliding copayment schedule based on family income. At that time, the Office of Disability Services based payment on the same type of sliding fee scale that was in place for the Independent Living (IL) program. Ms. Sala stated that the program also had an application scoring system that helped prioritize children. Some issues reviewed during case assessments were whether the child was prone to self-injury and whether there were other disabled children in the home. She indicated that the scoring system helped prioritize those children awaiting services. Ms. Sala emphasized that there was no assets-based means test, but rather an income-based means test for ATAP.

Grady Tarbutton, Director, Washoe County Department of Senior Services, said his agency was one of the partners mentioned in Ms. Sala's budget presentation. The Department provided home-delivered meals, in-home care, case management and a number of other services to over 5,000 individuals in Washoe County. Mr. Tarbutton said in no case in the grants and contracts the Department had entered into with the state was the full cost of the Department's services provided. For example, said Mr. Tarbutton, the Department was reimbursed $2.65 for each home-delivered meal but its subcontractor charged the Department $4 per meal.

In addition, said Mr. Tarbutton, the Department had the cost of administration. For the home-delivered meal service to reach 700 persons each year, the Department relied upon $1.2 million in property tax revenue from Washoe County. The amount involved in the transfer of costs to counties for Elder Protective Services (EPS) and the Senior Tax Rebate program would "swallow up" the entire $1.2 million property tax revenue, essentially leaving the state without the local partner to assist it the delivery of services. Mr. Tarbutton asked the Subcommittee to review that budget decision with caution as it moved forward.

With no further public comment forthcoming regarding the budget of the Aging and Disability Services Division (ADSD), Chair Horsford closed that hearing and opened the budget hearing for the Department of Taxation.

FINANCE AND ADMINISTRATION
DEPARTMENT OF TAXATION
BUDGET PAGE TAXATION 1

Dino DiCianno, Executive Director, Department of Taxation, referenced the packet entitled, "State of Nevada, Department of Taxation, FY 2012–FY 2013 Biennial Budget," (Exhibit I), and stated that his PowerPoint presentation would follow the exhibit. Mr. DiCianno introduced himself and the following staff to the Subcommittee: Christopher Nielsen, Deputy Executive Director, Compliance Division; Brody Leiser, Deputy Executive Director, Administrative Fiscal Services Division; Tami Beasley, Budget Analyst 2; Vincent Cherpeski, Deputy Executive Director, Information Technology Division; and Carolyn Misumi, Administrative Services Officer 4.

Mr. DiCianno stated that page 1 of the exhibit highlighted the Department's mission, philosophy, and goals, which were to provide taxpayer assistance. He pointed out that if the Department was not able to provide taxpayer assistance, then it had failed in its mission. The point of the Department was to educate taxpayers so they were compliant and reported and paid properly in accordance with the *Nevada Revised Statutes* (NRS).

Mr. DiCianno noted that page 2 of the exhibit contained the locations of the Department's offices throughout the state. The Department maintained district offices in Henderson, Las Vegas, and Reno. Page 3 of the exhibit depicted the Department's organizational chart. Mr. DiCianno stated that the Department of Taxation was a small agency that answered to the Governor; he explained that he answered directly to the Nevada Tax Commission. The chart also depicted the placement and areas of responsibility of the employees who were introduced earlier.

Mr. DiCianno indicated that page 4 of the exhibit contained the Department's biennial budget. The Department of Taxation was responsible for collecting, accounting for, and distributing 19 different taxes and fees on an annual basis. The Department operated under a broad spectrum of statutes, one of which had been transferred to the Secretary of State's Office—the administration of the business license fee. Mr. DiCianno said the Secretary of State's Office was now responsible for the collection and distribution of business license fees.

The base budget, said Mr. DiCianno, funded 328 full-time equivalent (FTE) positions, 13 board and commission members, and 15 intermittent positions. The funding for the 2011-2013 biennium was approximately $60 million. Decision units Maintenance (M) 100, M101, and M150 contained basic inflationary adjustments or adjustments for one-time expenditures and for the cost of the Cigarette Revenue Stamp program.

Mr. DiCianno said that based upon the last decision of the 26th Special Session (2010), the Department had closed its Elko District Office and eliminated three positions from the Division of Assessment Standards. He noted that decision unit M300 was the standard fringe-benefit rate adjustment that was in every budget account.

Mr. DiCianno appreciated consideration by the Governor and the Budget Division that allowed the Department to add nine new positions in its budget. Eight were revenue officer positions and one was a tax examiner position. The primary purpose of those positions was to assist the Department in reducing the average caseload for tax collections. Currently, said Mr. DiCianno, the Department's revenue officers were taxed to the limit with the number of accounts that each had to service. Clearly, the officers had to be very careful and had to prioritize based upon the nature of the account, the difficulty of the account, what the account owed, and the possibility of collection. Mr. DiCianno said the point of the new positions was to help the Department collect those revenues that were owed to the state.

Decision unit Enhancement (E) 260 added three additional accounting assistant positions for the Automated Clearing House (ACH) credit transactions and debit payments, and to assist with transactions related to the Nevada Business Portal, which was housed at the Secretary of State's Office.

Senator Rhoads asked whether revenue had decreased, increased, or remained flat after the Elko office was closed. Mr. DiCianno said there was actually no effect on revenue collections because of that closure. The Department had been able to absorb the duties and functions of the individuals from the Elko office because of the ability of the Department's Las Vegas and Reno offices to assist those persons from the rural areas who needed help.

Continuing his presentation, Mr. DiCianno said the Department was not spared from making sacrifices through budget cuts. Decision unit E600 eliminated six FTE positions and potentially nine intermittent positions. The Department had been fortunate to leave those six FTE positions vacant so there would be no layoffs associated with those positions. However, 9 of the 15 intermittent positions were filled and would require layoffs. Mr. DiCianno indicated that depending upon the skill-set and the desire of the intermittent employees to be employed full-time they could fill current and future vacancies.

Mr. DiCianno said decision units E670 through E672 was the 5 percent salary reduction per The Executive Budget, including the implementation of the salary freeze and the suspended longevity and merit increases.

Mr. DiCianno stated that decision unit E710 addressed replacement equipment; E800 funded cost allocation for personnel services; E805 contained position reclassifications to assist the Department with duties that had to be performed to ensure reconciliation with the state Business Portal at the Secretary of State's Office. Decision unit E808 reclassified one information technician 3 to an information technician 4 position to support the Unified Tax System (UTS), and any required application changes with that system. Mr. DiCianno explained that the Department was one of the pilot agencies for the consolidation of personnel services within the Department of Administration, and decision unit E912 transferred one personnel officer 1 and a personnel technician 2 position directly to the Department of Personnel.

Mr. DiCianno said that was the budget presentation for the Department of Taxation. He stated he would like to discuss page 7 of the exhibit that depicted the Department's Performance Indicators. There were two areas in the Performance Indicators that Mr. DiCianno said he would critically review at the end of the upcoming biennium. The first was Performance Indicator number 1, Sales and Use Tax (SUT) Audits Completed as Percent of Standard. He pointed out that the actual percentage or penetration rate for FY 2010 was only 57.6 percent, and he felt it was possible that the standard had been set too high.

Mr. DiCianno explained that he expected auditors to perform four to five audits per month, but because of furlough days and other budget concerns, he believed that standard might be set too high. There were also economic conditions to consider, and it made no sense to audit businesses that had closed, or those that were currently compliant. Mr. DiCianno stated that he expected the auditors to conduct more complicated audits that were based upon risk factors, such as not reporting or not paying taxes, or for those taxpayers who had difficulties understanding the requirements.

The other area of concern, said Mr. DiCianno, was Performance Indicator number 7, Percent of Taxpayer Written Inquiries Responded to Within 30 Days. He again voiced appreciation to the Governor and the Budget Division for allowing the Department to hire nine additional revenue officers and one tax examiner to assist the Department with written responses to taxpayers within the Taxpayer's Bill of Rights timeframe of 30 days. Currently, said Mr. DiCianno, the Department was not meeting that time frame, but it would attempt to do so in the future.

Assemblywoman Smith stated that the Department's Performance Indicators were different from those the Subcommittee had been seeing that were based on the priorities- and performance-based budgeting process. She wondered whether that was because the nature of the Department was different.

Mr. DiCianno said the Department had also gone through prioritization using the priorities- and performance-based budgeting process. He stated that the Department had provided an activities report to the Budget Division. All areas except for two were given a high priority because the Department collected the revenue for the state. Mr. DiCianno said the areas were given high priority because of the statutory and constitutional requirements placed on the Department. The two areas that Mr. DiCianno believed were medium priority were certain portions of the Division of Assessment Standards, which did not necessarily collect General Fund revenue, and the personnel area. However, the majority of the areas within the Department were classified as high priority.

