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Appropriations Committee  
March 26, 2013

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[AGENCY 25]

KERRY WINTERER: Are you ready? No break, no...? [AGENCY 25]

SENATOR MELLO: (Laugh) We're just going to go with it. [AGENCY 25]

KERRY WINTERER: (Exhibit 8) Just going to go with it. All right, here we go. Afternoon, Senator Mello and members of the Appropriations Committee. For the record, I am Kerry Winterer. That's spelled K-e-r-r-y; last name is W-i-n-t-e-r-e-r. I have the privilege of being the chief executive officer of the Department of Health and Human Services. I am joined today by: Jodi Fenner, the director of the Division of Developmental Disabilities; Thomas Pristow, director of the Division of Children and Family Services; and Scot Adams, director of the Division of Behavioral Health. Before we begin today, I would like to once again thank you and your staff for your work on behalf of the department and especially on priority areas for us. We also thank you for including many of our requests in your preliminary recommendations. We will not address those requests today unless you have additional questions involving those that you had for us. The budget adjustments proposed by Governor Heineman are intended to continue our initiative to improve services and to allow us to fulfill our mission to help people live better lives. The recommendations reflect the realities of the current economic situation and enable us to continue to implement operational efficiencies throughout the department and adjust to changes in federal funding. Let me just briefly touch on the differences between your preliminary budget and the Governor's budget for each division, and then each director and I can respond to questions, as we did yesterday. For the Division of Developmental Disabilities' new rate methodology, the Governor's recommendation includes \$16,536,685 for fiscal year '13-14 and \$33,073,369 for fiscal '14-15 to update the methodology used to calculate rates paid to specialized providers of services to people with developmental disabilities and to implement fully the objective assessment process. The committee has reduced that amount by \$4,536,685 in '13-14 and \$8,851,369 in '14-15. A little bit of background: In 2009, the Legislature provided

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funding for a rate methodology study. The prior rate study from 1992, upon which current rates are based, was premised on entry-level direct support staff salaries at BSDC. This resulted in a rate increase to allow community providers to raise direct support staff salaries to improve quality and reduce turnover. In 2009, however, providers expressed concern that current funding levels were not covering their necessary expenses. The current rate study, which is based on the actual cost of services, is consistent with our Medicaid waivers to reimburse on a cost basis. The current study also assumes full implementation of the objective assessment process, OAP, which was adopted by the Legislature in 1999, rather than a phased-in approach. As the OAP identifies the assessed need for each individual, it is a real concern to treat people differently through a phase-in and to continue to fund any one at less than their assessed need level. Additionally, CMS requires us to pay for the full cost of services and partial payment will not be permitted. This will cause us difficulties when we attempt to renew our waivers in 2015 and could place additional federal funding in jeopardy. For these reasons, the Governor included full funding of the rate methodology and OAP implementation in his budget proposal. The department requests that the committee include the total amount included in the Governor's recommendation. In regard to the Developmental Disabilities Service Coordination Register of Unmet Needs, otherwise known in some cases as the "waiting list," the committee has recommended \$4,440,000 for fiscal '13-14 and \$8,880,000 for '14-15 to fund DD clients on the Registry of Unmet Needs. The department estimates that this will fund services to...for approximately 95 to 125 new individuals each fiscal year. The committee has recommended funding for two additional staff members each fiscal year. If the committee chooses to fund services to people on the registry, the department requests that it fund the staff necessary to support the additional persons and services so that quality of services is not negatively impacted and federal funding is not put at risk. In order to maintain reasonable service coordinator caseloads and quality assurance measures necessary to ensure we continue to meet the terms and assurances required for federal waiver funding, the division would require additional staff to support these new people and services. In particular, the division would need a total of four service coordinators and one

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developmental disabilities service specialist in 2014, estimated at an additional \$229,762 over the committee's recommendation. In 2015, in addition to the staff identified for 2014, the division would need an additional four service coordinators and one developmental disabilities surveyor, estimated to be an additional \$470,463 over the committee's recommendation. We have one deficit appropriation to discuss with you today. The department requested, and the Governor included in his recommendation for fiscal '12-13, \$3,300,000 of General Funds for the Economic Assistance program to fund costs for ACCESSNebraska customer service centers. This need is due to the communications costs at the centers being higher than projected. On January 24, the Office of the Chief Information Officer notified the department that we had been overcharged since July 2012 for communication expenses. This notification came after the Governor submitted his budget recommendation. The overcharge amounted to \$1.2 million. With the credit provided to DHHS, the department is reducing its request to \$2.1 million. The department requests that this amount be included in the committee's recommendation. The department has implemented changes to the communication process in the customer service centers that will not require this level of funding in future budgets. Finally, we have one capital construction item to address. The Governor's recommendation includes \$2,211,000 from the Nebraska Capital Construction Fund for fiscal '13-14, and \$3,321,000 General Funds and \$789,000 from the Nebraska Capital Construction Fund for '14-15, for the renovation of Building Number 3 at the Hastings Regional Center campus, to house the male adolescent Chemical Dependency Program. The committee did not include this item in the preliminary budget. Scot Adams, director of the Division of Behavioral Health, is present and will present more information on this project at the conclusion of my testimony. Again, we appreciate the opportunity to discuss our budget request with you. I would be happy to answer any questions you have from me. Otherwise, I will turn it over to Director Adams, who will talk about our capital construction request. And after his presentation, he will obviously be here for questions, as will the rest of the directors who are here with me today. So thank you very much. [AGENCY 25]

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SENATOR MELLO: Thank you, Director Winterer. Are there any questions from the committee? Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: Thank you. Thank you, Director. Just kind of two topline ones, and I don't think that...hopefully, won't get too far into the weeds. We can ask the director, other directors if that would be appropriate. But for the...on the capital construction, was it ever considered to look at other communities that had facilities that would be able to host this, maybe moving it as opposed to reinvesting those dollars in Hastings? [AGENCY 25]

KERRY WINTERER: Part of this process, and Scot can address that better than I, but part of this process was to look at the services that that facility was providing and see whether, in fact, there might be other providers, other facilities in the state of Nebraska that could, in fact, provide those same kinds of services. I think as you will find from his testimony, one of the things about this is that this provides a set of services that we could not find elsewhere. And, in fact, much of that population that's in that facility now have tried and been at other facilities around the state. And to a large extent, this is kind of the backstop, if you will, for those other facilities. We did seriously look, and I had seriously looked at how else could we do this, but we ultimately came to the conclusion that there really was no other choice, certainly at this particular period of time, and probably for the foreseeable future. [AGENCY 25]

SENATOR NORDQUIST: Sure. I certainly understand that component and the need for this high level of services. As far as the capital construction though, is there any opening up to other communities to say, what space do you have available, the state is going to invest \$3 million of General Funds into new capital construction, to see if there were other communities that had space that was willing to put on the table and to take over as a state property, maybe? [AGENCY 25]

KERRY WINTERER: Yeah. And that's...I think that's a good point, and I would let

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Director Adams address that. I don't know that we really in our survey of the state, I don't know that we found necessarily that there was facilities that we thought would be candidates for that. [AGENCY 25]

SENATOR NORDQUIST: Okay. And then the other question, and this, again, I don't want to get into too much detail on it, but in mid-January, Director Adams sent correspondence to this committee about the impact of the Affordable Care Act on the Division of Behavioral Health. And he rightfully says it's very volatile, you know, trying to pin down the numbers on it, but he did say, working through the detail...working through this detail allowed us to assume a working impact of \$29 million a year of savings in the division. In short, the ACA shifts these costs to insurance from the state General Fund's revenue for behavioral health services to persons with chronic behavioral health disorders. So essentially because of enhanced private insurance coverage in mental health parity in that, and he said very much, and I agree that...he urges us not to make appropriation decisions on this. [AGENCY 25]

KERRY WINTERER: Right. [AGENCY 25]

SENATOR NORDQUIST: But even if it's not that \$29 million number, even if it's...I mean, I think we can all agree there will be some savings beginning six months into the next fiscal year. Have you as the CEO in discussions with the Governor talked about...because it's not accounted for in our budget, or in the budget he's submitted to us, talked about where those savings would go in the future of those that start to accumulate January 1, 2014? [AGENCY 25]

KERRY WINTERER: Well, I think the discussions that we've had, the discussions in general about this is reflective of what you had said originally and that is, you look forward you can say, well, ACA clearly is going to have some impacts on expenditures in one direction or another. I don't think we were comfortable, and I would assume the Governor wasn't comfortable really, basing budget request decisions based on that. A

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year from now or two years from now, it could be an entirely different situation. But I think...I think, then it's like, well, is it \$29 million, is it \$12 million, is it \$15 million. It becomes difficult, I think, to go forward and say, well, we want to put a line in the sand or we want to put a stake in the ground here that says, well, it's going to be \$10 million or something like that. I just don't know that any of us were willing really to do that until we get into this and understand how all these things are going to interplay. [AGENCY 25]

SENATOR NORDQUIST: Okay. Thank you. [AGENCY 25]

SENATOR MELLO: Are there any further questions of the committee? Senator Bolz. [AGENCY 25]

SENATOR BOLZ: Good afternoon. [AGENCY 25]

KERRY WINTERER: Afternoon. [AGENCY 25]

SENATOR BOLZ: I have a few questions about the economic assistance division but I have one question that I think is best directed at you. I've heard some reports about the way in which Medicaid eligibility is going to be moved out of economic assistance and into the Medicaid program. [AGENCY 25]

KERRY WINTERER: Right. [AGENCY 25]

SENATOR BOLZ: I'm curious to hear more about your plans related to that, and specifically I'd like to know what your plans for staffing are. Are you intending to hire more workers in order to serve those needs in the Medicaid unit? [AGENCY 25]

KERRY WINTERER: We do have a plan in place and the decision has been made to separate Medicaid eligibility from economic assistance plans. As you probably know,

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the economic assistance division are part of children and family, has been making eligibility decisions for all of these economic assistance programs as well as the Medicaid program. For a variety of reasons, not the least of which is, what appears to be the requirement by ACA that we separate those. That was one of the factors that said, well, we really need to separate that function and it made some sense, made sense to essentially separate those functions at this point in time. Also, I think operationally, because it, in my view, it will allow us probably to do a better job in terms of quote, specialization, if you will, in terms of a worker not necessarily needing to know the whole range of programs Medicaid and SNAP, and everything else from soup to nuts, but allow some specialization in terms of...in terms of how we handle enrollment of those folks. Relative to...and having said that, we're in the midst now of putting a plan in place in terms of how we're going to do that. I don't really want to talk specifically about staffing numbers and such at this point in time, but you clearly will be advised and will know as that evolves, what that plan looks like. And we'll keep you informed relative to that. It will involve, potentially, some staffing increases where that is appropriate. But I don't feel very comfortable getting into a lot of details at this point in time until we have the plan fleshed out and we have...and we know how it's going to affect our employees and know what message we want to send to our employees. [AGENCY 25]

SENATOR BOLZ: Well, I certainly would appreciate additional information as it becomes available. I think from my background as a social worker, my experience is that those clients, they have a group of needs. [AGENCY 25]

KERRY WINTERER: That's right. [AGENCY 25]

SENATOR BOLZ: They have a set of needs and they will be coming to both sides of the house, as it might be put, and I worry about the capacity of the department. [AGENCY 25]

KERRY WINTERER: Yes. Well, we share that concern. We also share that concern and

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one of the challenges here is if you divide this now, it seems fairly clear to me that inside each of those functions, there...the applicants are going to be better served because of how you can deal with those by separating them. But the big overall challenge is, many times you have the same person who needs both sides of the house, if you want to describe it that way. And so, the challenge to us is to ensure that, in fact, that separation doesn't really...doesn't really cause that kind of shift and cause delay, inconvenience, provide an obstacle, if you will, for folks who are applying to get the benefits that they need. And that's the overarching challenge we've got as we look forward to try to execute this. [AGENCY 25]

SENATOR BOLZ: Well, I look forward to hearing more about your plans to assure that the economic assistance division has the resources they need. [AGENCY 25]

KERRY WINTERER: Yes. [AGENCY 25]

SENATOR MELLO: Are there any further questions from the committee? Senator Harms. [AGENCY 25]

SENATOR HARMS: Thank you, Senator Mello. Thank you very much for your testimony. [AGENCY 25]

KERRY WINTERER: Sure. [AGENCY 25]

SENATOR HARMS: I want to talk just a little bit about the capital construction at the Hastings Regional Center. I know probably maybe three or four years ago, maybe five years ago, somewhere in that span, we really were talking about actually just moving from those facilities because they were just too expensive to maintain. I mean, everything was connected to a steam system and you couldn't shut parts of the buildings down because they...is that still an issue here and would we be better off just...? [AGENCY 25]

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KERRY WINTERER: It's still an issue and part of the capital construction budget is going to include essentially separating this facility from the rest of it, and ultimately, if I'm not mistaken, some demolition costs to essentially remove the rest of those facilities because that has been a problem. As everybody knows, that campus originally was intended for a much different purpose. [AGENCY 25]

SENATOR HARMS: Yeah. [AGENCY 25]

KERRY WINTERER: And everything and all the infrastructure and all that that was built up to support all those various buildings, and that large population, are no longer required and becomes an inhibitor now, becomes an inhibitor for us to provide programs now on that campus. As you know, Bridges is moving off. They're building at a whole entirely different location in Hastings. [AGENCY 25]

SENATOR HARMS: So then are you going to...so that I understand it, are we going to tear the buildings down, the ones we're not going to use and...? [AGENCY 25]

KERRY WINTERER: The plan is to tear down the buildings and then I believe that there's a plan to essentially liquidate some of that real estate. [AGENCY 25]

SENATOR HARMS: Now the area that you want to remodel, is it really worth remodeling, or would it be better off just to tear it... [AGENCY 25]

KERRY WINTERER: We're talking about a new facility. We're talking about a new facility. [AGENCY 25]

SENATOR HARMS: I mean...okay, that's good. The second question I have deals with ACCESSNebraska. I've had concerns for a long time about ACCESSNebraska and I don't know if we've gotten everything operated...operating the way that it ought to, but

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this winter I've received an awful lot of complaints about the services, and a lot of people don't have telephones, people don't have computers. They'll get...in many cases, get walk-ins. It just creates more of a problem, particularly for the clients that need ACCESSNebraska. Some of them...in many cases, don't speak English. They speak different foreign languages and I'm just not sure that this program is really working the way that it ought to work, and I don't know if we ever got any of those things ironed out. There's just a lot of complaints that I get, particularly through the summer. Maybe what I ought to do is start just shooting those over to you or sharing them with you and let you get in-between the issues, because it is difficult and it is very frustrating for people, particularly the clients we're trying to help when they can't get the right help, and they don't get the same worker, and that stuff just rolls and then sometimes they're switched to Omaha or Lincoln or wherever it is, and no one knows what's going to happen. I mean, what's the plan in regard to this? Are we working on that? Are we going to get this thing resolved? Maybe, I'm just wrong, I don't know. My colleagues can surely pop in and say what their thoughts might be, but I have real concerns about this. [AGENCY 25]

KERRY WINTERER: Well, I can, I guess give a number of answers to that, but let's just...we obviously are concerned about that too. Director Pristow, I think, can talk much more about...about some of the specific things that he's doing. I can tell you that there are a lot of things that we have been doing differently than when we started. For example, at one point in time you may have heard about universal caseload, and the theory was that any worker answering the telephone ought to be able to bring up a file on the screen and respond to any particular question by anybody calling in. We discovered that really was not serving the client. And so one of the things the director has done is, he's made a change and says somebody calls up and applies, they get a caseworker assigned until that application is complete so there is a particular person who can always be called back to respond. Hold times is an issue. We've been trying various strategies to deal with the hold times, the times on...the wait times, if you will. [AGENCY 25]

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SENATOR HARMS: I think that some of the concerns that I've heard, Mr. Winterer, is that a lot of the clients that you have need to see a friendly warm face. They don't relate well to the telephone. In fact, they don't have a telephone and try to communicate back from them, they have to go to a neighbor's house and that sort of thing. I guess I just have trouble with the concept and I don't know, maybe it's just that I don't understand it well enough. I've gotten enough complaints since we started this that doesn't get any better. I'm hoping that we can work on this to get it straightened up so people that need the help don't feel as though they've kind of gotten the runaround, that no one is really paying attention to them, and they get frustrated. They can't get the system, or they can't even fill out the forms that they have to. It's just not a good system. [AGENCY 25]

KERRY WINTERER: One of the things, and maybe we've not done a very good job communicating this, but one of the things that's always been true and that is, if somebody wants to have a face-to-face meeting with a caseworker, that's always been available to them. And we've always been able to arrange that and go out to a local office or whatever to have that person-to-person meeting if somebody requests that and that's always been the case. Now, maybe we haven't made that clear. We haven't made that clear to someone who might not be comfortable with any of the other modes of making application. [AGENCY 25]

SENATOR HARMS: I think communication is probably somewhat of a problem, not only in this portion, but other parts of it. I've had this, you know, previous conversation with you about communication and management and all those sorts of things, and I don't want to go into that. But I just hope that we can focus on this and make it much easier for the clients we're trying to serve because I don't think they know how to go through this system, and I don't think they know that there's caseworkers available for them. If they do, it's not being communicated over the telephone. I can tell you that at least, because I have known people that have tried to make the phone calls for the individual who cannot speak the language at this point, and they even get frustrated over the

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system. So I don't know, I think we need to focus back somehow to make this a user friendly system, and I thank you for your comments. [AGENCY 25]

SENATOR MELLO: Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: Just kind of following up on that and just the line of questioning overall about the system, the bill that we passed last year, LB825, where is the department implementing that as far as entering into agreements with community-based organizations, and then additional staffing at local offices too? [AGENCY 25]

KERRY WINTERER: The...I believe the staffing has occurred insofar as that has been funded. I don't know that I can answer the question about the... [AGENCY 25]

SENATOR NORDQUIST: Okay. [AGENCY 25]

KERRY WINTERER: ...contracts. Director Pristow may be able to answer that. [AGENCY 25]

SENATOR NORDQUIST: Sure. Okay. And then, again, if somebody else would be better off talking about the system bifurcation here with Medicaid and just following up on that too. Are there...are we going to be creating any additional costs to run two separate systems to do eligibility for Medicaid versus eligibility for SNAP and other public benefits? And are those costs accounted for in this budget request that we have before us? [AGENCY 25]

KERRY WINTERER: We don't anticipate there's going to be additional costs. We will be using the same N-FOCUS system. In phase one, we brokered this into a couple different phases. In phase one, we'll be using the same N-FOCUS system. Ultimately, we will be, in all likelihood, looking at a separate eligibility system only for Medicaid but that's kind

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of phase two. [AGENCY 25]

SENATOR NORDQUIST: Okay. [AGENCY 25]

KERRY WINTERER: We need now to do everything we can to focus on what we have to do to get ready for October 1 to January 1. I don't anticipate there's going to be additional costs. There could be some additional staffing costs, but those are all accounted for in the budget as it is now. [AGENCY 25]

SENATOR NORDQUIST: Okay. And then just, what's the topline reason for this change, if you're going to sum it up in a couple of sentences? [AGENCY 25]

KERRY WINTERER: Two things, I think. One is, our determination was that we could no longer use the single application that we've used to do Medicaid and SNAP and all the other economic assistance benefits, and that we need to essentially separate those as result of that. I think that also becomes an easier interchange into the exchange, if you will, if that has been separated into this Medicaid function as opposed to all the other economic assistance functions. And my own personal opinion, and I'm not sure others necessarily agree with me, but my own personal opinion is I think it ultimately, assuming we can deal with the challenge of crossover, if you will, my own personal opinion is that ultimately it will serve the client better, because I think you'll have more responsive folks on either end of the...on one side of the house or the other dealing with very specific issues about Medicaid or SNAP or whatever, and I think it helps us in terms of training. It helps us in terms of focusing training to do a specific function rather than someone who needs to do everything, and to the extent that there's any kind of...and every time you have a turnover, you've got to start over, if you will, and train somebody to do all those functions. And that's my personal opinion. I'm not sure necessarily everybody shares that, but that's my personal opinion. [AGENCY 25]

SENATOR NORDQUIST: And is there somebody helping the client to go back and forth

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between the sides of the house? [AGENCY 25]

KERRY WINTERER: Well, that's...we need to either...we need to find an automated way to do that, or we need to have a central connector, central phone number, central person that then can...can then, in fact, field those out into which side of the house is required. [AGENCY 25]

SENATOR NORDQUIST: Okay. Thank you. [AGENCY 25]

SENATOR MELLO: Senator Harms. [AGENCY 25]

SENATOR HARMS: Thank you, Senator Mello. Mr. Winterer, I just wanted to, for clarification, so I went back, I thought I heard you say and I went back just to look at your written testimony. You referred to a facility that they're going to...where they're going to use this money for renovation of Building 3. [AGENCY 25]

KERRY WINTERER: Yeah, I think I misspoke about that. [AGENCY 25]

SENATOR HARMS: And you said...then you said, you were going to be new. Which is it? Is it going to be new or... [AGENCY 25]

KERRY WINTERER: Yeah, I think I misspoke about that. It's a renovation. [AGENCY 25]

SENATOR HARMS: Okay. So do you think...I'm going to go back to my original conversation then because it didn't go away. Is it going to be worth doing that? I mean, we know those facilities are not good, and for what we're talking about for a couple of million dollars or more, whatever it is, the way the... [AGENCY 25]

KERRY WINTERER: I would invite...I don't want to put the question off, but I would

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invite that question after Director Adams' testimony because I think he's got some materials I think will describe the plan, and might put your mind at rest a little bit more. [AGENCY 25]

SENATOR HARMS: That's fine. I just wanted to make sure that I heard you right and then I looked at your written testimony and it said renovation, so I just wanted that clarification. Thank you. [AGENCY 25]

SENATOR MELLO: Director, I guess I have a question, just, I guess, a point of clarification so I can, I guess, fully understand how the department's rationale has come about with some of the capital construction related issues. Last night we heard the hearing in which the administration, the department requested a capital construction request of \$47 million for a construction project that was going to be competitively bid, so to speak, to a variety of communities, at least that's what the administration would like to do. Today, we're...you're in front of us with a, roughly a \$7 million capital construction request we're asking not to have that be competitively bid amongst communities. Is...am I understanding...is there kind of a disjointed rationale of one...why one project needs to be competitively bid out with communities, and one project doesn't need to be? [AGENCY 25]

KERRY WINTERER: Well, part of it may be related to the amount of the capital expenditure, but I think as Director Hilgert, I think, addressed last night and that is that there are communities, other communities in the state who have said, we would be very interested in hosting this facility. And so, then the decision is, well, do we just simply say no and proceed to place it where it is now, or do we do open that up and allow for these other communities to come in and say, well, we would like it because, and make their case. I think that's as much to do with that particular situation as otherwise. You know, potentially, if other communities decided that they were interested in this facility, I suppose we might consider that as well. But it seems to me the circumstances are different. Circumstances are different. It's partly because of the amount of the facility,

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and the amount of the investment, and also to the extent that we're renovating the facility that's already there. If we were doing a freestanding, it would be significantly more expensive. [AGENCY 25]

SENATOR MELLO: Statutorily, though, I guess...I guess, it's a clarification that any contract over \$50,000 is to be competitively bid, is that correct? [AGENCY 25]

KERRY WINTERER: Any...statutorily, any contract over \$50,000 is to be competitively bid. That's correct. [AGENCY 25]

SENATOR MELLO: So to some extent, I guess, I'm just trying to get my hands wrapped around the competition issue, in a sense of I understand what we discussed yesterday with the Veterans home, but today it seems like we don't really want to have that same standard with the Hastings facility. [AGENCY 25]

KERRY WINTERER: But at the same time, if the plan is not to replace the facility as it's standing there, and to renovate the facility, then you would be doing competitive bid process for the contractors coming in to do the renovation. So that would be the case. I mean, it does come down to, I think, whether you're replacing that facility or whether you're renovating that facility...or yeah, renovating that facility. [AGENCY 25]

SENATOR MELLO: Okay. I think...I know Senator Nordquist had some similar questions that asked about other state facilities or other state property that the state may own which kind of dovetailed off this a little bit. A similar question on the capital construction request, I believe this happened at my freshman year in this committee in which we had discussed as a committee the issue of the state partnering with the city of Hastings to build a new facility. And it was my understanding over the last four years that this was an issue that was, in theory, to be solved where it wasn't going to require any further state appropriations, or capital construction appropriations, because the city of Hastings had offered to come forward and ultimately to bond...to build a new facility

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for the state, to enter into. Whatever happened to those negotiations or whatever happened to that initiative where, now you're coming in requesting a \$7 million appropriation request to do something that we thought was solved four years ago? [AGENCY 25]

KERRY WINTERER: Right. We had some extension of conversations with the city of Hastings and I was involved in some of those and we looked at a whole variety of financing mechanisms that would have been available to the city to do this. None of those really worked out for a whole variety of reasons. We looked...they looked at bonding, they looked at some other kinds of ways to finance that, and never got to the point where it was very reasonable or rational or feasible to do those projects...to finance the project from the city's point of view. [AGENCY 25]

SENATOR MELLO: So it had nothing to do with the state entering into any kind of long-term contract at all with the facility if the city chose to bond, and pay for the project, that the state would enter into a long-term agreement to house this facility or to house the program there? [AGENCY 25]

KERRY WINTERER: As I understand it, part of the legal issue was the city clearly wanted to have a long-term lease of that facility. Part of the problem, as I understand it, was that the state really could not commit itself for a long-term lease in spite of the fact that we may have every intention of occupying that building for a lengthy period of time. The city wasn't comfortable with the fact that the state essentially could not commit itself to a multiple year lease and that was part of the problem. [AGENCY 25]

SENATOR MELLO: But what, I guess, for point of clarification, what is a long-term lease? What is...what do you refer...I mean, a five, or ten year? [AGENCY 25]

KERRY WINTERER: Ten...ten, fifteen, twenty years. [AGENCY 25]

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SENATOR MELLO: What's...do we have any...what's the longest lease that we have now, do you know, under your division? Is there any five-year leases, six-year leases? [AGENCY 25]

KERRY WINTERER: Well, we do have those long-term leases but they're, if I'm not mistaken, there's a provision in there that says that we can terminate them. The state has always the right to terminate on a certain notice provision and walk away from the lease. And that, I understand, is in the leases that the state signs. That particular provision was not something that the city was particularly comfortable with. [AGENCY 25]

SENATOR MELLO: So just to kind of connect, kind of to tie this all together for me, we...instead of working with the city of Hastings in regards to finding some way to enter into a longer term lease with them, instead it's more cost-effective for the state to renovate a very old building that we have...we know has an existing constructional concern which requests a \$7 million appropriation to renovate the building, and then tear down the other parts of the building in the hopes of trying to sell that property to some private investment that would, openly, choose to purchase land next to a state detention facility essentially. [AGENCY 25]

KERRY WINTERER: I think...I would not put it in those terms. I don't think it's...I don't think it's, instead of. I can tell you that we spent a lot of time and effort trying to do a deal with the city of Hastings. I can also tell you that everything we tried in all those discussions, essentially we couldn't get to the point where that was going to be a deal that we were going to do. So then that essentially wasn't...didn't occur, and we couldn't get to the point where we could work out the details such as that was a deal that was going to be done. So then we're limited...we're left to where we are now. And we looked at essentially a new facility. We're now at the point in time in which we are renovating this facility to do this function because we believe it's a more cost-effective approach to what might have otherwise...might...to what the project might have been otherwise.