Mr. DiCianno believed the priorities corresponded with the decision by the Governor and the Budget Division to allow the Department to hire additional staff to improve revenue collection.

Referring to page 8 of Exhibit I, Mr. DiCianno stated that when he became the Director of the Department of Taxation in 2006, he was very concerned about taxpayer complaints. At that time, the Department was receiving complaints from taxpayers, some coming through the Governor's Office, regarding the Department's inability to answer phone calls, respond to questions, and assist taxpayers. That inability went back to the Department's mission statement and its duties as an agency.

Mr. DiCianno said that with the approval of the Legislature and the Governor, over the past biennium the Department had been able to reclassify auditor positions to tax examiner positions, which completed a ten-member call center. That ten-member call center had been a huge success, and Mr. DiCianno said the exhibit highlighted the graphic that the Department had been able to reduce taxpayer complaints between 50 percent and 60 percent. Mr. DiCianno realized that the Department still needed improvement in the area of complaints, but he was very happy and proud of what had been accomplished by the ten-member call center.

Mr. DiCianno said when a taxpayer could get through to the Department and have a conversation with an employee and become educated, that taxpayer became compliant and would never have to hear from the Department again. Mr. DiCianno believed that was important.

Page 9 of the exhibit graphically represented the different categories of complaints received by the Department that had been reduced since 2007. Mr. DiCianno said there were other reasons besides the call center that helped reduce complaints. The Department had been able to promote the online tax system, known as Nevada Online Tax, so that persons could register and pay online and could review their account without calling the Department to determine how they had reported and what they had paid in the past. Mr. DiCianno said the Department's Accounting and Processing Section had created teams to facilitate better timing for the posting of business restrictions, the refunding of bond claims to taxpayers in a more timely manner, and the completion of cancellations in a more timely manner. He explained that the Department dealt with accounts for taxpayers from birth to death and had to account for the closing of the account and determine whether there was outstanding debt.

Mr. DiCianno stated that page 10 of the exhibit indicated that the Department was funded 97 percent through the General Fund. Page 11 of the exhibit depicted the expenditure categories in the Department's budget, which indicated that 80 percent of the expenditures for the Department were for personnel services. When the Department anticipated budget cuts, it was usually through a reduction in employees because there were no programs that could be reduced. Page 12 contained charts that depicted the type of tax revenue collected by the Department and the tax distribution. Mr. DiCianno noted that 54 percent of the distribution was to local governments and 43 percent was to the State General Fund.

Page 13 of the exhibit contained a breakdown of revenue officer collections by office over the last three fiscal years; the number of calls received by office; and the walk-in count by office. Mr. DiCianno said the Department hoped its revenue officer collections increased and that the calls received by office and walk-in counts decreased. He believed that as taxpayers took advantage of the Nevada Online Tax program, which they could control on their own, and he hoped, based upon the education received on a first-time call to the Department, would be compliant now and into the future.

Continuing his presentation, Mr. DiCianno stated that pages 14 and 15 of the exhibit depicted the number of calls received by the Department and the calls that were answered within a very short period of time, which was approximately 95 percent of all calls received. The breakdown on page 15 depicted the tracking of calls by subject matter, such as business license questions, sales and use tax questions, and modified business tax questions.

Mr. DiCianno said that completed his budget presentation, and he would be happy to answer questions from the Subcommittee.

Chairman Horsford asked whether there were questions from members of the Subcommittee.

Assemblywoman Carlton referred to the number of employees being added and the number of positions being eliminated, and she asked whether the Department would end up with plus or minus positions. Mr. DiCianno believed that the number of employees would be about even. Assemblywoman Carlton asked whether the new positions were a different caliber of employees and Mr. DiCianno stated that was correct, they also had a different focus. Assemblywoman Carlton said with the pay scale included in the exhibit did Mr. DiCianno really think he could locate the caliber of employees needed to work for the Department. Mr. DiCianno believed that would be possible, given the current economic situation and the unemployment rate in Nevada.

Assemblywoman Carlton said she wanted to be realistic. The Executive Budget recommended upgrading positions, but that would be useless if no qualified applicants applied. Mr. DiCianno said, for example, there had been several "reasonably" salaried positions available in the Department and in the past the Department would usually receive four or five applicants, but now the Department had hundreds of persons applying for positions. Some of the applicants were very well-educated with higher degrees than Mr. DiCianno; he commented that was how serious the economic and unemployment situation had become. However, when the economy turned around, Mr. DiCianno believed that those well-qualified individuals would move on.

Assemblywoman Carlton referred to page 10 of the exhibit which depicted the FY 2011 legislatively approved funding. She noted that the chart listed funding from fees at 2.36 percent, and she wondered what type of fees that figure represented. Mr. DiCianno explained that figure included audit fees, administration fees for the Cigarette Tax Stamp program, administration fees for the Short-term Lessor program, and justice court fees. There were also a number of other minor fees associated with that percentage.

Senator Cegavske asked whether the Department conducted random audits or audits because of compliance concerns and whether the business being audited was required to pay a fee for that service.

Mr. DiCianno explained that in-state businesses were not required to pay a fee for audits, and out-of-state businesses paid for the time the auditor was required to travel and the costs associated with conducting the audit. Mr. DiCianno said the out-of-state audits were handled by teams of auditors located in the major metropolitan areas of the United States, such as New York, Dallas, Los Angeles, and Salt Lake City.

Mr. DiCianno stated that the Department clearly did not want to audit businesses that were compliant. The Department used "risk factors" in conducting audits, and those factors could range from taxpayers not paying timely, not reporting properly, or misreporting the taxes due. Mr. DiCianno indicated that there was a great deal of confusion in the area of use tax and how and why it was owed. The Department tried to create an inventory based upon the status of current accounts and split that among the various district office auditors.

Senator Cegavske asked how difficult it would be for the state to collect sales tax based on internet sales. Mr. DiCianno said he was the current voting member for the State of Nevada on the Streamlined Sales Tax Governing Board, and he urged everyone to contact their congressmen and senators to encourage them to push forward what was referred to as the Main Street Fairness Act. If Congress was serious about helping the states, it needed to pass that bill. Mr. DiCianno indicated the amount "left on the table" for fiscal year (FY) 2012-13 and every year going forward for the State of Nevada was between $300 million and $400 million. Mr. DiCianno opined that the internet created an unfair playing field for brick-and-mortar business in Nevada that had to compete with internet sellers.

Mr. DiCianno said the Department had put through a Technology Investment Request (TIR) for approximately $3.5 million based upon a Letter of Intent, and he had been checking the status of that request every six months. Collection of internet sales tax would require the Department to establish an interface with the Streamlined Sales Tax group to receive information from a centralized service provider that would gather the data from the various internet sellers and transmit the tax revenue to the state. Mr. DiCianno explained that the Department would have to bill via the interface between the two systems. He would not propose that the state spend that amount of money unless the Main Street Fairness Act was passed by Congress because without that, it would simply be a waste of money.

Senator Cegavske asked whether it would behoove the Legislature to have some funding set in place in the event that Congress passed the Main Street Fairness Act. Mr. DiCianno believed that the groundwork had been laid, and the Department was aware of what had to be done going forward, and it would simply be a matter of funding to move forward.

Chairman Horsford asked whether there were further questions from the Subcommittee regarding the budget for the Department of Taxation. There being none, Chairman Horsford opened public comment and asked whether there were persons in the audience who wished to provide testimony regarding the Department of Taxation. There being none, Chairman Horsford closed the hearing and declared the Subcommittee in recess at 3:26 p.m.

Chairman Horsford reconvened the meeting at 3:34 p.m. and opened the hearing for the Department of Information Technology (DoIT).

FINANCE AND ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
ADMINISTRATION – IT – OFFICE OF CIO
BUDGET PAGE ADMIN -111

David Gustafson, Acting Director/Chief Information Officer (CIO), Department of Information Technology (DoIT), introduced himself to the Subcommittee. He referenced Exhibit J, "Department of Information Technology, Budget Overview," which had been provided to the Subcommittee.

Mr. Gustafson said he would explain DoIT's strategic priorities, merger plans, budget highlights, significant changes, the primary focus of each budget account, and notables for each budget account as outlined in the exhibit. The mission of DoIT was to provide cost-effective enterprise information technology (IT) solutions.

Per Mr. Gustafson, the strategic priorities of DoIT were to create agile and secure service delivery, deliver cost-effective and innovative enterprise products and services; foster collaborative enterprise IT solutions; and recruit, develop, and retain the best IT workforce.

Regarding merger plans, Mr. Gustafson explained that The Executive Budget recommended that DoIT merge and restructure with the Department of Administration into Enterprise IT Services, create the Office of CIO rather than the Director's Office, and establish Enterprise Application Services.

The reason for the merger, said Mr. Gustafson, was that it would allow DoIT to focus on essential IT core competencies, improve customer experience and business alignment, streamline service execution, and provide synergy of administrative functions.

Mr. Gustafson stated that the budget as a whole included the following highlights:

- Restructure to align operations with customer-facing strategy focusing on core competencies.
- Match IT capacity to customer needs.
- Refresh enterprise IT infrastructure.
- Create the enterprise business analysis group to interface with customers to coordinate IT service requirements.
- Analyze statewide telecommunications.
- Consolidate help desk and desktop functions for the Department of Administration (DOA), DoIT, and the Department of Personnel (DOP).
- Ally with DOA-provided synergies including centralization of contract management, fiscal services, IT research, desktop support, and personnel services.

Regarding significant changes, Mr. Gustafson stated that personnel actions would amount to transfers either in or out of [the merged] DoIT. The services provided by DoIT would be restructured to emphasize customer focus, including enterprise application services, the enterprise business analysis group, and a help desk and desktop-support consolidation. According to Mr. Gustafson, over the upcoming biennium a new service, enterprise server virtualization, would be offered. That would allow reduced capital costs, increased energy efficiencies, and lower server administration costs. It would also leverage multiple operating system technologies on a single platform and increase the speed of server deployment.

Mr. Gustafson stated that another significant change would be to match capacities to meet customer needs and requirements based on user demand, which would include servers, enterprise storage, and email accounts. Additionally, said Mr. Gustafson, across all budget accounts there would be enterprise-wide IT refresh, mainframe open-systems hardware, Wide-Area Network (WAN) components, microwave transport components, and support equipment.

Other significant changes included statewide telecommunications analysis and partial restorations of prior budget reductions in training and travel. Mr. Gustafson explained that some training and travel amounts had been reduced to zero with prior budget cuts.

Mr. Gustafson stated that the focus of budget account (BA) 1373, Office of CIO, would be to provide statewide IT vision, leadership, strategic planning, cross-agency collaborations, and enterprise IT solutions. He noted that the Office of CIO would replace the Director's Office for DoIT, which had a budget of $4.3 million over the 2009-2011 biennium. The budget for the proposed office of CIO over the 2011-2013 biennium would be $1.8 million, which represented a reduction of approximately 58.04 percent.

Some of the notables in BA 1373, said Mr. Gustafson, were that support functions would be transferred to the DOA Administrative Services, and the enterprise planning services would include IT consolidation planning, technology-investment lifecycle planning, and policy and external agreement oversight.

Mr. Gustafson stated that the focus of BA 1365, Application Support, would be to align and integrate IT services with business priorities. The amount budgeted for the 2011-2013 biennium would be approximately $8 million, which was an increase of 33.77 percent over the current budget for DoIT's Application, Development, and Database Team, largely because of transfers-in from other agencies. The proposed team would consist of enterprise business analysts and would provide synergistic enterprise application support, and help desk and desktop-support consolidation.

Per Mr. Gustafson, the focus for BA 1385, Computer Facility, would be to provide an enterprise computing platform with computer operations and storage, web application, server and email services, and business-continuity functions. The proposed budget would be approximately $26.2 million, which represented a 5.02 percent increase over the current DoIT budget. That would increase the capacity over 187 percent in virtual servers over the biennium, with nominal changes in physical-hosted servers and email accounts.

The notables in BA 1385, said Mr. Gustafson, included a mainframe technology upgrade; an open-system server replacement; additional staff support for the Secretary of State's Business Portal; a mainframe virtual tape system for disaster recovery; an open-system enterprise backup solution; a virtual server hosting environment; and the transfer-out of help desk and desktop support into BA 1365.

Mr. Gustafson stated that the focus of BA 1386, Data Communication and Network Engineering, was communication systems including enterprise Wide-Area Network (SilverNet), dedicated purpose circuits, and state Internet access. The budget for 2011-2013 biennium would be approximately $6.4 million, which represented a reduction of 5.09 percent. The projection was that the SilverNet backbone usage would remain flat and Internet usage would increase as systems were brought online.

Per Mr. Gustafson, the notables for BA 1386 included maintaining customer data networks; partially restoring training for adequate maintenance; replacing end-of-life device, hardware, and software equipment; replacing the core SilverNet infrastructure chassis; and upgrading memory for core switches.

Mr. Gustafson stated that the focus of BA 1387, Telecommunications, was development, administration, and maintenance of telecommunication services, primarily voice transport and telephone equipment. The budget for the 2011-2013 biennium was approximately $6.8 million, which represented a 12.76 percent decrease from the 2009-2011 amount. It was anticipated that phone line use would remain flat. The notables for BA 1387 were a telecommunication consolidation study; partial reinstatement of training; and the acquisition of spare parts. Mr. Gustafson noted that the study would look into existing core telecommunication systems as well as other state systems to design a statewide common integrated platform that would serve all users. The study would produce a total cost of the integrated platform and provide a technical and financial roadmap that would be self-funded as the state realized the cost savings from the upgrades and efficiencies of the study.

Mr. Gustafson stated that BA 1388, Network Transport Services, would focus on the statewide microwave communication system supporting public safety and providing SilverNet redundancy, which was the Local Area Network (LAN) backup. He explained that the microwave system would backup the ground system. The budget for the 2011-2013 biennium represented an increase of 11.42 percent over the 2009-2011 amount. No additional growth was projected for the next biennium.

Mr. Gustafson pointed out that from fiscal year (FY) 2007 to FY 2011, 36 sites had been added using existing staff levels. Some of that work had not been completed, and as a result contract labor was requested rather that FTE positions to provide necessary support to service the additional sites. Mr. Gustafson said some sites were inaccessible during the winter months, and there was only a small window of opportunity for maintenance at the sites. Other notables in the account were ice shields; maintenance parts; heavy-duty trucks; replacement of end-of-life equipment; partial restoration of training and in-state travel for adequate maintenance; system upgrades; and workforce investments. Mr. Gustafson explained that workers had to be certified in Cardio Pulmonary Resuscitation (CPR) and had to receive mandatory tower training for their safety.

According to Mr. Gustafson, BA 1389, Security, would focus on a comprehensive state information security program that included state information security policies and standards; security assessments; security incident response; continuity-of-operations plans; physical access control solutions; and security awareness training. The budget for BA 1389 for the 2011-2013 biennium was approximately $2 million, which represented an approximate 6.15 percent reduction from the amount allocated in the 2009-2011 biennium. Mr. Gustafson said the projection was for expansion in the Nevada Card Access System and increasing computer security assessments with in-house development programs. The notables for BA 1389, said Mr. Gustafson, included replacement of existing servers with virtual servers in support of the Nevada Card Access System.

In summary, said Mr. Gustafson, business led the technology—IT did not lead the business. The proposed merger with the Department of Administration allowed a greater focus on core competencies for the customer, provided critical enterprise infrastructure refresh, ensured quality service delivery through restructuring, provided a statewide telecommunication analysis, ensured security of customer data, and reduced the overall budget by approximately $68,000, or 0.12 percent, which included reserves. Mr. Gustafson stated that if reserves were not included, there would be a reduction of 1.92 percent overall.

Mr. Gustafson noted that the budget was based on calculated, but acceptable risks, over the upcoming biennium. During the last budget cycle, DoIT took some risks with telecommunications, with server net and server infrastructure, and the current budget continued some of those calculated risks. Also, said Mr. Gustafson, the budget would maintain rate stability or lower the rates where possible.

Chairman Horsford asked about the differences between the statewide telecommunications analysis versus the recommendation by the Nevada Spending and Government Efficiency (SAGE) Commission and the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies, to implement alignments within the telecommunication systems and email platforms.

Mr. Gustafson stated that the funding for the telecommunication study had been requested and would be completed by the vendor. The vendor would actually provide the state with a total cost of ownership for the state's spending on telecommunications. The study would also develop a roadmap and a consolidation plan through savings and upgrades of telecommunication equipment to a centralized and consolidated telecommunication infrastructure.

Chairman Horsford asked that Mr. Gustafson break down the costs in laymen's terms. He noted that The Executive Budget recommended $160,000 for the Telecommunications budget, BA 1387, to conduct a phone-system consolidation analysis. He asked what the state would realize from that study versus putting the money into implementation of the agency's strategy.

Mr. Gustafson explained that there were 169 pieces of phone equipment throughout the state, and the state spent a tremendous amount of money on telecommunications, but the exact amount was unknown. It was apparent that the state would be better off if the telecommunication system was integrated statewide. Mr. Gustafson said the ultimate goal would be to consolidate, centralize, and outsource the phone system because he was not convinced that "the state needed to be in the phone business."