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[AGENCY 25]

SENATOR MELLO: How long does the department envision then, the state will be in this new renovated facility? [AGENCY 25]

KERRY WINTERER: I don't know that anybody knows. I think as time goes on and you look at programs and services that are required in the state, I think you make decisions as time goes on to determine how long the service is going to last. All we know at this point in time is that the building, as it is now, doesn't work, and we have to do something. We did look at opportunities and possibilities for us to contract that to private providers, or for other providers to take this over, whatever, and came to the conclusion that really was not feasible at this point in time. So the choice is, we're going to continue to limp along with the facility that's got lots of problems and really is not acceptable for this process, or are we going to do something else? And, essentially, that's where we are at this point in time, and it seems to me that this is a cost-effective approach to provide that...to provide that...continue to provide that program without investing, you know, \$50 million or something, you know, in a facility. [AGENCY 25]

SENATOR MELLO: I appreciate...I appreciate the dialogue, Director, and I think you kind of see my logic of trying to determine what really is the best cost-benefit analysis for the state at this point because just hearing your previous answer, you can't guarantee this committee, you won't come back here next year even after we would appropriate the capital construction funds, that the facility may close down because you're not able to commit long term, apparently, that the state will be in this facility over a set period of years. And so, I guess I just try to get my hands wrapped around why not go the path that we thought we were going down with the city of Hastings in a sense of considering other policy options, if need be, to make a longer term commitment to that municipality in regards to making this financing work instead of renovating a dilapidated property we have now, and not committing to a certain period of time of how long the state is actually going to be in that property. It just seems...I'm just trying...I guess I'm

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just not seeing the logic connecting of why wouldn't we consider making a longer term investment on this instead of just a short-term fix. [AGENCY 25]

KERRY WINTERER: And I think I have explained, I think, where we were with Hastings and the fact that...and I was a part of that. And we looked at all sorts of different arrangements to make...to allow us to come together and do something with Hastings, but finally came to the conclusion it just wasn't going to work because we couldn't provide the kinds of assurances to the city of Hastings that we were going to be there for that long term because the state, as I said, always has the option to be out, and a future Legislature could decide, we're not going to fund this. And that's the fundamental problem. And again, as I said, we need to address something with that facility because they're conclusion was, it was, the services and programs in that facility is required for the foreseeable future. Is that five years, ten years, fifteen years? I don't know. I can't tell you. It's more than one, two, or three years. I can tell you that. [AGENCY 25]

SENATOR MELLO: Okay. I appreciate that, Director. Thank you. Are there any further questions of the committee for Director Winterer? Seeing none, thank you, Kerry. Do we want to then have Director Adams come up and present and then open it up to Director Pristow and Fenner? [AGENCY 25]

KERRY WINTERER: He's the...yes, he's the only one that has prepared testimony, if you will, at this point. And so, if he can come and talk about that particular project, then we'll be around for questions after that. [AGENCY 25]

SENATOR MELLO: Okay. Thank you, Kerry. Good afternoon, Dr. Adams. [AGENCY 25]

SCOT ADAMS: (Exhibit 9) Good afternoon, Mr. Chairman. And good afternoon, Chairman Mello and members of the Appropriations Committee. I am Scot Adams, S-c-o-t A-d-a-m-s, director of the Division of Behavioral Health in the Department of

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Health and Human Services, here today to discuss the Appropriations Committee in asking you to fully fund the Governor's budget recommendation for the Hastings Juvenile Chemical Dependency Program and other needs regarding the Hastings Regional Center campus. I'd also like to thank my boss, Mr. Winterer, for having taken all that heat about this topic already. I hope that my testimony will provide some additional clarification to some of the questions that you have raised here. The Governor's recommendation includes renovation of Building 3 for the Psychiatric Residential Treatment Facility, the Hastings Juvenile Chemical Dependency Program for male youth, and the demolition of vacant and unused buildings on the campus. The Governor's recommendation is comprehensive. The renovations and their costs are phased across three fiscal years to minimize impact to the state's budget, and specifically, this plan and summary includes \$5.2 million to renovate Building 3 to bring it up to modern code; \$3 million to demolish unused and vacant buildings on the campus. This will result in a reduction in operational costs from \$8 million a year to about \$6.4 million per year by having fewer staff and fewer costs of heating, cooling, and other factors that we pay to the Department of Administrative Services. And we will intend to return the good agricultural land, literally hundreds of acres, to the private sector by selling several of those now unneeded. And based on the land prices in Adams County in the fall of 2012, we expect to generate about \$1.4 million from the sale of that land to reimburse funds used to finance the renovation and demolition of these facilities. The renovation of Building 3 includes bringing all services up to modern standards, including installing a new heating and ventilation system, renovating the facility for program services to include, for example, an exercise area. The total program statement is available on-line on the department's Web site, has been there, and I have provided copies to the committee today in your packets, along with a handout of the budget summary for those projections. Happy to address those in further detail at your convenience or at the end of my testimony. We expect that this plan will pay for itself in about four years' time from the reduced operating costs and thereafter save taxpayers money. The Hastings Juvenile Chemical Dependency Program fills a unique need in Nebraska, and this is an important point as the Lincoln Regional Center has become the

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backup for community-based behavioral health services for adults. The Hastings Chemical Dependency Program is essentially the communities backup for community-based services for adolescent males needing chemical dependency treatment. The Hastings Juvenile Chemical Dependency Program promotes a recovery model that addresses a multidimensional approach to therapeutic programming, for substance abuse and mental health problems, medical issues resulting from substance abuse, defiance, conduct and criminogenic behaviors. The program uses a variety of services to accomplish these strategies. While most of the youths served at the Hastings program are referred from YRTC-Kearney, we also receive referrals from Magellan Health Services from across the state. And this is a significant point since some people may think that the community can easily accept these young men, here are some facts about the young people served at Kearney. The male youth who are at Kearney are there because of probation, or placements in the community that have not been successful, and they have been referred to the Hastings Juvenile Chemical Dependency Program. Second, the Magellan Health Services recently requested that the Division of Behavioral Health expand the mission of the program to young people with difficult backgrounds who otherwise would be sent out-of-state for treatment. And I believe that the chair has received a letter from Magellan with regard to their support for this program. Many of the young men admitted to the program have offender backgrounds such that community-based treatment centers have been reluctant to accept them into treatment milieus, resulting in the state left to provide this service. By that, I mean a couple of things. We do not accept first-run referrals at Hastings Chemical Dependency Program. Either they're coming from Kearney, or Magellan has asked all community-based providers and has been told no. So they've asked everybody in the state, then they refer to Hastings. So how do we do? Well, in 2012 of the fifty-five persons who completed the program, were discharged; thirty-eight completed six months or better of sobriety; twenty found employment; seven are in college; twenty moved off of parole successfully; twenty-one are still on parole but doing good, meeting the conditions of good standing; seven, unfortunately, are in adult jails; twenty have committed additional crimes, but not drug-related crimes, interestingly;

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thirty-nine are in outpatient treatment services. When I came to the state about six years ago after 31 years in the private sector of Catholic Charities, and in terms as president of Cathcon and as the original president, at one time, of the Nebraska Association of Substance Abuse Directors, the predecessor organization to NABHO, I thought the private sector could do it all. Nope, can't. Private sector does a tremendous job with almost everybody in the state of Nebraska, and I support community-based services every step of the way. But there are a few persons for whom the private sector have been unable to be successful for whatever reasons. You have in your packet, a list of people since '06 who have been at Hastings. You'll see a lengthy list of placements in private sector treatment services for each of those people. There are hundreds of kids there and on average, about four or more treatment services for each one. So I've come to believe that there's a place in the role for the Hastings Regional Center. That's why I said at the beginning of my testimony that this program is the backup for community-based system for youth who cannot be served in the community. It is appropriate for the state to provide this level of care so these young men may receive treatment in Nebraska instead of going outside of Nebraska. This program statement that you have conducted by the architect, proposes to reduce the number of beds in the program from 40 to 24. I believe this is the current need in the state based on our experience over the past 18 to 24 months and with the community-based services that are in place. This plan reduces operating staff from about 110 FTEs today to around 83. The program envisions the demolition of unused and vacant buildings and will result in good agricultural land being returned to the private sector by selling off several hundred acres of now unneeded land currently owned by the state. These actions will help reduce the cost of the project overall. HRC in its program is not competing with private sector, but strengthening it by only taking those persons who have caused so much disruption in services previously throughout the state. I urge the committee to fully fund the Governor's recommendations. Am happy to respond to any questions you may have. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Director Adams. Are there any

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questions from the committee? Senator Harms. [AGENCY 25]

SENATOR HARMS: Thank you, Senator Mello. Thank you, Dr. Adams, for coming and testifying. Have you done an analysis in regard to the square footage for renovation versus the square footage cost for building new? [AGENCY 25]

SCOT ADAMS: We did do that...back about four years ago we were considering what to do with Hastings and looked at a variety of options in the interface of Hastings and Kearney at that time. There is, in fact, an additional program statement on the Web site of the Division of Behavioral Health that estimates cost of a new facility at about \$16-\$19 million. [AGENCY 25]

SENATOR HARMS: What did you find out in regard to square footage because I think... [AGENCY 25]

SCOT ADAMS: I don't know the cost per square footage, though it is in both of those program statements. [AGENCY 25]

SENATOR HARMS: I know from four years ago until now there's been a lot of changes and to be honest with you, I think some of those costs have come down to a certain degree, and I'm just curious about what the difference is and whether we'd still be better off looking at brand new rather than renovating. [AGENCY 25]

SCOT ADAMS: Yeah. We used the same architect in both projects, updated the one program statement to the current statement. I asked that very question, and it's a question that I think is a good one because I think everybody has this picture of the Hastings Regional Center and this sort of ghost town like state of affairs. The core of the facility is absolutely solid. Literally, it's in one of those cases of, they don't build them like that anymore kind of thing. But it needs updating, upgrading, and new HPAC systems, which you were saying, Senator, earlier about the heating system going.

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Yeah, it does. That's how we're going to see the operational savings is the result of the upgrade here by having a new HPAC system attached to the single building. So some of those things are true but the walls, the infrastructure, the roofing are all solid and in place and can't be built for that anymore. [AGENCY 25]

SENATOR HARMS: Thank you. [AGENCY 25]

SENATOR MELLO: Senator Wightman. [AGENCY 25]

SENATOR WIGHTMAN: Thank you, Senator Mello, and thank you for being here and sharing the information with us. [AGENCY 25]

SCOT ADAMS: Thank you. [AGENCY 25]

SENATOR WIGHTMAN: You talk about \$5.2 million to renovate the building that you're talking about, renovating it, is that correct? [AGENCY 25]

SCOT ADAMS: Yes, sir. [AGENCY 25]

SENATOR WALLMAN: And you say you expect this plan in total will pay for itself in about four years? [AGENCY 25]

SCOT ADAMS: Yes, because of the drop in operating costs from slightly over \$8 million a year now to about \$6.4 million, so we save, rough, not quite \$2 million a year. So over the course, plus the sale of the land, subtract some of the costs, so in about four years' time the whole thing will be saved, compared to if we do nothing. [AGENCY 25]

SENATOR WIGHTMAN: How many acres of land will there be that could be sold?  
[AGENCY 25]

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SCOT ADAMS: I believe that number is...I think I've got that number, 435 and a quarter.  
[AGENCY 25]

SENATOR WIGHTMAN: So you're talking about it as agricultural land, at least you mentioned that in your letter. [AGENCY 25]

SCOT ADAMS: Yes, sir. Yes, sir. [AGENCY 25]

SENATOR WIGHTMAN: Does this have more use as a commercial property than it would as an agricultural property or do you know that? [AGENCY 25]

SCOT ADAMS: You know, sir, it is...much of the land is currently leased out and farmed today, so I know that it holds agricultural value. Much of the land also is the campus itself today and so is unused and simply mowed. I think that the ultimate answer to that will be more...will be best answered locally by the city officials and by those people located in that market. For purposes of this estimation of costs and revenues, we considered all the land at agricultural prices. I know the city has moved out toward the Hastings Regional Center and there may be some industrial or other kinds of uses, but I really think that's for the city to determine. [AGENCY 25]

SENATOR WIGHTMAN: Are there wells on this property that...so if somebody who bought it could use it for agricultural purposes, use it for irrigation purposes I should add? [AGENCY 25]

SCOT ADAMS: There have been and are wells that the Hastings Regional Center uses for water. I don't know about subsequent use for those kinds of things. [AGENCY 25]

SENATOR WIGHTMAN: Or whether they'd be sufficient to irrigate that many acres.  
[AGENCY 25]

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SCOT ADAMS: Yes, sir. [AGENCY 25]