Mr. Gustafson said that DoIT could actually "wing it" and purchase a new system, but he did not think the state would realize all the available savings, which was why the study by the vendor was needed. That study would identify exactly what the roadmap of the system should look like, which pieces of equipment could be saved and which could not, and how much additional money could be saved. Mr. Gustafson did not believe he could answer those questions at the current time.

Chairman Horsford asked whether the vendor would be selected through a competitive bid process and Mr. Gustafson replied that was correct.

Chairman Horsford asked about the issue of the email platform. That was another recommendation from the SAGE Commission and the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies; he noted that there were several email platforms throughout the state, and some state agencies could not even email each other.

Mr. Gustafson stated that was true. As far as email consolidation, efforts were being made to consolidate and centralize email servers and he strongly recommended consolidation of those servers, with the ultimate goal of outsourcing that service as well. There were expensive aspects of e-discovery and archiving that were cost-prohibitive, but Mr. Gustafson believed that email consolidation was something that needed to be done in the state in the most cost-effective manner. He encouraged all state agencies with independent email systems to contact DoIT because he was convinced that DoIT could provide cheaper email service than anyone else.

Assemblyman Bobzien referenced the SAGE Committee and Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies proposals for IT, and he said he would like to discuss the Web Content Management System idea. It was his understanding that one proposal was to pursue a "big ticket" enterprise-class management system.

Assemblyman Bobzien felt that management systems should be discussed at length during future joint subcommittee meetings; he wanted Mr. Gustafson to be aware that he had personal questions as to whether or not a "big ticket" system would be the most appropriate system for the state, given the evolution of open-source options for content management. He believed there were already many good examples of open-source options in state government.

Assemblyman Bobzien noted that perhaps such options would present a slightly different service model for DoIT, but he agreed with Mr. Gustafson's statement that business drove the technology. Assemblyman Bobzien said he would be interested in hearing what the possibilities would be for DoIT to serve as consultants to those agencies that wanted to pursue low-cost, open-source models rather than make another six-figure expenditure on an enterprise-class system. He wondered whether Mr. Gustafson would like to share any preliminary thoughts about open-source management system options or whether he would prefer to discuss the matter at future joint subcommittee meetings. Mr. Gustafson said his preference would be to defer that discussion until future joint subcommittee meetings.

Assemblywoman Smith said she also had concerns about spending $160,000 on a study, and she would like further exploration of that expense when the Joint Subcommittee on General Government met to review DoIT's budget. She understood the need for outside help to develop a plan, but she believed there was a significant amount of expertise within the ranks of the state's employees. Assemblywoman Smith wondered why a team of experts from various departments and agencies could not be put together to determine how much the state was spending and for what to avoid in outsourcing the study. Assemblywoman Smith asked why the state could not use the capability and intelligence of its own workers; she emphasized that she wanted that concept thoroughly explored at future joint subcommittee hearings.

Assemblyman Kirner said that earlier today the Subcommittee had heard testimony from the Aging and Disability Services Division (ADSD) that it was asking to completely replace its telephone system. He asked whether DoIT was working with ADSD so that additional money would not be required in a few years to consolidate its phone system once again.

Mr. Gustafson said he had worked with many of the larger agencies but for specific telephone system replacement, he would have to defer to his telecommunications chief. He would make sure that the telecommunications chief had coordinated with ADSD in its request for replacement equipment. Mr. Gustafson stated he did not personally know whether or not DoIT had worked with ADSD on its proposal for telephone replacement.

Assemblywoman Smith stated that she would also like some information about the proposal and the upcoming legislation that would require all agencies to use DoIT for IT services. She referenced the website for the Department of Wildlife, which interfaced with an outside website. Mr. Gustafson stated he would provide that information.

Chairman Horsford asked whether there were further questions from the Subcommittee and, there being none, opened public testimony. With no further testimony forthcoming regarding the budget for DoIT, Chairman Horsford closed the hearing.

The next budget for Subcommittee review was the Department of Conservation and Natural Resources.

INFRASTRUCTURE
CONSERVATION AND NATURAL RESOURCES
BUDGET PAGE DCNR-1

Leo Drozdoff, P.E., Director, State Department of Conservation and Natural Resources (DCNR), introduced himself and Kay Scherer, Deputy Director, to the Subcommittee. Mr. Drozdoff referred to Exhibit K, "DCNR Budget Highlights, Fiscal Years 2012 & 2013," which had been provided to the Subcommittee.

Mr. Drozdoff said the goal in providing the exhibit was to discuss the priorities budget and review the information that would be of interest to the Subcommittee, discuss the effect of the proposed cuts, and set the stage for further discussion on matters of interest to members, either before future joint subcommittee hearings or while reviewing the Department's budget bill draft requests (BDR's). Mr. Drozdoff noted that details pertinent to the Department's priorities and budget cuts would be further detailed in the budget presentations made by the individual divisions.

Mr. Drozdoff introduced the Department's administrators to the Subcommittee:

- Jason King, P.E., State Engineer, Division of Water Resources
- Colleen Cripps, Ph.D., Administrator, Division of Environmental Protection
- Pete Anderson, State Forester Firewarden, Division of Forestry
- David K. Morrow, Administrator, Division of State Parks
- James R. Lawrence, Administrator and State Land Registrar, Division of State Lands
- Jennifer Newmark, Administrator, Nevada Natural Heritage Program
- Ronald M. James, State Historic Preservation Officer, Office of Historic Preservation
- Alan R. Coyner, Administrator, Division of Minerals

Mr. Drozdoff explained that The Executive Budget proposed combining the Office of Historic Preservation and the Division of Minerals with DCNR.

Mr. Drozdoff indicated that the exhibit contained the mission statement for DCNR, and page 3 of the exhibit contained a thumbnail sketch of the Department's executive budget. That sketch did not include the Office of Historic Preservation, the Comstock Historical District, or the Division of Minerals. However, the budget sketch did include the Tahoe Regional Planning Agency and the Fire Suppression account. Mr. Drozdoff stated that was the way the budget had been historically presented, and he believed that would be more convenient for legislative review.

The Fire Suppression account was part of the Department's budget and was used to combat wild fires, but even though it was included in the Department's budget, it was not controlled by DCNR. Mr. Drozdoff said the vast majority of the DCNR budget, over $170 million, was non-General Fund revenue. Compared to the 2009 legislatively approved budget, the current budget proposal represented an approximately $11 million reduction, or 18.2 percent. The Executive Budget recommended an additional reduction of approximately $13 million, which represented 21 percent. Mr. Drozdoff indicated that since the 2007-2009 biennium, DCNR had seen or would see about a 39.2 percent reduction in its budget.

Mr. Drozdoff referred to page 5 of the exhibit, and stated that the General Fund budget for current DCNR agencies was $37,560,593, which closely mirrored the funding levels in the 2007-2009 biennium. A comparison of the current proposal to past spending levels would show that the current proposal was over $12 million less that the funding in the 2005-2007 biennium. Per Mr. Drozdoff, the addition of the Office of Historic Preservation and the Division of Minerals, which was a non-General Fund account, would only add approximately $900,000 to DCNR's General Fund budget for the biennium.

Referring to page 6 of Exhibit K, Mr. Drozdoff stated that the budgets for all programs within DCNR, including the Director's Office, had been cut over the years. What was notable in the current budget was the proposal to completely remove two agencies from General Fund revenue, the National Heritage Program and the Division of Environmental Protection. That left four divisions and the Director's Office funded through General Fund revenue. Mr. Drozdoff indicated that the Director's Office had reduced staff by 46 percent, from 13 employees to 7 employees. The other General Fund programs were critical, key functions for the state. He pointed out that the Division of Forestry (NDF) was the state's main emergency response entity through its conservation camps, and the Division of State Lands performed a core state function, as did the Division of Water Resources.

Mr. Drozdoff reported that the budget for the Division of Water Resources was about 91 percent General Fund, but that was somewhat of a misnomer because as part of its fee process, the Division collected over $3 million a year in General Fund revenue. A comparison of the Division's approximately $5 million budget to the $3 million in fees collected put that budget in perspective.

Mr. Drozdoff advised that the budget for the Division of State Parks had suffered a tremendous reduction in General Fund revenue. The Division continued to operate at a very high level of efficiency, which Mr. Drozdoff attributed to Mr. Morrow and his staff. Mr. Drozdoff indicated that the Division brought in additional revenue outside traditional General Fund, but its budget was getting very close to what DCNR considered "mothball" costs, the costs that were associated with whether the Division remained open or was closed.

Assemblywoman Smith understood that DCNR had made some effort to add revenue to assist the Division of State Parks in remaining open. She stated that she had been observing the situation regarding state parks in surrounding states and she wondered whether it was really the goal to make state parks fee-only entities. Her question was whether the Legislature should look at the parks as economic development in certain parts of the state. Assemblywoman Smith believed there should be some philosophical discussion about the point of the state parks and how to determine the value of the parks, particularly in rural Nevada. It was not just a matter of simply determining the amount of fees needed to cover the operating costs of the parks and then calling it a day.

Assemblywoman Smith could not believe that when states began dedicating certain areas as state parks, that the goal was to charge enough fees to cover the operating costs. She reiterated that further discussion was needed. She emphasized that she was not "pointing a finger" at DCNR because the Department was doing all it could with its budget constrictions to maintain the Division. She felt that the overall discussion about the role of state parks and what needed to be done to maintain that role should be discussed at future joint subcommittee hearings.

Mr. Drozdoff said he could not agree more with Assemblywoman Smith's comments. The DCNR had worked very hard to make sure that individuals were not being priced out of the state parks. The Department's budget did not include any proposed fee increases at any of the state's parks. Mr. Drozdoff said DCNR had done what it could and "sharpened the pencil" to save parks, and he pointed out that every one of the parks were seeing increased visitation, which was partially because of the economy. He would not dispute Assemblywoman Smith's comments and believed state parks were very important to local economies.

Mr. Drozdoff stated that DCNR was proposing the closure of one park, but the remaining parks in the Department's inventory would remain open. Revenue was being realized from several partners, and the Department was trying to become a bit more entrepreneurial about how things were done and was attempting to ascertain whether there were other services that could be provided. Mr. Drozdoff emphasized that DCNR wanted to be very careful not to price individuals out of state parks.

Assemblywoman Smith said she was looking more at what had been done and what had been discussed and what action would be taken moving forward. There was a difference between maintaining status quo and letting Nevada's parks reach a point where they were "mothballed." Assemblywoman Smith wondered whether the parks should be made a true economic driver, particularly in rural areas, for tourism and development. Mr. Drozdoff said he would welcome discussions concerning state parks at future joint subcommittee meetings.

Assemblyman Bobzien said it was his understanding that removal of General Fund revenue from the Natural Heritage Program would be backfilled through a federal energy grant. He was concerned about the program and what it meant in keeping species in Nevada off the endangered species list. Assemblyman Bobzien asked about the purpose of that grant and how long the state could count on that funding or would the Legislature be "kicking the can down the road."

Mr. Drozdoff replied that the Division of Environmental Protection (DEP) had been working with the Department of Energy (DOE) for a number of years in regard to the grant concept. Basically, the position of DEP was that DOE pay a fee when it disposed of waste at commercial facilities. In Nevada's case, if DOE disposed of waste at the Nevada Test Site, DEP believed it was appropriate to charge a fee. Mr. Drozdoff said over the course of approximately two years, negotiations had turned into the grant concept where the DOE would pay DEP at least $2 million per year for the next five years. He indicated that the grant contract was signed approximately one month ago, and there was every indication that not only would the five years be met, but that the grant would continue on for quite awhile. Mr. Drozdoff did not see the need to "kick the can down the road." He viewed the grant as an opportunity to be somewhat more strategic about the funding, and he believed it was a long-term solution.

Assemblyman Bobzien said he was concerned about the entire maintenance of effort (MOE) concept. Obviously that concept was not as clearly defined in the budget for DCNR as it was in other budget accounts, but as the Joint Subcommittee reviewed how DCNR would deal with and manage species of concern, he worried that DOE might determine the state was not doing as good a job as it could to maintain certain species.

Assemblyman Goicoechea referred to the Division of State Parks and asked whether the deal had been brokered for the 50-50 participation between the Bureau of Reclamation (BOR) and the Division regarding the Lahontan and Rye Patch State Recreation Areas. Mr. Drozdoff stated that the deal had been brokered, and in addition to the funding pursued through DOE, the Division had been working closely with BOR to help fund activities at those two recreational areas. The Division's "pitch" had been that the recreation areas were federal as well as state facilities, and BOR and DOE should help in funding those programs. Mr. Drozdoff said $250,000 per year was included in the DCNR budget for Lahontan and Rye Patch, which was approximately half the cost associated with managing those two recreation areas.

Mr. Drozdoff stated that DCNR was reducing the number of agencies within its budget from eight to six; the Commission for the Preservation of Wild Horses had sunset, and DCNR proposed the elimination of the Conservation Districts.

Senator Rhoads asked whether the cost of the Conservation districts was $4,000 per year for each district. Mr. Drozdoff indicated that was part of the funding. Senator Rhoads asked whether the districts generated four to five times that amount of revenue. Mr. Drozdoff said he did not know the answer to that question, but the DCNR proposal was to eliminate the Division of Conservation Districts; the individual conservation districts would continue to exist.

Senator Rhoads indicated that if the individual districts had no funding, there would be no opportunity to provide matching funds for various projects. Senator Rhoads opined that the issue should be discussed more thoroughly during future joint subcommittee hearings.

Continuing his presentation, Mr. Drozdoff stated that DCNR had also reduced the number of General Fund agencies from six to four. The remaining agencies, the Division of Water Resources, the Division of Forestry (NDF), the Division of State Parks, and the Division of State Lands, would be discussed in depth when those agency budgets were presented. Mr. Drozdoff stated that DCNR was proposing the elimination of the statutory Advisory Board on Natural Resources and the State Conservation Commission. The Executive Budget recommended the return to DNCR of the Office of Historic Preservation and the Commission on Mineral Resources.

Mr. Drozdoff indicated that DCNR had discussed numerous options when considering budget needs, and obviously there were a number of cuts in the budget, but he had indicated some of the federal funding transfers and shared funding by federal partners.

Page 9 of Exhibit K contained information about the number of employees within the current DCNR agencies, and Mr. Drozdoff pointed out that the number of full-time equivalent (FTE) positions had dropped from 676 to 608. The DCNR was proposing elimination of vacant positions as well as layoffs. Mr. Drozdoff pointed out that historically, DCNR had employed approximately 180 seasonal employees in the Division of State Parks and NDF, and those employees were not represented in the proposed elimination of FTE positions. Mr. Drozdoff indicated that page 10 of the exhibit simply detailed the elimination of 53 FTE vacant positions and 18.5 FTE layoffs.

One major issue facing DCNR, said Mr. Drozdoff, was the need to suspend or significantly limit state general-obligation-bond sales, which would negatively affect the ongoing work of the multi-disciplinary Tahoe Environmental Improvement Program (EIP) team and the voter-approved Q1 conservation bond program. Mr. Drozdoff said such action would effectively eliminate EIP's capital improvement grants for rural community drinking water infrastructure. The DCNR had informed entities that when funding from bond sales became available, those programs would start up again.

Mr. Drozdoff stated that DCNR anticipated a downturn in federal grant assistance that was historically relied upon by state forestry agencies, which would impact NDF. Also, a significant increase in litigation had been experienced by the Division of Water Resources and the Division of Environmental Protection (DEP) and, to a somewhat lesser degree, the Division of State Lands, and Mr. Drozdoff indicated that DEP was working with the Attorney General's Office at the present time. Mr. Drozdoff indicated that the focus on and the number of renewable energy projects would require a shifting of priorities in a number of programs within DCNR.

The remaining pages of Exhibit K depicted the individual budgets for the remaining divisions within DCNR, and Mr. Drozdoff explained that all budgets followed a standard theme and included answers to key budget questions requested by Legislative Counsel Bureau (LCB) Fiscal Division analysts. Those areas of interest were: (1) previous reductions; (2) major funding changes; and (3) budget highlights.

Regarding key budget questions for the Director's Office, Mr. Drozdoff referred to pages 13 and 14 of the exhibit, which indicated that there were two positions eliminated; that all previous budget reductions would continue; and that there would be a 46 percent reduction in FTE positions within the Director's Office. The Director's Office was working toward allocations from non-General Fund agencies, including federal grant funds for DEP from the Department of Energy (DOE).

In summary, said Mr. Drozdoff, the Director's Office proposal included (1) elimination of two vacant positions; (2) the sunsetting of the Advisory Board for Natural Resources; (3) the elimination of payment for membership in the Western States Water Council; and (3) the proposing of a cost allocation from non-General Funds to offset a portion of the salaries for the Director and Deputy Director.

Page 17 of the exhibit depicted the proposed budget cuts and decision unit Enhancement (E) 710, which requested funding for a CADD work station/small server for outreach and online information. Mr. Drozdoff explained that some DCNR employees were using facilities at the University of Nevada, Reno to conduct their work, which was not a good use of time.

Mr. Drozdoff stated that page 18 of the exhibit contained updates about the voter-approved Q1 conservation bond program, as requested by LCB Fiscal Division analysts. He pointed out that it was a mature program and most of the requirements had been met; the Division of State Lands was administering the grant program.