SENATOR WIGHTMAN: Because \$1.4 million under today's standards sounds a little bit low if you're talking about 435 acres. Are you talking about selling that many acres or are you...? [AGENCY 25]

SCOT ADAMS: Yes, sir. [AGENCY 25]

SENATOR WIGHTMAN: Yeah. I would think that could be worth almost triple that, but based upon...there are quarter sections these days selling for about a million to million four or five. [AGENCY 25]

SCOT ADAMS: Wow. I'm in the wrong business. [AGENCY 25]

SENATOR WIGHTMAN: So that's a possibility if you're looking at selling the whole 435 acres, but...which would in effect pay an awful lot of this expense, but then it looks to me like you're going to be putting \$3.1 million back into it in renovation of the land and vacant buildings on the campus. Is that...? [AGENCY 25]

SCOT ADAMS: Well, we...the estimate we received for demolition of all of the buildings other than Building 3, and tearing up the tunnels that exist between and among these old buildings, high as \$3.1 million. [AGENCY 25]

SENATOR WIGHTMAN: And are all of those located on the 435 acres that you're talking about? [AGENCY 25]

SCOT ADAMS: Yes. In fact, all located on much less land than that and much of the land is simply open and, as I said, leased for farming currently. [AGENCY 25]

SENATOR WIGHTMAN: Is there any way that renovation of that land could be done at

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a slower pace in the couple of years that you're talking about? [AGENCY 25]

SCOT ADAMS: You have in your packet this page with a lot of numbers on it and it provides a tidy little summary of the financial aspects of this project. About midway down, I would draw your attention to the land sale revenue item, and as it goes across, it estimates that we might sell as early as 2014 much of the land. And then later in 2017 as the project comes to conclusion, buildings are gone, another significant chunk, about a third of the project then sold again at that point. So we think that, again for in our estimation at this point in time, looking at...we can get rid...we know there's a lot of land we don't need. We can move that on now. There will be... [AGENCY 25]

SENATOR WIGHTMAN: Approximately how much of that, if I might ask, would be available, that could be moved fairly quickly? [AGENCY 25]

SCOT ADAMS: I don't know in terms in number of acres, but I think probably in the vein of approaching 300 acres would be available for sale. It's in a couple different tracts separated by a road and a railroad, and so there's...it can be compartmentalized in terms of sales if that is a useful kind of thing, or if the city has interest in some parts of it for different kinds of zoning procedures and processes, that also could be done fairly easily. [AGENCY 25]

SENATOR WIGHTMAN: I guess I'm just wondering if it wouldn't be a possibility that the larger number of acres, 300 acres could be sold and some of that used for the building rather than financing the entire building on a single shot but... [AGENCY 25]

SCOT ADAMS: Well, in the worst-case scenario, if this plan is approved what would happen, of course, would be that the project goes forward with the renovation, demolition, land is sold, and as more land...more revenue is generated, that money is returned to both the capital construction and General Funds so that we would recapture any positive gain on that side of...should the numbers come in higher than that.

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[AGENCY 25]

SENATOR WIGHTMAN: Thank you. [AGENCY 25]

SCOT ADAMS: So that can happen. I would also like to address a couple of the questions that were raised before, if I might. One of the questions was with regard to other sites considered, and also then the question of the...why Hastings and that kind of thing. A couple things. First of all, we did consider Kearney as a particular other site for the location of this facility. Kearney-YRTC does have sufficient land to tuck in just the building. Doesn't have enough land to do the big plan and that kind of thing, but that was an option that was considered. And the reason for that was because of the close relationship to Kearney-YRTC. That has...that has opened up a bit more as I mentioned in my testimony such that Kearney is not the sole source of referrals and does receive referrals across the state, but it does have a close relationship to Kearney and that is useful to have that interaction between and among staff. So we are interested in having people close, or having it in a place close to Kearney because of that nature. Number two. I think some people would argue that, boy, you know, a lot of the people come from Omaha and Lincoln, eastern part of the state, so why not put it closer to that? About a third of our folks don't go home to a family, so there is no family with which to work or to interact. The gang influences from the eastern part of the state are significant, and a little time out in corn country is not a bad thing for some of these guys. And so there is, I think, a decided, therapeutic value for its location in the center of the state in that regard. The third reason was...and again, Senator Harms, I mean no...nothing other than the facts as we know them, cost of new versus cost of renovation tilted in the way of renovation as opposed to building new. So those are those three reasons. Now, Senator Mello, with regard to your question about the long-term lease, there are members representing Hastings today and certainly they can speak their version of the negotiations and I encourage them to do so forthrightly. As Mr. Winterer mentioned earlier in his testimony, we have had, I think, an ongoing conversation about how best to approach this with the city of Hastings, literally for a number of years, probably since

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'08 or so. Maybe...I don't think '07. I came in '07, and I think I was part of that, so '08ish, so it's been a while. And we came to the road where the state simply could not guarantee the long term and it was the guarantee factor. Most of the other long-term projects with which the state has associated has, as Mr. Winterer said, that clause it says, you might get defunded because we cannot bind the future Legislature to its appropriations. And so, we couldn't go beyond a one or two year depending on...and in my opinion, I hope I'm characterizing this fairly, they simply with their bonding agents were uncomfortable with that kind of a statement in the bond process. That's how we came to a stopping point in those discussions and moved on to this financing plan.  
[AGENCY 25]

SENATOR MELLO: Senator Bolz. [AGENCY 25]

SENATOR BOLZ: Good afternoon. I share your preference because I served in the community whenever possible. [AGENCY 25]

SCOT ADAMS: Yeah. [AGENCY 25]

SENATOR BOLZ: But I think I heard you say that the capacity of your proposed renovated facility will be somewhat lower than your current capacity. I think that's optimistic. Can you just explain those choices and help me understand the way that's going? [AGENCY 25]

SCOT ADAMS: Sure. The plan calls for the Hastings Regional Center programming to go from 40 beds to 24, so you're right about a decrease in that. A couple of things with regard to that. One, it does reflect a principle view that more young people should be served in the community wherever possible. Fully support that in everything. It's just that wherever possible part that we're talking about. That's what this is. This is not a program for the masses. This is the end of the road in Nebraska for young men. And in that regard, this is a program that every other resource ought to be tried in some other

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way. I fully support that. That reflects the diminution of things. The second factor is that this is a Medicaid-funded program. And a Medicaid-funded program in this category is known as a PRTF, Psychiatric Residential Treatment Facility. I'm sure it's a phrase familiar to many of you. That is a programming level that is just below that of a hospital place of care and as such, ought to be reserved for almost, almost no one. And so we want to reflect that and build to that as well. And so we think that as the science of addiction technology increases, we think that as the implications of Medicaid-managed care come into being, we think as the possibilities of Affordable Care Act and people being insured come into play, that as we have watched this over the last 18 to 24 months, we have been able to think that it looks that 24 is a good number. There's one other last rationale that bolsters that number and that rests with accreditation. The Hastings Regional Center program is an accredited program by the Joint Commission on Accreditation of Healthcare Organizations, a joint commission. And they have standards of care for staffing patterns that all work nicely, either 4-1 or 6-1, all of which work nicely to the number 24. So for a variety of factors, economic, tea leaf reading with regard to the future perhaps a little bit, push toward community-based care, and standards of care, all seem to say that a 24 looks like the right number. [AGENCY 25]

SENATOR BOLZ: What is your current census? [AGENCY 25]

SCOT ADAMS: Today, actually not today, but as of Friday when they last checked, it was 22. [AGENCY 25]

SENATOR BOLZ: Twenty-two. Has it been steadily declining over the past few years or has that gone up and down? [AGENCY 25]

SCOT ADAMS: You know, we have had a couple of ups and downs. The PRTF changed, that was implemented in the state of Nebraska, caused a few ripple effects among providers. Also, there has been some...a bit of bump here and there at Kearney and so there has been some of that that has been process elements that were a time

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limited. [AGENCY 25]

SENATOR BOLZ: Thank you. [AGENCY 25]

SCOT ADAMS: Thank you. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Bolz. Senator Nelson. [AGENCY 25]

SENATOR NELSON: Thank you, Senator Mello. Thank you, Dr. Scot Adams. Good to see you here today. [AGENCY 25]

SCOT ADAMS: Yeah. Good to see you again, yeah. [AGENCY 25]

SENATOR NELSON: Will there be anyone following you that will discuss the renovation on the building or is that not a subject to discussion today? [AGENCY 25]

SCOT ADAMS: You know, the Department of Administrative Services owns the buildings as you know. And they have been with us every step of the way with regard to the renovation. This document was prepared by Carlson West Povondra Architects and they have done a number of work for the state with regard to these kinds of facilities. I do not expect that anyone, either from DAS or the architect are here, and particular though they could, certainly would be available for questions if you'd like. [AGENCY 25]

SENATOR NELSON: Well, renovation you're going to reduce from 40 to 24, as I understand. [AGENCY 25]

SCOT ADAMS: Yes, sir. [AGENCY 25]

SENATOR NELSON: That's the goal. We have some bills in front of the Legislature now that would seek to move people more out into community-based services. And do you

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anticipate that that eventual move might increase the number of people that are going to come back to you? You find that after three or four times out there in the community, they just simply can't be handled unless they come into your program? [AGENCY 25]

SCOT ADAMS: You know here's what I would expect with changes anticipated. With any change, I think there will a period of time of uncertainty and as the tremor shifts through the system a little bit. So there could be a period of time during which such increase might come about, although I wouldn't expect that to be long term. I really do trust a couple of things. One, I trust...I trust in the science of addiction and behavioral health technology to continue to move forward in positive ways, such that will get better and better and better and better at this kind of work. Number two. I do trust the community-based provider, network of providers, to provide good and excellent services in the community. And so, I don't expect that there's going to be...I see no reason, I see no reason, long term, that given the changes that we all know about, that we should expect an increase in this, even if, for instance, some of the things you mentioned come about. [AGENCY 25]

SENATOR NELSON: Okay. You've got a fairly large building, looking at the footprint here, a ground floor, and first and second floor. If you were to build a new building, would it be a smaller size, do you think, or is the building that you have here that you propose to renovate, do you need all that space? [AGENCY 25]

SCOT ADAMS: You know, we do have...I didn't bring with me, sort of the footprint picture of the thing. I didn't make copies of it because it's awkward, but you can see from here...I'll let them sort of pass that around. [AGENCY 25]

SENATOR NELSON: You do have diagrams here in the little booklet. [AGENCY 25]

SCOT ADAMS: Yeah, sort of a similar kind of thing. It's just a little bit bigger picture, but it shows utilization of most all the space on all the floors. And if...you know, would you

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build new, would you build it differently, I asked (inaudible) it wouldn't be an H. (Laugh) I mean, it would be something else, but I think the overall cost to renovate being less than the cost of building new, probably was the selling factor with regard to... [AGENCY 25]

SENATOR NELSON: Well, may not be in your (inaudible) as far as the sale but I'm going to have to agree with Senator Wightman, if you've got three, a minimum of 300 acres at today's prices, you're talking about \$3.5 million, possibly \$4 million if you've got people farming that really would like to get that land. You're going to be subject, probably to a year-to-year lease, I suppose, before, but nevertheless, that's going to be a pretty good return that would help out with the financing of this. [AGENCY 25]

SCOT ADAMS: We didn't want to overpromise and underdeliver. [AGENCY 25]

SENATOR NELSON: All right. Thank you for your testimony. [AGENCY 25]

SCOT ADAMS: Thank you. [AGENCY 25]

SENATOR MELLO: Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: Thank you, Mr. Chairman. Thank you, Director. If this funding isn't appropriated this year, is it the intention of the division to move towards 24 beds regardless? [AGENCY 25]

SCOT ADAMS: You know, gosh, to be honest with you, Senator, we haven't quite considered that. What I have thought of was if it didn't come through in this sense, we would continue on as is. And so, I haven't specifically hit upon that. We have been downsizing staff sort of by virtue of voluntary leaves. As I mentioned to Senator Bolz, we're about 22 census today, and we have of the 110 funded FTEs, we're under budget today and have about 101 persons in place. And so our...have been moving in that

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direction sort of de facto. I suppose we'd have to take a look at how that would reconfigure from a management perspective. Would we close a floor, close a wing, do those...I mean, right now because of the nature of how things are, you need bodies, and nooks and crannies around. And so, I think we'd have to take a more conscious look at that option that we haven't yet done. [AGENCY 25]

SENATOR NORDQUIST: Okay, okay. Just on another issue, you mentioned that the ACA impacts... [AGENCY 25]

SCOT ADAMS: Yeah. [AGENCY 25]

SENATOR NORDQUIST: ...and I asked director or CEO Winterer about that. Can you address both the \$29-million number and then estimated \$6 million savings for Medicaid expansion, not necessarily the numbers. I know that obviously continues to be a moving target. But discussions you've had with all the stakeholders, the regions, providers about how this transition will take place, knowing that some of it is going to happen regardless of what this Legislature says on expansion, but just the transition of what services will continue to be needed in our communities, continue to be supported by the division and which ones won't. [AGENCY 25]

SCOT ADAMS: Sure. [AGENCY 25]

SENATOR NORDQUIST: And how that transition takes place, just how those discussions are going or how have... [AGENCY 25]

SCOT ADAMS: Thank you, Senator. And, you know, I'm not sure which book it was but it starts off: it was the best of times, the worst of times. And it's sort of what we're in right now from the point of view of behavioral health. This is an extraordinary time because people are paying attention to the impact of behavioral health into healthcare reform, which I think is a tremendous idea in terms of helping healthcare services overall. At the