Chair Horsford asked for additional information on the conservation bond program. The exhibit showed the amount that had been expended, but based on the decline in the revenue source, it was Chair Horsford's understanding that DCNR could not issue grants beyond its current capacity because the revenue was not coming in high enough to pay back the current obligations. Mr. Drozdoff stated that was correct. The information on page 18 of the exhibit indicated that in the grants program there was $12 million in future bond sales necessary to support nine awarded projects.

Chair Horsford asked about the cost of the nine awarded projects. Mr. Drozdoff said the cost of those programs was $12 million. Chair Horsford stated that $12 million was the amount necessary in future bond sales to implement the awarded projects, and he asked about the amount of the awards. Mr. Drozdoff stated that the grant program was $12 million short in implementation of the nine awarded projects. Chair Horsford stated that going forward DCNR had bond capacity but no revenue source to obligate further grant awards. He pointed out that grant awards were only authorized through June 2011.

Kay Scherer, Deputy Director, DCNR, said that the Department had sufficient bond dollars to fund ongoing current projects through December 2013 and to employ the staff handling those grants. The figure represented the shortage of bond funds from sales that would not occur in the next two years, if bond sales were suspended.

Chair Horsford stated he would like to meet with Mr. Drozdoff and Ms. Scherer to discuss the conservation bond program. Ms. Scherer said they would welcome the meetings.

Continuing his presentation, Mr. Drozdoff stated that page 19 of the exhibit depicted the Nevada Natural Heritage Program, which was a small, important program that was staffed by seven biologists and one accounting assistant, which provided independent scientific species data. Key budget questions were addressed on page 21 of the exhibit, and Mr. Drozdoff explained that the Department of Conservation and Natural Resources (DCNR) was able to restore some in-state travel and other operational costs of the Natural Heritage Program through the new federal grant.

Mr. Drozdoff said he would like to credit the Department of Transportation (DOT) for increasing the fund transfer to the Natural Heritage Program. According to Mr. Drozdoff, the administrator of the Program had been told that the Program was often responsible for shaving six to nine months off DOT projects which helped put individuals back to work, and DCNR was proud of that effort.

Page 25 of Exhibit K depicted the Division of Environmental Protection (DEP), and Mr. Drozdoff stated DEP was a large program that included ten budget accounts. There were many priority activities listed on page 26 of the exhibit, and DEP was the primary environmental regulatory body in the state. Mr. Drozdoff said the Division was a mix of federally mandated programs, such as the Clean Air Act and the Clean Water Act, along with state stand-alone programs. The budget requested non-General Fund enhancements in air monitoring equipment and replacement computer equipment per the Department of Information Technology (DoIT) replacement schedule.

Mr. Drozdoff said the $2 million per year grant from DOE allowed the Division to offset General Fund dollars and fill fee-funded positions that performed work done only by DEP. Mr. Drozdoff said the credit for the grant funding went to Colleen Cripps, Ph.D., Administrator, who worked with DOE to ensure that the Natural Heritage Program, the Division of Water Resources, and the Division of State Lands could benefit from the grant funding as well.

According to Mr. Drozdoff, stimulus funding from the American Recovery and Reinvestment Act of 2009 had not been used by DEP to fund ongoing agency operations. Stimulus dollars had been put to use in purchasing cleaner burning school buses and on other infrastructure programs.

Regarding overall reductions, Mr. Drozdoff stated that since cuts began in fiscal year (FY) 2008-09, General Fund revenue of $553,103 had been cut from the DEP budget. Page 31 of the exhibit depicted the dollar figures for the actual costs of the Water Quality Planning and Safe Drinking Water programs.

Mr. Drozdoff stated that because of its public safety role, the Division of Forestry (NDF) had been affected by past budget cuts, but not to the extent that it would be affected over the upcoming biennium. The DCNR had attempted to identify and propose budget cuts through the priorities- and performance-based budgeting process. Mr. Drozdoff said DCNR found that "All-Risk" emergency services were a low priority. A significant number of position eliminations and layoffs were recommended in the current NDF budget. He explained that previous NDF budget cuts were depicted on page 35 of the exhibit.

Currently, said Mr. Drozdoff, NDF operated what was called an "All-Risk" emergency program. When the statutes were first put into place, the program was an attempt to allow local governments to develop response capabilities. Most of the counties had actually made that transition, said Mr. Drozdoff, with Washoe and Douglas Counties moving away from NDF and forming their own programs. There were three counties remaining, Elko, Eureka, and a small portion of Clark at Mt. Charleston, that still relied on NDF.

Mr. Drozdoff stated that when DCNR was reviewing the priorities- and performance-based budgeting process approach it discovered that there were many inequities in the NDF program because the same level of service was not being provided to all counties. It was discovered that some counties were subsidizing other counties and NDF was also subsidizing counties. Therefore, DCNR was proposing to transition the remaining three counties into the development of response capabilities over an 18-month period. Mr. Drozdoff stated that NDF had a number of templates that could be followed and it would use a thoughtful approach. Mr. Drozdoff explained that if a NDF crew was in Elko over a weekend and was asked to respond to a serious incident, the crew would respond and the state would pay the overtime.

Chair Horsford remarked that this was not the time for in-depth budget explanations and budgets would receive further review at upcoming joint subcommittee hearings. He asked that Mr. Drozdoff keep his budget overview succinct.

Mr. Drozdoff stated that the budget highlights for NDF included:

- Closure of the Wells Conservation Camp.
- Closure of the Minden Interagency Dispatch Center with operations assumed by the 24/7 Elko Interagency Dispatch Center.
- Elimination of 2 senior management and 4 clerical positions, in addition to 10 camp positions and 3 dispatch positions.
- Transition of counties to "All-Risk" responsibilities; potential transfer of 15 positions to counties—6 to Mt. Charleston/Clark County, 8 to Elko County, and 1 to Eureka County.
- Establishment of a voluntary statewide, comprehensive Wildland Protection Program.
- Reduction in fleet size to save insurance costs and revised program for volunteer firefighter workers.

One-shot appropriations were listed on page 38 of the exhibit, and Mr. Drozdoff noted that the Federal Communications Commission (FCC) narrowband compliance request was to bring the state into narrowband compliance by 2013, or it would lose its radio license. Mr. Drozdoff stated that DCNR was able to secure a $1 million grant that addressed the compliance for most of NDF and all of the Division of State Parks, but the requested amount was needed to finish the job. Mr. Drozdoff indicated that selected budget elements were depicted on page 39 of the exhibit, with two enhancement requests to replace computer equipment.

Page 40 of Exhibit K depicted the Division of Water Resources. The DCNR proposed to eliminate vacant positions and transfer positions to nonexecutive budget accounts. Mr. Drozdoff said DCNR had always been asked about the backlog in the Division of Water Resources. The 73rd Session (2005) funded 11 new positions in response to the Division's workload. Over the course of following biennia, DCNR had eliminated those positions. Together with the proposal to cut 5.5 FTE positions, the Division would be below the level that was in place when the 73rd Session approved additional positions to address the backlog.

Mr. Drozdoff said the major change in the budget for the Division of Water Resources was the greater use of non-General Fund revenue to offset the use of General Fund. Mr. Drozdoff stated that he had explained the DOE grant and the positions, and the Division was asking for one computer replacement server in decision unit Enhancement (E) 710.

Page 47 of the exhibit, said Mr. Drozdoff, depicted a graphic presentation of the backlog status for the Division of Water Resources. The Division had done a very good job in dramatically decreasing that backlog. Mr. Drozdoff noted that the backlog reached a plateau in FY 2009-10, and he believed that the current budget cuts could mean a slight rise in that plateau.

Assemblyman Bobzien found it very ironic that the 75th Session worked very diligently to increase the fees to support the Division of Water Resources and now additional General Fund money would be removed from the Division's budget.

Mr. Drozdoff stated that the budget for the Division of State Lands contained no major changes, and he pointed out that most of the budget cuts for the Division of State Lands had already taken place. Budget highlights included the shift of costs for the land use planner position from General Fund to the DOE grant. Mr. Drozdoff stated that the land agent position would be returned to the Division of State lands from the Nevada Department of Wildlife (NDOW) to achieve efficiencies for both agencies, and it would continue to be funded by NDOW. Also, the budget proposed reclassification of a management analyst 4 position to a deputy administrator position with an increase of 5 percent in pay. Mr. Drozdoff said page 54 of the exhibit depicted select budget elements for the Division of State Lands.

Page 55 of the exhibit contained the report requested by Fiscal Analysis Division analysts on the Tahoe Environmental Improvement Program (EIP). Mr. Drozdoff indicated that the funds were proposed and authorized via the voter-approved Q1 conservation bond program; however, the Department was unable to meet those obligations because of the inability to sell general obligation bonds. He suggested that Chair Horsford and he discuss the issue further during their upcoming meeting to discuss the Q1 conservation bond program.

Mr. Drozdoff stated that the information pertaining to the Division of State Parks began on page 56 of Exhibit K. Through the priorities- and performance-based budgeting process, DCNR had focused on parks that were not state-owned or -leased facilities. Mr. Drozdoff indicated that the budget proposed five position eliminations, which included three layoffs and two vacant positions. Referring to page 59 of the exhibit, Mr. Drozdoff stated that since fiscal year (FY) 2008, the Division of State Parks' General Fund appropriation had been reduced by about 60 percent. Because of that, all deferred maintenance funds had been eliminated, seasonal time had been lost, and permanent positions had been cut, among other issues. The DCNR had taken action to cut everything it could from the budget for the Division of State Parks while still keeping the parks operational.

The bottom line, said Mr. Drozdoff, was that despite the budget cuts, the parks were realizing more visitation and park surveys completed by visitors continued to indicate high grades for the parks. He attributed that to the hard work of the administrator, Dave Morrow, and his crew. The good news, said Mr. Drozdoff, was that park visitation was high and the level of enjoyment at the parks was high.

Senator Leslie referred to action taken by the 26th Special Session (2010) that increased fees for the Division, and she wondered about the success of the proposed wedding venue at the Valley of Fire State Park in Clark County. She noted that the proposal was supposed to have generated a great deal of money, but the issue could be discussed later at joint subcommittee hearings.

Mr. Drozdoff said DCNR had taken every step available to secure other revenue sources, such as approaching the Bureau of Reclamation (BOR), and had received some funding for the Lahontan and Rye Patch State Recreation Areas.

The DCNR was pursuing a number of entrepreneurial activities such as gift shops and vending machines, and was attempting to enhance revenue outside the General Fund.

Mr. Drozdoff indicated that the budget highlights for the Division of State Parks were listed on page 61 of the exhibit and included staff layoffs and termination of the lease agreement with Douglas County for operation of the Dangberg Home Ranch Historic Park. As previously referred to by Senator Leslie, the fee increases approved by the 26th Special Session that shifted $1.086 million of the Division's budget was now built into the base. Mr. Drozdoff said that he did not have information about the breakdown of those fee increases, but would provide information regarding fees generated by weddings at the Valley of Fire State Park at later joint subcommittee hearings. Mr. Drozdoff stated that select budget elements for the Division of State Parks were listed on page 62 of the exhibit.

The issue of park closures, said Mr. Drozdoff, was detailed on page 63 of the exhibit. The Division of State Parks had kept all 25 state parks open even with significant budget cuts. However, as the Division moved forward and contemplated further cuts and park closures, there were two critical issues that had to be considered:

1. Federal Land and Water Conservation Fund encumbrances and closure penalties.
2. Baseline "mothball" and closure costs inherent with state land ownership and the protection of capital improvements and irreplaceable natural resources.

Mr. Drozdoff stated that page 64 of Exhibit K listed the 25 parks, and he pointed out that 21 of the 25 parks had been funded or at least partially funded through the Land and Water Conservation Fund (LWCF). The four parks that were not funded via the LWCF was the area where the Division of State Parks might have some latitude, but the only park among those four with an operational budget was the Dangberg Home Ranch Historic Park.

Mr. Drozdoff stated that page 65 of the exhibit depicted a letter to the Governor of New York from the United State Department of the Interior. He called the Subcommittee's attention to the third paragraph where it stated that the closure of any state park or historic site that had received LWCF and/or Federal Lands to Parks (FLP) assistance would be viewed as noncompliance with federal requirements of those programs. Mr. Drozdoff indicated that noncompliance could not only jeopardize future grant funding, but it could also jeopardize all federal funds to Nevada.

Page 66 of the exhibit, said Mr. Drozdoff, outlined the cost to "mothball" or close state parks. The costs for the first year would be approximately $2.2 million and the Division of State Parks received approximately $3.2 million in General Fund; therefore, there was not much difference between the operational costs for maintaining the parks and the "mothball" costs. Mr. Drozdoff stated that with the exception of the proposal to close the Dangberg Home Ranch Historic Park, it simply did not make sense to risk penalties from the federal government to close the parks. Mr. Drozdoff indicated that page 67 of the exhibit contained a breakdown of the costs for the various parks within the Division of State Parks.

Assemblyman Aizley asked whether the "mothball" costs were for one year and whether those costs would be ongoing. Mr. Drozdoff explained that there would be a one-time closure cost of $615,726, and an ongoing annual cost of just over $1.6 million. The one-time cost would include the purchase of signs, boarding up of facilities, fencing, and security. The yearly $1.6 million would include utility costs, pest control, storage unit rental, and miscellaneous maintenance costs, and so on.

Assemblyman Goicoechea noted that the Dangberg Home Ranch Historic Park was originally leased to Douglas County, and he asked whether there was the opportunity to return the site to Douglas County for maintenance. Mr. Drozdoff stated that DCNR planned to return the Historic Park site to Douglas County.

Chair Horsford referred to page 65 of Exhibit K, a letter addressed to the Governor of New York, and he asked whether Mr. Drozdoff or DCNR had requested clarification from the Department of the Interior about possible closure of Nevada's parks. Chair Horsford said he was not able to make a decision about closing Nevada's parks based on a letter to another state. While he understood the argument being made by Mr. Drozdoff, he would like to see a letter that referred to park closures in Nevada.

Mr. Drozdoff said he had not requested a letter from the Department of the Interior about closure of Nevada's parks, but he would do so.

Chair Horsford asked whether there were further questions from members of the Subcommittee or public testimony to come before the Subcommittee regarding the budget overview of the Department of Conservation and Natural Resources (DCNR).

Assemblywoman Smith advised Chair Horsford that persons were present in Carson City to present the budget overview for the Tahoe Regional Planning Agency (TRPA).

Chair Horsford indicated that the Subcommittee was in receipt of the information packet, and he asked that Ms. Marchetta present her budget overview.

CONSERVATION AND NATURAL RESOURCES
TAHOE REGIONAL PLANNING AGENCY (BA 4204)
BUDGET PAGE DCNR-171

Joanne Marchetta, Executive Director, Tahoe Regional Planning Agency (TRPA), introduced herself and Jim Brockett, Associate Director; Kevin Prior, Finance Director; and Julie Regan, Chief, External Affairs, to the Subcommittee.

Ms. Marchetta said she would briefly cover a summary of key issues that were facing Lake Tahoe and TRPA and provide a short overview of The Executive Budget and the effect of proposed further budget reductions on the agency. She referenced Exhibit L, which included the Tahoe fact card, a one-page summary of TRPA's strategic plan, and printed slides with key budget details.

Many legislators were familiar with TRPA and its unique role and structure. Ms. Marchetta stated that TRPA was created 40 years ago by the Bi-State Compact agreement between the states of Nevada and California and acted as a regional land-use planning agency. The agency's mission was to lead the effort to preserve, restore, and enhance the unique natural and human environment of the Lake Tahoe region for sustainability over the long-term. Ms. Marchetta indicated there was no success without partnership in Lake Tahoe, and the State of Nevada was an essential partner in the work to deliver environmental enhancements on the ground in the Tahoe Basin.

Ms. Marchetta stated that TRPA had much to celebrate about environmental progress over the last decade. The TRPA had stabilized clarity loss in the Lake and were holding steady on that signature measurement of the ecosystem's health. By working collaboratively with other agencies, thousands of acres of forests in the Tahoe Basin had been thinned and treated for fuels reduction, and TRPA had prevented the introduction of new invasive species in the Lake.

According to Ms. Marchetta, that progress existed in the context of the economic state of the nation and the two states that ratified the agreement creating TRPA 40 years ago. The Bi-State Compact, which was TRPA's authorizing statute, remained its legal compass, but today TRPA navigated the controversial land use and policy decisions for the region with a razor-sharp determination to enhance government efficiency and effectiveness.

Ms. Marchetta stated that with the adoption last year of TRPA's new strategic plan by TRPA's 15-member Board, which consisted of members from both states, TRPA had already begun the transition to the "new fiscal normal." Ms. Marchetta explained that operational efficiency and effectiveness, streamlined processes, much-improved community engagement, measurable performance, and accountability for results had become the required way of doing business at TRPA. The Agency was accomplishing more with less, and staff was down from 90 four years ago to approximately 76 employees today.

The budget overview, said Ms. Marchetta, would start with the status of funding sources. Not surprisingly, nearly all funding sources were in decline. The TRPA was aware that these were extremely challenging times and that all Nevada state agencies faced hard questions about their budgets. While TRPA was not technically a state agency, it was also feeling the severe crunch of reduced funding from all sources.