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same time, there's a possibility that if everybody gets covered, what do I do. You know, I'll twiddle my thumbs. You know. I'm teasing. And for the record, I'm teasing with regard to that (laughter). But we have had those kinds of conversations about if hospitalization is now covered for which we pay, if medication management services and outpatient therapy for which we now pay are covered by insurance, what might that mean? Obviously you're going to have some folks over here that say we should save that money. We will have other folks at the other end saying, no, no, no, you will need to maintain things and grow some services. What I would like to say to you is that I think that there are some core services that the Division of Behavioral Health has had conversations with, with the regions in particular, but also my colleagues in similar positions around the country through different organizations, and also with providers that I know with regard to changes coming and that kind of thing, and among ourselves is a staff of concerned persons. And I think that there are a number of things that come to mind. For instance, there has been a lot of discussion about the issue of safety and growing safety issues and the convergence of mental illnesses and safety issues in communities. I wanted to make a point here and stop for just a second to say I hate that conversation. I hate the linkage of violence and mental illness together because the exact opposite is more often true. People with mental illness are often the victims of violence, not the perpetrators, end of parenthesis. There's still that conversation going on and what might we do about that. Number two, the thing about the Division of Behavioral Health that makes it unusual and special in my mind is the opportunity to provide effective, nonmedically necessary interventions to help keep people out of services, keep them living in the home. For instance, pure services. For instance, supportive employment, supported housing are the kinds of things that help people lead meaningful lives that help them stay engaged, help them to stay healthy and not relapse. Insurance is never going to pay for that kind of stuff. It doesn't do that kind of thing. It's not medically necessary. I get it. But we can and do, and those kinds of things ought to be in place for Nebraskans to help avoid the deeper end costs associated with hospitals and more intensive services. So we have had some of those discussions and those are some of the ideas. [AGENCY 25]

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SENATOR NORDQUIST: Thank you. Appreciate it. [AGENCY 25]

SENATOR MELLO: Director Adams, I have one follow-up question. Senator Nelson kind of hit on it already, which is looking at your remodel budget projects for the Hastings Regional Center. And I was just out talking with the Fiscal Analyst. Looking at your land revenue sale or land sale revenue, I'm sorry, I believe existing statute says that any revenue that's generated from the sale of state land goes into I believe it's the vacant fund...vacant lands fund that's a fund that's housed in the Department of Administrative Services which those funds then are used to demolish future buildings. Is it something the department would be willing to consider in regards to working with the committee if we so choose to move forward on this appropriation to find a way to account for those projected land sales? I know Senator Nelson said he thought it could be up to \$3 million, which would cover actually the entire cost of the demolition. I know that would probably require a statute change in this particular instance to keep those land revenues, the sale of those land revenues to be confined to this specific project or so it wouldn't go into an other fund that's used for an entirely different purpose. Is that something that the department would be able to work with us on to figure out a way to make that happen? [AGENCY 25]

SCOT ADAMS: Sir, I believe that there is LB198 and LB199 also under consideration that...and I'm not sure quite which one, but has specific language about the use of the funds coming back in. And so cognizant of that factor over there, we certainly are open to working with this committee and the Unicameral with regard to this project in ways to help move it forward. [AGENCY 25]

SENATOR MELLO: Okay. Thank you, Director Adams. [AGENCY 25]

SCOT ADAMS: You bet. [AGENCY 25]

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SENATOR MELLO: Any further questions from the committee? Seeing none, thank you, Scot. [AGENCY 25]

SCOT ADAMS: Thank you. [AGENCY 25]

SENATOR MELLO: That will open up testimony. Are there any questions the committee may have for Director Fenner with developmental disabilities or Director Pristow from children and families? [AGENCY 25]

SENATOR NORDQUIST: I think a couple for Director Fenner. [AGENCY 25]

SENATOR MELLO: Director Fenner, would you be willing to answer a few questions first? [AGENCY 25]

SENATOR NORDQUIST: Welcome. [AGENCY 25]

JODI FENNER: Hi. [AGENCY 25]

SENATOR NORDQUIST: Do we need her to spell her name? [AGENCY 25]

SENATOR MELLO: Could you please spell your name for the record? Thank you. [AGENCY 25]

JODI FENNER: Sure. It's Jodi Fenner, J-o-d-i F-e-n-n-e-r. [AGENCY 25]

SENATOR MELLO: Senator Nordquist. [AGENCY 25]

SENATOR NORDQUIST: Just...thank you, Mr. Chairman. Were you here? I don't know if you've been here all afternoon. But just following up on a couple of issues that were raised during the testimony. One about the number of individuals being served by the

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appropriations that we made last year, \$3.6 million. And then also the concern of dollars that aren't being fully utilized by a client, whether or not those dollars are staying with the waiting list population or whether those dollars are being used for other purposes. Can you address those two points? [AGENCY 25]

JODI FENNER: Absolutely. And we've actually provided the information I'm going to share with you to the Health and Human Services Committee. And I didn't bring copies, but I can send it to you if you'd like. [AGENCY 25]

SENATOR NORDQUIST: Great. That's all right. That would be great. [AGENCY 25]

JODI FENNER: But basically in the last two biennial budgets you've provided waiting list funds. In the first biennial budget you actually requested that we spend a portion of those funds on supportive services, noncontinuous services. [AGENCY 25]

SENATOR NORDQUIST: Um-hum. That's right. [AGENCY 25]

JODI FENNER: What we actually found was the natural progression of offering those services resulted in that ratio, so we didn't have to do any special tweaking, so to speak, to make that happen. What we also learned is it takes a very long to get people in services. So we were into round four when you guys...when the last biennial budget was starting to be offered. And so we actually...and quite frankly it was almost finalized. So when we did the round four offers, we actually offered for additional individuals so that when the money came for the last biennial budget, we would be ready to hit the ground running July 1. So while we had anticipated funding 200 people with that money, the reality is we actually funded more; we just did that a little bit sooner. Between rounds one through five as of January 2013, we actually had authorized services for \$15.1 million. And that's actually based on what individuals actually were choosing for services. That doesn't include 12 individuals who were still in process of starting services and a handful of other individuals who were still implementing full services. We

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expect that number to be closer to \$16 million. And actually you only appropriated \$13.6 million. So we offered services to more people based on date of need than you actually appropriated new money for. And we did that through savings through the new waivers that we initiated in 2010. If you'll recall, we expanded our service offerings in 2010 to allow people to use both nonspecialized and specialized services at the same time. We anticipated that would save us money, and it did. And so we used that savings to serve more people. We did also use that savings to serve individuals who are a priority status. That amounted to about \$7 million. And, again, we can provide those numbers to you. We have that in our annual DD update on our Web site. So I'm not sure where that information came from... [AGENCY 25]

SENATOR NORDQUIST: Okay. [AGENCY 25]

JODI FENNER: ...in the prior testimony. But we actually did spend not only your \$13.6 million but additional monies. We don't save monies from an individual's budget or we would leave \$20 million on the table every year, quite frankly. What we do is we meet every month, my leadership team, and we look at where we are on the budget. And then we look at individuals who might...who are in that priority status who are almost in crisis, who are...or in crisis and we see what we can fund. Quite frankly at this point in time, we're .5 percent over our base appropriations, so I'm not sure where the concept is, is that we turn money back. We actually are spending part of the carryover.

[AGENCY 25]

SENATOR NORDQUIST: Okay. [AGENCY 25]

JODI FENNER: I made assurances to Senator Lathrop that I would spend every dollar he gave me and I have done that. [AGENCY 25]

SENATOR NORDQUIST: All right. As far as the caseload issue that was raised, I know that Director Winterer suggested if we fund the amount we did in the budget, we need to

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appropriate a little more for service workers. But as far as the capacity on what we have now, can you address the concern that was raised that I think a 30 to 1 ratio in the Omaha office and whether that's a appropriate amount? [AGENCY 25]

JODI FENNER: No, that is not an appropriate amount, sir. What I can tell you is we have currently 187 service coordinators. A handful of those are new service coordinators that they do not have full caseloads. [AGENCY 25]

SENATOR NORDQUIST: Okay. [AGENCY 25]

JODI FENNER: And because we added...because of the waiting list money, the new graduates, we added about 20 positions in the last two years. And so we have a lot of fresh new faces, which is great but many of them don't have full caseloads because of that. So we do still according to our numbers have caseloads of about 28 in Omaha. I'm not sure where that 30 number is but I can assure you... [AGENCY 25]

SENATOR NORDQUIST: Okay. [AGENCY 25]

JODI FENNER: ...I'll be checking on that. [AGENCY 25]

SENATOR NORDQUIST: Okay. [AGENCY 25]

JODI FENNER: Over the next six months as the individuals who are new continue to get their full caseloads, we actually have enough service coordinators for caseloads to be under 26, and that is our goal. And the projections, the projected new staff that we've requested for both the waiting list, if you fund that, and for the new graduates keeps that 26 caseload. There are increasing expectations on the service coordinators. And I do know in prior years, many have carried caseloads up to 35, and that really just isn't appropriate. [AGENCY 25]

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SENATOR NORDQUIST: Okay. And then finally the issue raised by Director Winterer also on the way we went about the rate methodology, pushing it back for our third fiscal year, ramping it up over three years, and the issues with the federal time line that it would...can you just go into a little more detail on that? [AGENCY 25]

JODI FENNER: Certainly. Part of it goes, with right methodologies, some of it goes with OAP. It all really kind of intermeshes together because our rate is based on an individual's assessed need. And we know we have many people out there currently who are not even under the old rates being funded at their assessed. The biggest concern we have is that directly impacts quality. We have two significant providers in Nebraska who have...who are under disciplinary action at this point in time, one of them on probation, simply because they're not overall getting the funding they need to provide services. I believe, Senator Nordquist, you asked about individuals, nonprofit agencies passing the hat. And I appreciate Senator Lathrop saying they don't pass the hat on Sunday. But they actually are funding a significant part of their services with donations, and that's a problem in accordance with CMS. CMS expects us to pay the full cost of the services. So we do have serious concerns about delayed implementation because we do have to renew our waivers in 2015. And if we aren't funding the full value of the services and we do have quality issues in the community, which we do, CMS is going to have something to say about that. [AGENCY 25]

SENATOR NORDQUIST: Okay. Thank you. [AGENCY 25]

JODI FENNER: I also on the funding issue if I could address, I believe a prior testifier said that we just estimate an average for the waiting list. We actually don't do that. We have contact with everybody on the registry on an annual basis. We actually take the requested services and we do base our estimates on what they have requested and what the average cost of those requested services were for the prior fiscal year. We don't have the staff to have a telephone, and in-depth conversation sharing the array of services. That would be a fabulous idea. We just don't have the staff to do that. But we

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don't just do a blank average of services. It is...it's as thoughtful as we have staffing to provide, so. [AGENCY 25]

SENATOR NORDQUIST: Sure, sure. Thank you. [AGENCY 25]

SENATOR MELLO: Are there any further questions from the committee? I have one question, Director Fenner, and Senator Nordquist asked most of it. I guess my question is, has the department received any direct communication from CMS regarding what the committee had proposed in the preliminary budget that said we couldn't do that over a three-year period instead of a two-year period? Was there any direct communication from CMS that said if the state chooses to do a phase in over three years, you will not qualify for your waive in 2015? [AGENCY 25]

JODI FENNER: Not related to specifically the legislative bill. In our last two waiver renewals, we've renewed the children's waiver and the adult day waiver in the last two years. And in both of those processes, CMS and my staff have had fairly heated conversations on the rates. And repeatedly they're asking us when are you going to implement them, and we assured them we were in process of doing that or we were in process of presenting that information to the Legislature. So they haven't sent us anything saying we won't renew your waivers, but I really anticipate that conversation to begin when we ask for waiver renewal. It was a heated part of our negotiations in the last two renewals. And those were just our small waivers where we serve a couple of hundred people. So when we look at the big issue and then they look at our quality assurance standards and our processes and they see that we do have quality issues, that is going to be a big part of the conversation. We could roll the dice and try it. My concern is by the time we're in those conversations, you're not going to be here to be responsive to that demand if that is indeed what CMS insists on. [AGENCY 25]

SENATOR MELLO: Is it...would it be possible...my hope is that some of us will be here in 2015, myself included, but is it possible that we could work with the department to

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maybe communicate with CMS now to look at the option in which the committee put forward in regards to looking at that three-year phase and instead of what was proposed by the department of phasing it over a two-year period, understanding that ultimately, I mean, with what you just described of the concern that they may have of us telling them over a long period of time that eventually we're going to do it, eventually we're going to do, and which now I think within our committee proposal as well as with what the Governor proposed it shows we are doing it. It's just a matter of whether it's over a two-year period or a three-year period to meet the full rate methodology study. Is that something you would be able to work with us on? [AGENCY 25]

JODI FENNER: I'm not sure. It depends on if CMS...CMS typically isn't in the habit of having the what-if conversations. We could attempt that. I do want to clarify the Governor, the Governor's implementation is of January 2014. It's not a two-part implementation. It takes a lot of staff because we have to do IPP meetings for every individual in services, the DSS has...I mean, there's a lot of work that goes into it. It's not just changing rates because we're actually changing from a unit system to an hourly system at the same time. So to do that two times much less three times, if we do that we're going to have to look at staffing needs because that does require a lot of staffing time. So the Governor is asking us to do that once, not multiple times. My concern, again, we can certainly entertain that conversation with CMS, but there isn't any legal requirement for phase 3 for year 3 to happen and I think CMS would point to the OAP. We made that promise in 1999, and 13 years later we have people who still aren't funded at their assessed needs. And so that is going to impact that conversation with CMS. I think this current Legislature has a different track record than 1999, so I would think that would be a part of that conversation as well. Certainly willing to entertain anything you allow us to do, so. [AGENCY 25]

SENATOR MELLO: Okay. Thank you, Director Fenner. Are there any further questions from the committee? Senator Kintner. [AGENCY 25]

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SENATOR KINTNER: We're talking about people on a waiting list. [AGENCY 25]

JODI FENNER: Yes. [AGENCY 25]

SENATOR KINTNER: And we devote more money dragging people off the waiting list. Do we...you know the old saying if you build it, they will come. And we start taking more people in. Will people out there think, well, jeez, while going is good, let's get in. Will that attract more people so we never get ahead? [AGENCY 25]

JODI FENNER: Well, more people have gotten on the registry since issues in DD have become public in 2008 and '09. Typically in prior years, 200 people would fund a whole year's date of need. In round five, 156 people only funded four months of individual's range of dated need. So you're absolutely right, Senator Kintner, that when people know the funding is available, they actually do apply for funding. But I will also share with you, we have very stringent eligibility requirements. It's not just that anybody can come and apply for the services. They actually do have to meet the eligibility requirements. And one of the things we do in our division is we really, our goal is to support people in the most independent setting possible, to help them get jobs, to help them live in their own homes so that they don't end up in nursing homes or institutions. And in the long run, that should result in a cost savings and again increased individuals. What we're finding is people are getting jobs. We have people in our services who are now taxpaying citizens, and that's really exciting for us. That being said, you're absolutely right. It does result in more people getting on the waiting list and the registry. [AGENCY 25]

SENATOR KINTNER: I suspect that I'm guessing because I don't have any long-term history here, but if we keep allocating more money to this, and I'm not saying we shouldn't, but if we keep allocating more money, at some point it's...will we ever see the waiting list come way down? It seemed like there will just be another one. It's like whack-a-mole. You whack one here, it pops up over here. You whack it there, it pops up over here. Are we ever going to make progress in getting this waiting list down to a very

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short, small...it doesn't seem to me we will but maybe I'm wrong. [AGENCY 25]

JODI FENNER: Well, I think you have made very significant progress. I know it may not appear so in the numbers, but we have...nobody has been on that waiting list for more than five years for residential services. I don't know about you, but I have a young son in college and I'm pretty sure that I'm still going to be providing him some support when he's age 22, 23. So even for young people without disabilities, it's not unusual for them not to be fully independent, living on their own in young adulthood. So nobody is waiting for residential services at this point in time more than five years as long as the Legislature continues to support DD services in the form that we have been. So I think you have made amazing progress, and I know that many of the parents and advocates in this room would be very gracious and are very gracious to you for that. Will the waiting list ever go away? I don't know. I can tell you in the 1,900 various offers we made, over 800 people declined services. They got on the waiting list because they were afraid if they didn't they wouldn't get services some day. So I think we might come to a point at some point in time where we funded everybody who truly is ready for services, and so there really isn't a waiting list. People will come in when they truly want and need those services. But that day is not here yet. [AGENCY 25]

SENATOR KINTNER: So that day may come some day. [AGENCY 25]

JODI FENNER: You know, that is my dream and I think there are many who share in that. [AGENCY 25]

SENATOR KINTNER: Thank you. There's a light at the end of the tunnel then. [AGENCY 25]

JODI FENNER: Well, yeah. [AGENCY 25]

SENATOR KINTNER: Okay. That makes my day. [AGENCY 25]

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JODI FENNER: And the tunnel is already much brighter again I think. I reference the '99 thing, but I do think that we're very blessed for the support we've received. [AGENCY 25]

SENATOR KINTNER: Okay. Appreciate it. [AGENCY 25]

JODI FENNER: Thank you. Anything else? Oh! [AGENCY 25]

SENATOR MELLO: Senator Bolz. [AGENCY 25]

SENATOR BOLZ: Hi, Jodi. [AGENCY 25]

JODI FENNER: Hi. [AGENCY 25]

SENATOR BOLZ: As a new member I would sure appreciate it if you could briefly explain to me the waivers that you're referring to... [AGENCY 25]

JODI FENNER: Oh, I'm so sorry. [AGENCY 25]

SENATOR BOLZ: ...and the value that they have both to clients and...and it seems to me as though there's a financial savings that's associated with those waivers. Could you just explain for me, please? [AGENCY 25]

JODI FENNER: Certainly. Waivers are how we get federal funding. In the 1960s, all DD services were done in large institutional settings. And CMS allowed states to create waivers, which are basically contract proposals to fund community-based services, in lieu of, instead of funding in an institutional setting. So what the waivers are is they're a contract between us and CMS that describe how we're going to provide the funding, how we're going to ensure quality. And, in return, CMS pays us a matching, a federal

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matching, which is I think around 55 percent at this point in time. And so that's what the waiver is. We have to renew those waivers every five years. And we have a comprehensive waiver that sets forth our five-year plan for services. We do have a smaller waiver. One is specifically for children and one is for the adult day services, and the other one is comprehensive. [AGENCY 25]

SENATOR BOLZ: Great. Thank you. [AGENCY 25]

JODI FENNER: Thanks. [AGENCY 25]

SENATOR MELLO: Are there any further questions from the committee? Seeing none, thank you, Director Fenner. [AGENCY 25]

JODI FENNER: Thank you. [AGENCY 25]

SENATOR MELLO: Are there any questions for Director Pristow? [AGENCY 25]

SENATOR NORDQUIST: Yeah. [AGENCY 25]

SENATOR MELLO: Director? [AGENCY 25]

THOMAS PRISTOW: Good afternoon, Senator Mello, members. [AGENCY 25]

SENATOR MELLO: Could you please spell your name for the record? [AGENCY 25]

THOMAS PRISTOW: Sure. Thomas Pristow, T-h-o-m-a-s P-r-i-s-t-o-w. [AGENCY 25]

SENATOR MELLO: Thank you, Director. Are there questions from the committee? Senator Nordquist. [AGENCY 25]

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SENATOR NORDQUIST: Thank you, Director. I just wanted to follow up on a question I asked Director Winterer about where we are with the implementation of LB825, including staffing levels at our local offices and any agreements entered into with community-based organizations. [AGENCY 25]

THOMAS PRISTOW: Sure. LB825, we implemented 43 staff. We hired 43 new field staff over the past eight months since July 1. [AGENCY 25]

SENATOR NORDQUIST: Is that a net number do you know or is that replacing some? [AGENCY 25]

THOMAS PRISTOW: No, that's a net number. [AGENCY 25]

SENATOR NORDQUIST: Okay. [AGENCY 25]

THOMAS PRISTOW: And we...they also were dispersed throughout the services areas, throughout the state of Nebraska, and I have the breakdowns, how many were in each of the service areas. As far as the contracts with community providers, we have existing contracts with community action programs and other faith-based organizations so that they can...our citizens can access these organizations with computer sites so that they can apply on-line. We have not developed any new contracts over this past seven months, seven or eight months, with the appropriations from LB825 for new specific contracts with vendors. [AGENCY 25]

SENATOR NORDQUIST: Okay. What...just broadly, what metrics would you...are you as a director using to measure success of the program? [AGENCY 25]

THOMAS PRISTOW: Senator, there's a number of different things. First, I just kind of have to back up a little bit. I don't want to bore you with all the details, but I had to first assess what the program was doing when I first got here. I made a number of changes

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because our structure of how we designed ACCESSNebraska I believe was inadequate--our communication cost, how we treated our staff, how we handled our staff, our expectations for our staff. All that got shifted beginning July 1. So our metrics, I would say I'm looking to find a balance so that we can start getting...our call times have been dropping, our work tasks have been dropping. With the new move to Medicaid, our Medicaid money coming out of my division to MLTC, that's going to depressurize a little be some of the ACCESSNebraska, food stamps, and changeover for applications. And as that transfer happens, we're going to be able to adjust...we're going to be looking at staffing patterns with Medicaid, we're going to be sending staff over there based on a percentage of how much Medicaid we do. And so there's going to be an adjustment period coming. And just as we start to balance out, you know, then this ACA happened and it's going to take another six or seven months to kind of sort this out. We go by a number of different mechanisms. Just specifically, I look at call wait times. I look at number of complaints. I know, Senator Harms, you had talked about a number of complaints that you had received. We are tracking those daily and the numbers have dropped. We have done a lot of different things over the past seven or eight months to focus extremely on customer support and customer satisfaction and citizens making sure that they have a connection with the person on the edge of the phone. And if they can't do it, they don't have access by computer or phone, that we have a field staff that is absolutely available to them and we accommodate the best we can. And we are doing that. I've very confident with our...with my new deputy director Jill Schreck who got hired in July and the restructuring that we've done to move us forward. [AGENCY 25]

SENATOR NORDQUIST: Thank you. [AGENCY 25]

SENATOR MELLO: Senator Bolz. [AGENCY 25]

SENATOR BOLZ: Hi, Director. [AGENCY 25]

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THOMAS PRISTOW: Senator. [AGENCY 25]

SENATOR BOLZ Just one question for you. I have a letter here with a concern about ongoing funding with the Children's Commission. And as a new member, I'm not familiar with the history, but there is a concern that there's no funding in the preliminary budget for the Children's Commission. Can you just comment for me? [AGENCY 25]

THOMAS PRISTOW: I'm not aware of how that impacts...I mean, the Children's Commission falls under the CEO's office not under my division, although I certainly don't want to...I will not speak for my boss. I will tell you that my understanding is that the money and the operations of the Children's Commission is supposed to be going to the Foster Care Review Office. I think it's...I can't remember the name of the exact bill. And I'm assuming that the funding that was associated with that would move with that. That's as far as I know, Senator. [AGENCY 25]

SENATOR BOLZ: That's helpful. Thank you. [AGENCY 25]

SENATOR MELLO: Director Pristow, does the department...just looking through the preliminary budget in regards to the budget requests that came from the department, is your area intending to give child welfare providers a provider rate increase? And if so, what percentage? [AGENCY 25]

THOMAS PRISTOW: Well, as you know, the Children's Commission through the foster care rates subcommittee had recommended a new rate protocol for foster parents based on a USDA. I think it was LB530 is where that is originating from, Senator Dubas. My understanding after listening to the floor debate is that the bridge payment is going to stay at 3.5 percent and that we would accommodate that through...that's in our base funding for this...for July 1. So we would just continue what we were doing based on last year's legislation with vendors for this coming July 1 and not implement the new foster care rate structure because we just don't have the capacity to do that. [AGENCY 25]

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SENATOR MELLO: I'm just speaking, I have another follow-up question on something else, but what about other providers? [AGENCY 25]

THOMAS PRISTOW: We're not looking at increasing the...we're not asking...no increases, we're going to just flat rate for this coming July. I will tell you that what we are implementing is results-based accountability for all our provider network contracts for protection safety. Seventy-so-plus contracts will be going through a new protocol. It's called results-based accountability which will help look at what we're spending the money on for our citizens, for our kids, and whether or not what type of results we're getting. So we're looking not only to have a better outcome but also to streamline exactly what we're paying for, to know exactly what we're paying for and what we're getting for that. [AGENCY 25]

SENATOR MELLO: What is...it's something that actually it just so happened it was in Senator Campbell's I believe is was LB425, she provided us a report and it briefly talked about the IV-E federal dollars in regards to part of the executive summary. If you just glance at it, it shows a lot of options a state could start considering to increase our federal reimbursement. What is our current rate right now, our match right now? What is the agency looking to do to increase that federal reimbursement for our IV-E dollars? [AGENCY 25]

THOMAS PRISTOW: Oh, this is a very positive message. We started probably back this past summer working with Casey Family Services to help design the IV-E waiver application so that we could get more dollars, a capped allot so that we could move money for prevention, move it...right now IV-E is only for out-of-home care for foster care and it can't be used for anything else. So the federal government has a IV-E waiver that we can apply for, which we have and we are on the fast track to getting that approved, and it looks like probably within the next 30 to 60 days we will have a date for implementation if all goes well that we will be getting more dollars to be able to move

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money into...IV-E dollars into prevention services. That is the key that...for our success for both child welfare and juvenile services. We have got to get the money to the prevention. I spend single-digit percentage of my budget on prevention, and that's unacceptable. [AGENCY 25]

SENATOR MELLO: An issue that was...and maybe it's a matter of kind of walking the committee through, last year we...the division came in and requested an appropriation to deal with the aftermath of the child welfare privatization, essentially ending of the contracts with KVC, as well as making sure that the department and the division had appropriate funding to be able to carrying through services as children moved away from KVC or out of the privatization effort from KVC's end. We continued the effort with Nebraska Families Collaborative. Can you give us an update from the division's perspective of where we're at with the NFC contract? I know I believe April 1 our colleagues in the Health and Human Services Committee will release a report providing the legislative perspective in regards to what should be...what should occur moving forward. But could you give us a perspective today? I know it's maybe a week early, but where the division and the department is currently at and where you see that reflected in your budget request? [AGENCY 25]

THOMAS PRISTOW: Yes, I'd be glad to. We are currently...we began negotiations with NFC for July 1 and we are on track with that to develop a case rate and a performance outcome protocol that we can agree to beginning July 1. They are on track right now. From my budget perspective to end of fiscal year appropriately. We work closely with them both in operations. They are invited to...they're part of our service area administration. They come to operational meetings monthly. And we're working it out. We're doing...you know, they've...their performance outcomes have gotten better and we are working on a case right now so that we can come to agreement on that by July 1. [AGENCY 25]