According to Ms. Marchetta, TRPA looked to the State of Nevada and the State of California for about 65 percent of its general fund budget. The Bi-State Compact dictated that TRPA's request to the two states must be on a one-third Nevada, two-thirds California basis.

However, said Ms. Marchetta, that funding mix had changed in recent years. State appropriations were no longer in proportion to the Compact's share formula. In the current budget year, Nevada was providing 17 percent and California 52 percent of TRPA's general fund. California 's funding of TRPA for both years of the current biennium continued to provide full baseline funding of California's share with no funding reductions. Ms. Marchetta stated that California's baseline appropriation for TRPA in fiscal year (FY) 2010-11 was $4.1 million, and to date, all indications were that California would continue the current level of baseline funding for each year of the upcoming biennium. Therefore, Nevada continued to fall farther behind in matching California's two-thirds share. Based on The Executive Budget, said Ms. Marchetta, Nevada would be approximately $772,000 short of its one-third share in year 1 and $782,000 short in year 2 of the upcoming biennium.

Ms. Marchetta indicated that all other potential TRPA funding sources available to offset the decline in Nevada's share were also down over the last biennium. Like so many others, TRPA had significant declines in anticipated receipts. Permit application fees were down, interest and investment earnings were down, and administrative overhead related to state and federal grants was down. Ms. Marchetta said TRPA fully expected anticipated revenues to continue to decline for the upcoming biennium.

Ms. Marchetta stated she would highlight a few key points about The Executive Budget for the upcoming biennium. The current year's proposed cut was on top of an already reduced baseline budget, so that the recommendation in The Executive Budget was down substantially from the budget approved by the Legislature for TRPA in the current biennium. Ms. Marchetta explained that TRPA budget was cut last biennium by 7.5 percent or $260,000 to a new baseline of $3.22 million for the current biennium. For the upcoming biennium, said Ms. Marchetta, The Executive Budget recommended a further cut of approximately $674,000 or 20.1 percent from the baseline of $3.22 million. Therefore, the proposed cut would be a further reduction to TRPA's Nevada baseline.

Ms. Marchetta noted that The Executive Budget was proposing a legal services enhancement of $110,000 which TRPA greatly appreciated, in recognition of a critically important and growing need. The enhancement, however, was part of the budget recommendation of $2.57 million for the upcoming biennium which, as previously noted, was 20 percent less than the current biennium. Ms. Marchetta assured the Subcommittee that the enhancement proposal was well appreciated. In the current trying budget times, asking for an enhancement to pay legal fees might seem offensive when stacked against public health and safety concerns, but she hoped the Subcommittee would understand the larger context.

According to Ms. Marchetta, TRPA, as a wholly independent agency rather than a state agency, did not have access to state support services. Agency appropriations must directly cover all administrative support services such as information technology (IT), finance, human resources, legal services, operations, and administrative support. For example, said Ms. Marchetta, TRPA could not use the Attorney General's Office for legal services or representation in litigation, so it was left to directly fund its legal costs.

Ms. Marchetta pointed out that Lake Tahoe had always been a lightning rod for controversy and debate. Because Lake Tahoe was a world-class destination that supported a $5 billion economy for Nevada and California, many stakeholder interests held strong opinions about what Lake Tahoe should be or become. Those opinions and debates were often fought in the courts, and TRPA was entering a phase where it was again coming under the increasing pressure of litigation. Ms. Marchetta indicated that TRPA expected its legal costs in defensive litigation alone to be well in excess of $1 million over the next few years.

Per Ms. Marchetta, TRPA was already defending major policy decisions, including most recently, the shore-zone ordinance changes. The new rules answered the question of how public and private rights would interplay along the lakefront at Tahoe. After more than two decades of controversy and a very sensitive political compromise between the two states, environmental stakeholders wanted more, and TRPA was currently appealing their challenge in federal court.

Ms. Marchetta reported that TRPA was defending a similar claim to protect the Tahoe Region's capacity to respond efficiently to catastrophic fire—a need brought home after the 2007 Angora fire raced through an unhealthy forest with far too much biomass per acre, destroying homes and changing lives and the face of the forest.

Chair Horsford advised Ms. Marchetta that in-depth budget reviews would be discussed at future joint subcommittee hearings, and he asked that she present closing statements.

Ms. Marchetta stated that she would like to touch briefly on reductions in response to the proposed budget cuts in The Executive Budget. The TRPA was doing its part with reductions already made and with further reductions contemplated. During the current biennium, TRPA responded to Nevada budget cuts, and the Agency had taken cost-saving measures including:

- Elimination of five program manager positions.
- Staff work furloughs.
- Reductions in employee training.
- Reductions in various operating expenses.
- Allowing critical positions to remain unfilled, including a chief operating officer and two planning branch positions.
- Continuation of all previous reductions with none restored in the proposed budget.
- Decreasing the number of TRPA staff from 90 to 76.

Ms. Marchetta said TRPA was aware it was being asked to dig deeper and it proposed to eliminate two additional positions, reinstate staff furlough days, and make cuts in various IT contract expenses. All told, the proposed cuts would reduce the effectiveness of TRPA programs. When the proposed budget reductions were taken together with reductions in the previous biennium, Ms. Marchetta said the Agency's ability to fully carry out its mission would be significantly reduced. The reductions would delay permitting of restoration projects and other important public works projects, would slow the Agency's ability to provide regulatory reform through its Regional Plan Update, and reduce administrative efficiency such as the Agency's ability to keep up-to-date records and respond to public record requests.

According to Ms. Marchetta, those changes might sound relatively minimal when held up against proposals to eliminate or consolidate entire agencies, but for TRPA the scope of those proposed cuts when scaled against the size and mission of the agency would require substantial foundational changes. Ms. Marchetta said the Agency was aware that budget cuts were coming when it started planning two years ago, and it had already put a strategic plan in place that would address those cuts, as well as a first level of organizational restructure when it downsized from four program branches to three. Ms. Marchetta indicated that the cuts proposed for the upcoming biennium would again cause TRPA to look at further reorganization and another possible round of layoffs or perhaps across-the-board salary cuts.

Ms. Marchetta indicated that TRPA would continue to rethink how it implemented the priorities of the agency and how it conducted business. As a signature element of the strategic plan, she had made performance, accountability, and results an absolute premium. She also wanted to make sure that TRPA focused its work on truly regional issues—TRPA could no longer try to be all things to all people and would rethink how to accomplish its mission.

Ms. Marchetta stated that TRPA greatly appreciated the efforts made by the Governor's Office to keep its budget as whole as possible. She hoped that there would be opportunity to find additional funding sources to close the growing gap in the one-third Nevada, two-thirds California funding imbalance and to support TRPA's growing legal service needs so that it could defend the future of Lake Tahoe in the courts when needed.

Chairman Horsford asked whether there were questions from the Subcommittee.

Assemblywoman Carlton referred to the one-third Nevada, two-thirds California funding split, and she asked about the importance of the one-third funding from the State of Nevada as far as remaining in line with California. Ms. Marchetta explained that the lack of funding from Nevada affected TRPA's ability to deliver environmental gain on the ground at Lake Tahoe. The TRPA had invested approximately $1.5 billion over a decade in Lake Tahoe and Ms. Marchetta commented, "Let's not lose the effects of that investment."

Chairman Horsford pointed out that Nevada had the worst budget deficit percentage and California had the worst budget deficit as a volume, and he wondered whether there would be cuts in California's two-thirds commitment. Chairman Horsford advised Ms. Marchetta that he would like to discuss that issue when TRPA budget was discussed at future joint subcommittee meetings. Ms. Marchetta said she would be happy to provide the necessary information.

Chairman Horsford asked whether there were further questions or public testimony to come before the Subcommittee, and there being none, the hearing was adjourned at 5:03 p.m.

RESPECTFULLY SUBMITTED:

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Carol Thomsen
Committee Secretary

APPROVED BY:

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Assemblywoman Debbie Smith, Chairwoman

DATE:__________________________________

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Senator Steven A. Horsford, Chair

DATE:__________________________________

EXHIBITS

Committee Name: Legislative Commission's Budget Subcommittee

Date: February 1, 2011 **Time of Meeting: 8:35 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Dr. Harold Cook, MHDS	Budget overview booklet
	D	Bunchie Tyler	Letter from M. Lee Dazey
	E	Donna Marie Shibovich	Written testimony.
	F	Barry Lovgren	Letter to SAPTA
	G	Diane Comeaux, DCFS	Budget overview booklet
	H	Carol Sala, ADSD	Budget overview booklet
	I	Dino DiCianno, Dept. of Taxation	Budget overview booklet
	J	David Gustafson, DoIT	Budget overview booklet
	K	Leo Drozdoff, DCNR	Budget overview presentation
	L	Joanne Marchetta, TRPA	Budget overview presentation