SENATOR MELLO: Okay. I guess one real last question regarding the child welfare

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budget, and it's more of an ongoing issue we heard over the last couple of years of the decline in the state infrastructure for child welfare, agencies going out of business. And ultimately through that decline and deterioration of the state infrastructure, the department was ultimately directing more and more youth out of state to out-of-state providers at a much higher cost. [AGENCY 25]

THOMAS PRISTOW: Right. [AGENCY 25]

SENATOR MELLO: Can you give the committee any update in regards to what the department and division are looking to do to essentially try to reduce the number of youth that are going out of state to out-of-state providers which we know are at a higher costs and instead focus those youth in-state in efforts of trying to rebuild our existing infrastructure? [AGENCY 25]

THOMAS PRISTOW: Sure. Deputy Director Maca and I talk about this as part of our operational meeting. We are looking at this coming over probably the next six to eight months to have a very strong focus to take...bring all the kids back. I firmly believe that Nebraska has the capacity and the ability to handle kids, our kids, and that we don't need to send them out of state. I think we have to do a little bit more work on capacity building for our community providers. That's where that IV-E money comes in. We have, in addition to that, to help...we have got to be able to do something more with our community and our local providers to develop capacity so that judges have options and they don't send these kids out of state. That's an extraordinarily high priority for me over the next five or six months. We have our first annual prevention summit April 10. We have over...we've just under 400 people registered for that from across the state. We are turning the corner and working with my colleagues, Scot Adams, Joe Acierno, public health, to work at making prevention the priority across all divisions. It is the best way to go. It is a way for us...and it's a cheaper way. And our kids deserve and our families deserve a way to get help without coming...become a ward of the state. That's just really unacceptable to bring a child into...we traumatize these children, bring them in for

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mental health services. It's just not the way we should be doing business. So everything that I'm working with, with my colleagues, both within the department and outside with the providers, is to find pathways to stop that. [AGENCY 25]

SENATOR MELLO: And I guess I have a follow-up question just to some extent on the Program 147's budget. There was no increase requested this year for the child welfare budget. [AGENCY 25]

THOMAS PRISTOW: That's correct. [AGENCY 25]

SENATOR MELLO: Do you anticipate with...in conversations I've had with other colleagues on the Health and Human Services Committee, do you anticipate any savings that will come from this year's budget? Is that why you requested a flat budget for child welfare because you anticipate fewer youth coming into the system and more maybe youth leaving the system, thus you won't need an increase of appropriation or is it...and this was a conversation the committee had last year, whether is it the appropriation we gave you last which was roughly an increase I believe of give or take \$18 million increase that carried over into this year, is that the reason why you don't need an increase this year because we gave it to you last year? [AGENCY 25]

THOMAS PRISTOW: I think my answer is a little bit simpler. I will tell you that the amount of dollars we spent on prevention has...as I so mentioned earlier, is just unacceptable. Since I've been here, we've safely reduced almost 700 children in a year back home safely. I am looking to keep the budget flat so that I can take...yeah, I am anticipating savings on those dollars and I want to push those dollars to the front end for prevention to community service and to providers. That's essential. I need a flat budget for a number of years just to catch up. We are so far behind. We are so off balance with our best practice, our trauma informed care, our mental health services. I need some...I need this from the Appropriations to keep this flat in order to just get this ship to right it up, right it, so that we can be successful. [AGENCY 25]

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SENATOR MELLO: Any further questions from the committee? Senator Nordquist.  
[AGENCY 25]

SENATOR NORDQUIST: I just want to ask about regarding...related to a bill that I introduced, but I know there are several bills introduced related to utilizing excess TANF funds for the surplus balance right now. And if, you know, in the Legislature I know there's one bill that was prioritized--and at least one--that took those funding and that may be the direction it goes, but if the Legislature doesn't utilize those funds for a specific purpose, what is the division's intent with the \$55 million I believe it is that's remaining there? [AGENCY 25]

THOMAS PRISTOW: That \$50-some-odd million is an offset for our operations that we can continue to have the same level of service over the next number of years. To the degree that those TANF funds are then used or taken away from that fund, then we will be coming back to Appropriations saying that our service needs are not being met and we will need an increased budget amount. I can't remember exactly the years that it will go through, but I had that listed in my testimony to HHS a number of weeks ago. But that's essentially the issue. There's probably three or four TANF bills out there...  
[AGENCY 25]

SENATOR NORDQUIST: Yeah. [AGENCY 25]

THOMAS PRISTOW: ...that want to use some of that money. All of them, when I testified what I talked about was you can't argue that it's not right. I'm just trying to figure out how to make sure the money works at the end of the day so that, you know, four or five years from now everybody understands that if this, then that. If we do this, that may have an impact over here. And then you folks make a decision how you want to do it and I'll implement it. [AGENCY 25]

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SENATOR NORDQUIST: Is that what that...for that offset your operation, is that you would be utilizing that on top of what we... [AGENCY 25]

THOMAS PRISTOW: Yes. [AGENCY 25]

SENATOR NORDQUIST: If we hold your appropriations flat, that money would be used for additional... [AGENCY 25]

THOMAS PRISTOW: Yes, Senator. [AGENCY 25]

SENATOR NORDQUIST: ...funding for that. Okay. Thank you. [AGENCY 25]

SENATOR MELLO: Any further questions from the committee? I guess I have one final question. To shed a little bit more light on the deficit request in regards to ACCESSNebraska, CEO Winterer emphasized in this testimony that the original \$3.3 million request, you're now coming in with a reduced amount of requesting \$2.1 million. What ultimately is that, I mean, with the number of questions that I know a number of committee members have had over the years, other senators and other committees have raised issues, what ultimately is this \$2.1 million going towards in the ACCESSNebraska system? [AGENCY 25]

THOMAS PRISTOW: This is the communication cost access that I'm running over budget right now. So begging the question is, what are we doing about it? What are we doing to make sure that we don't have that cost overrun again? We've done a number of different things. Most importantly is that we move the Lincoln 1-800 number to a local number so that residents that are calling 1-800, they just dial locally. It's saving us \$1,000 a day, a workday now for that. When this got designed years ago, when the structure of the communication structure and the telephone system got designed, there was an underestimation made and an overpromise of savings. And that's what I'm dealing with right now. We had an increase of about \$900,000 a year from '09 to '12 in

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communication costs. A lot of different things happened to cause that. We added more programs, wait times went up, call wait times, busy signals, I mean it just was a mess. We are sorting all that out. We are way better now than we were a year ago. And once we roll over the Medicaid and we see how that leaves us and we work out our process, I believe...Senator Harms, I...you know, send me the complaints, I'll deal with them. We are absolutely confident that we will make this work. I got a good team around me. The staff out there really want to make this work, and I'm very confident that we can. I don't like cost overruns. But I have to work with what I have. I have to go back to my boss and to the Governor and say, you know, on my analysis, here's what happened and how are we going to work with this. You know, I wasn't here when this was designed years ago, and I wasn't here when they bought the system. I mean, that's a whole different issue, when they bought the telephone system. But I'm very confident that with this deficit request that we won't be here next year asking for the same thing. [AGENCY 25]

SENATOR MELLO: Lastly, is your division requesting or have any reappropriation funds being requested in your budget? [AGENCY 25]

THOMAS PRISTOW: Say that again, Senator, please? [AGENCY 25]

SENATOR MELLO: Any funds that you've asked to be reappropriated, any savings that you've had within your division that you've asked to be reappropriated over the next years. [AGENCY 25]

THOMAS PRISTOW: Not that I'm aware of, no. No. [AGENCY 25]

SENATOR MELLO: Okay. Okay. Any further questions from the committee? Seeing none, thank you, Director. [AGENCY 25]

THOMAS PRISTOW: Thank you. [AGENCY 25]

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SENATOR MELLO: Any further questions for CEO Winterer? Final call. Seeing none, that will end the division's public testimony under Department of Health and Human Services. Now that will open it up to public testifiers today on behalf of Agency 25, Department of Health and Human Services. [AGENCY 25]

VERN POWERS: (Exhibit 10) Thank you, Senator Mello and the members of the Appropriations Committee. My name is Vern Powers. I'm the mayor of the city of Hastings. I'm here today to voice support for Governor Heineman's plan to address issues at the Hastings Regional Center in Hastings, outside of Hastings. Let me start by saying, the city of Hastings has a positive history working with the state of Nebraska, especially at the Hastings Regional Center. This goes back over 100 years, more like almost 130 years of that facility, late 1880's I believe it was. The Hastings Regional Center has gone through a significant transformation over the past dozen years. Behavioral services office closed, prison closing their doors. You're all familiar with that. The state has reinvested in the state-owned property by constructing three secure cottages to house the Bridges program on state-owned property just south of the existing regional center buildings. We worked with CEO Winterer and Dr. Adams, DAS. We worked a number of meetings. Some of you senators, I'm not sure, maybe some of you were not in here. Senator, the late-Senator Utter, the Governor, we all worked on getting the best place, the best outcome for this. And it worked out pretty good. It's a very nice facility down there considering what it is. As you heard testimony before, this new proposal addresses the issues we see moving forward at HRC: (1) It renovates existing Building 3, housing adolescent alcohol and drug dependency unit; (2) it calls for demolition of HRC buildings that have outlived their usefulness, thereby, making state-owned property more valuable for redevelopment on the HRC campus. Now let me go back a little bit to a few years ago. Governor Heineman and I and Senator Utter were at a function in I think it was in Lincoln here at some function. And I made the comment, we realize at some point this campus is outmoded and someday it's going to be farmland or something else. We said, let's have an orderly transition of

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decommissioning this thing. Don't just walk away from it and leave us 25 buildings that are, you know, broken beer bottles and broken windows and just decrepit. So that area would attract the wrong kind of people. And the campus out there, if you could picture it devoid of buildings, has potential to be a beautiful campus for something. And so I'd make the comment, you know, maybe we could take down a building a year or two buildings a year or three buildings a year, take out the tunnels, the pipes, 130 years of pipes and wires and steam boilers and all of the stuff that goes with something that old. And the Governor said, you know, we need to do that. We've done that at Norfolk. That's a fair comment. And I said, we're willing to work with you any way we can. This is...we're all for helping the state of Nebraska orderly transition this back into something else. So we're going to...we'll be as flexible as we can and we're still that way. Let me go on with my testimony and then we can talk about some of the other...a number of other questions I've heard today which are very good questions. (3) the city of Hastings will assist in the solicitation of private redevelopment on this site. We've actually done some of that already. There's some possibilities there. (4) This proposal would sell off unneeded farmland. The selling of state-owned farmland will not only help fund these improvements at HRC; it will place state-owned property back on the county tax rolls. The timing of the sale of the farm ground could not be better with where land values are today, going back to Senator Wightman's comments. One of the things that was brought up a while ago, over the past several years, the city of Hastings and Adams County have been discussing with DHHS and DAS the possibility of constructing a new adolescent facility utilizing county hospital bonds. Due to the state's inability to guarantee a long-term lease, this possibility has never developed. It has not been discarded by the city of Hastings. We just need to talk about how we can get that accomplished. We feel the Governor's plan is solid and the city of Hastings is in strong support to move forward with the plan that the Governor proposed. And thank you for your time and consideration. One thing I'd like to say before I ask any questions, Senator Wightman, there's probably...there are 435 acres out there, and 300 acres are probably technically available for farmland. A lot of that farmland out there that we think is farmland, shelter belts, swamps, there's a river running through it, there's roads,

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there's an abandoned sewage treatment plant there, there are some difficulties in just saying it's worth, you know, around Hastings, the land is \$10,000 to \$15,000 an acre. I'm guessing this land around there is probably in the \$4,000 to \$6,000 an acre land. There are wells there. A lot of it is gravity; it's not pivot. It could be turned into pivot with a lot of land work. So I think Dr. Adams' original assessment of \$1.4 million is probably in the vicinity. It might get up to \$2 million. As far as \$3 million to \$4 million, I don't think we're there. But that's a possibility. And we don't know unless we put it up for market. We always...when I talked to the Governor years ago, I said, why don't you start selling off that land like tomorrow and use it to start taking stuff down. And if you need to sell a quarter this year and do two buildings or whatever, go ahead and do it. We're not in a hurry to, you know, just we got to get this all done. We want to work with the state in order to get this orderly and the least cost-prohibitive to the state. So we're flexible in any amount of areas. As far as the long-term adolescent facility utilizing hospital bonds, we thought this was a pretty good idea. We're all for it. I've been in bonding. I worked with state Auditor down the hall here for four years. I've been a bank owner. I've been on both sides of the bonds at bond issue. No bond seller of any acumen would ever say we'll loan you \$15 million to put up a facility with a one-year lease. That...we all know that just would not go. Senator Utter, myself, my administrator Joe Patterson, Tom Hastings, the city...Hastings Chamber of Commerce, Dave Rippe, HEDC, we worked on this issue for a long time. And we're ready to go on it if we can find something that is a 20-year lease. This thing would happen in Hastings. Senator Nordquist, we're very comfortable with competing against anybody on an open bid market. We are very comfortable with that. One thing I need to say about...another thing is, last night, Mayor Vavricek apparently testified here, said nobody in this hearing room is interested in the Grand Island vets home. That's not true. The RFP has not come out, so Mayor Vavricek's enthusiasm tempered his bad judgment in that comment. (Laughter) So let me...we are more than happy to...and so it Kearney and probably so is Minden, a number of cities, we're all happy to bid on that project. Don't ever think we aren't. So if you have questions for me, we want to do what's best and help you do what's best for the state. We understand that this is a burden and that someday this is going to be

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decommissioned. And we wanted to...we had naval ammunition depot. I don't know how many of you have been out in Hastings before, but that got decommissioned over a number of years and we turned that into a great project. And we worked together, and that's what was good about it, with the federal government, with the state government. We all worked together. That thing has turned, returned a fabulous investment to the state of Nebraska, and we think we can do that with the land out there at the regional center also. So if there's any questions, I'd be happy to answer any of them. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Mayor. Are there any questions from the committee? Senator Wightman. [AGENCY 25]

SENATOR WIGHTMAN: Thank you. Thank you, Mayor, for being here. You talked about redeveloping some of this land or maybe over a period of time that you'd remove things that would make it difficult to irrigate or farm or whatever it might be. What about the potential commercial use? Do you think it's great as well? And do you think that's might be a possibility as far as the use of this land? [AGENCY 25]

VERN POWERS: There's approximately I guessing anywhere from maybe 60 acres in the actual regional center campus, which is on the very west part of Hastings. The farmland kind of is in a horseshoe around the campus going west, farther west of Hastings. I think there is a commercial possibility, and we had...we had a kind of a tentative idea of what we could have done with that with a local school district making it a small planned community out there at about the time of Senator Utter's death. Things kind of fell apart after that. But we thought, you know, there's a possibility we could do a convenience store, a school of some sort, possibly, you know, 30 to 50 houses out there in that area. It's a beautiful area. If you've been out there before, there's hundred-year-old cedar trees and walnut trees and it's a beautiful area. A lot of it's forested. A lot of it's park area, which is getting more and more difficult to take care of as you have to mow 80 acres. It's tough. But with Senator Utter's death and then and

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term limits taking out some of the senators, things kind of fell apart. We're still available to do that and we're still interested in doing a lot of projects like that. It's just things just kind of got dropped on both sides. [AGENCY 25]

SENATOR WIGHTMAN: What's your thought if you were going to look at marketing some time in the next couple of years as to whether there would be a more likelihood that it could be marketed for agricultural use as opposed to... [AGENCY 25]

VERN POWERS: A lot of that farmland, I mean, we could...we, I'm saying we, I mean you could sell that tomorrow depending on the lease. You know how leases go. You have to give your farmer's a year at the end of harvest. And I don't know how DAS has that set up with their lease program. That farmland if the leases are unencumbered, that stuff could be sold next week ready for this farm season, you know. Whatever 300...well, maybe 300 acres would bring on the market, say it brings \$2 million. If you could start by taking down a few buildings at a time, and your comment about putting it in a land, the abandoned land use fund and holding it there for that project. We want to do this in an orderly fashion so it doesn't hurt you with the rest of our...working on my budget, I know how difficult it is. You guys have infinite times higher than mine. We are all trying to do the best we can, pinch pennies anywhere we can. I'm flexible to do work with you guys, women, any way I can to orderly transform this. The farmland could go right away. We could develop that campus out there. It might take a number of years. But if we have a flat surface, a flat playing field to work from, we can start working on that at any time. [AGENCY 25]

SENATOR WIGHTMAN: Is that 300-and-some acres, 340 acres I think I heard once, is that all in one unit so that... [AGENCY 25]

VERN POWERS: It's pieces. It's...this may be, I don't know, six to ten partials I'm guessing. There might be a 40 and an 80 and, you know, 200. There's odd kind of shaped pieces all over. A lot of shelter belts. It was kind of a...lots of shelter belts have

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been planted by the person that owned this at some point before the state or had farmed it before the state. It was very conservation aided. There are shelter belts everywhere in this area, which has made the land, you know, it's very fertile land. But take down a few shelter belts, get rid of a sewage treatment plant, straighten a creek out, you pick up a few acres. We have a place out there called Prairie Loft, which was a former dairy facility, dairy and meat facility for the regional center years ago which they grew all their own food. They harvested their own animals. But that's been turned into a...like a living history farm. Just like in Des Moines, a living history farm sort of program. That area surrounds that too. But a lot of it, if we could clean up a lot of it, a lot more farmland could be utilized. [AGENCY 25]

SENATOR WIGHTMAN: Right now what the price of farmland is probably is about worth as much for farmland as it is for potential commercial use. [AGENCY 25]

VERN POWERS: I'm a large landowner in south Nebraska. I don't think there's a better time ever to sell farmland if you want to. And let the new person, if the price is where you want it, the new person can have...take dozers out there and fix it the way he wants or she wants. Yeah. [AGENCY 25]

SENATOR WIGHTMAN: But your thought isn't that it would be sold as a single unit, that it would be divided into corrections. [AGENCY 25]

VERN POWERS: My guess there would be numerous, numerous bidders on it. That's what would be the advantage of you selling it. Some people could afford the 40; some people would maybe, you know...you know how auctions go. You bid piece by piece by piece, then you bid as a whole. And that would probably be the way to do it. But it would draw a lot of traffic because it's close to town. There's highways on every side of it. The elevators are maybe a mile away from every chunk of it. [AGENCY 25]

SENATOR WIGHTMAN: Thank you. [AGENCY 25]

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VERN POWERS: Thank you. [AGENCY 25]

SENATOR MELLO: Are there any further questions from the committee? I guess it's more of just a statement, Mayor. First off, I appreciate your openness and willingness to work with the committee on this initiative and this project. I was...once again, I think some of the members who were here four years ago when I know we worked with Senator Utter to try to work with the city of Hastings and the Department of Health and Human Services to come to some kind of agreement. Unfortunately it appears it hadn't worked out at this point. It's still something that it's my hope that we can maybe revisit that issue. And I'm just glad to hear that you and the city are still willing to be willing partners in that conversation. [AGENCY 25]

VERN POWERS: Thank you, Senator Mello. [AGENCY 25]

SENATOR MELLO: So thank you, Mayor. [AGENCY 25]

VERN POWERS: I sure am. It's just on hold. It's not dropped. It didn't go away. It's just on hold. And we're still available to keep working on it if you guys are interested in it. [AGENCY 25]

SENATOR MELLO: We appreciate that. Thank you, Mayor. [AGENCY 25]

VERN POWERS: Thank you. [AGENCY 25]

SENATOR MELLO: Next testifier tonight on behalf of Agency 25. [AGENCY 25]

C. J. JOHNSON: (Exhibit 11) Hello again, Senator Mello, members of the Appropriations Committee. My name is C. J. Johnson, C. J. J-o-h-n-s-o-n. Again, I'm the regional administrator with Region V Systems, one of the six behavioral health regions

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in the state of Nebraska. I'm here to testify in regards to the budget recommendations for Agency 25 specific to the Division of Behavioral Health and funding allocated to the regional behavioral health authorities under Program 38. The Nebraska Association of Regional Administrators is a coalition of the six regional administrators for behavioral health across the state of Nebraska. The Affordable Care Act has provided all those concerned with behavioral health in Nebraska the means to evaluate the overall impact to both the private and public system. We would like to focus our attention on the financial analysis performed by the Division of Behavioral Health and subsequently provided...who has subsequently provided that information to the Legislative Fiscal Office. The financial analysis document indicates a potential savings to behavioral health of \$14 million in the first year and \$29 million in each year thereafter. We appreciate the committee's prudent recommendation to not reduce the current allocations to the behavioral health regions during the next two fiscal...two-year fiscal cycle. It is too early to understand both the direct and indirect impact that the Affordable Care Act will have on behavioral health services. Even if a cost savings towards current service capacity was realized, numerous deficiencies would still remain in the overall delivery of behavioral health services to both children and adults. Prevention programs for children and youth, telehealth to support the large rural community in Nebraska, supported housing, supported employment, and a strong IT infrastructure for behavioral health have yet to be totally realized, just to name a few of the critical supports necessary to ensure recovery for consumers. In conclusion, Chairman Mello and members of the Appropriations Committee, we want to thank you for your thoughtful consideration and continued full funding of the regional behavioral health system. This demonstrates your understanding of the important role we have played in ensuring that Nebraska citizens who are affected by behavioral health issues are provided the services and supports needed to improve their lives and, thus, the lives of all Nebraska citizens. [AGENCY 25]

SENATOR HARMS: Thank you for your testimony. Any questions? Seeing none, thank you very much. [AGENCY 25]

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C. J. JOHNSON: Thank you. [AGENCY 25]

SENATOR HARMS: Anybody else would like to speak on behalf of Agency 25?  
Welcome. [AGENCY 25]

ALAN ZAVODNY: (Exhibit 12) Thank you. Good afternoon, Senator Harms... [AGENCY 25]

SENATOR HARMS: Good afternoon. [AGENCY 25]

ALAN ZAVODNY: ...members of the Appropriations Committee. For the record, my name is Alan Zavodny, A-l-a-n Z-a-v-o-d-n-y. I'm the chief executive officer of NorthStar Services, an agency supporting people with developmental disabilities in 22 counties in northeast Nebraska. And I'm also mayor of David City, so anything leftover from Hastings (laughter) we'd be interested in. I thought I should make that commercial for my community. My message today is simple. Thank you for your consideration thus far for funding services for people with intellectual disabilities, referred to in your budget document as developmental disabilities. We feel that we have been treated very fairly in the budget. I'll repeat one thing that I have said in previous years. The Legislature of Nebraska remains, for all intents and purposes, our only significant funding source. Each year, your appropriation is leveraged to increase federal funding for these services. It has been our experience that money has been appropriated for supports, yet we are seeing less and less. We need to have that situation turned around. We just don't quite understand that approach. In closing, I'd like to suggest that you would consider a 2.25 percent rate increase that would be effective July 1, 2013. And I hope my brevity will cause to remember our request fondly. (Laughter) [AGENCY 25]

SENATOR HARMS: Thank you for your testimony. Do we have any questions?  
[AGENCY 25]

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ALAN ZAVODNY: I cracked somebody up. [AGENCY 25]

SENATOR HARMS: Seeing none, thank you very much. [AGENCY 25]

ALAN ZAVODNY: Thanks. [AGENCY 25]

SENATOR HARMS: Welcome. [AGENCY 25]

KATE KULESHER JARECKE: (Exhibit 13) Good evening. Again, my name is Kate Kulesher Jarecke, K-a-t-e K-u-l-e-s-h-e-r J-a-r-e-c-k-e. I'm the executive director of the Nebraska Association of Service Providers. We would like to thank the Governor and the Legislature for recognizing the important role the association's agencies play in our communities. And we are here today to support the Governor's budget for a rate increase which has a January 1 of '14 implementation date. The current rate being utilized by DDD were developed in '92 and, although they have had modest cost-of-living increases, a recommendation of a 15 percent increase was suggested in a study in 2011 but no action was taken. There has been no increase to providers since July of '10. We are asking that you budget for a cost of care or rate increase that will help stabilize operations for providers as they work in collaboration with the division to achieve the outcomes desired by all--quality, community-based supports for individuals. Why is this necessary? Providers have sustained increases in operations, benefits, and other costs that have made it impossible to increase direct-support worker wages. The effects of the fiscal situation fall most directly on the backs of the people doing most of the difficult jobs--the direct-support professionals. As reported in our national association's Direct Support Professionals Wage Study, the average wage for private provider DSPs is \$10.14 an hour compared to \$15.53 for state-employed DSPs. As a result, many of these workers are forced to work two jobs in order to feed their own families. Under such duress, the turnover for DSPs averages 50 percent, and that's nationwide. We're a little bit lower here. And the high turnover reduces the consistency

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and quality of supports received by people with disabilities. Therefore, we are requesting a 2.25 percent increase beginning July 1 of this year with the Governor's budget being fully implemented in January of '14. The providers have been working with the division to ascertain the impact of the rate methodology. At this point, we cannot testify to the exact impact of the rate methodology because we're not certain how the rate methodology will affect all of the service providers. We are working with the department on this methodology for the fair and equitable distribution process of the rate and appreciate the time and attention they have spent on this change. In conclusion, Governor Heineman and his administration have maintained a welcomed commitment to providing supports and services to people in the disabilities in the community. The budget recognizes the need for increases that will maintain the viability of agencies that provide the substantial quality supports and services to the citizens of Nebraska who have intellectual disabilities and their families. We urge the Legislature to approve the Governor's budget. Any questions? [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Kate. Are there any questions from the committee? Seeing none, thank you. [AGENCY 25]

LINDA REDFERN: (Exhibits 14 and 15) Good evening and thank you for this opportunity. My name is Linda Redfern. I'm the executive director of Region I Office of Human Development in Scottsbluff, Nebraska. Our agency is a sole provider of comprehensive developmental disabilities services in the 11-county Panhandle area. I also come to you representing the Nebraska Providers Network, a consortium of providers and advocacy agencies serving people with developmental disabilities. And I'm also submitting a letter of support from Disability Rights Nebraska. Since the passage of the Developmental Disabilities Service Act in 1991, the mandate for establishing a fair and equitable funding system has been in statute. In the ensuing 22 years, this mandate has never been achieved, though there have been several attempts. The Legislature has requested studies on rate equity and objective assessment process, the waiting list, and, most recently, a new funding methodology.

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One of the problems with addressing the fair and equitable funding mandate was that no governor has ever supported the necessary funding in the Governor's budget until this year. Through all the studies, it has been clear that the funding was not fair across the state and, in particular, the people served in the western part of the state were drastically underfunded. The new funding methodology for community services developed by the division and included in the budget request to the Governor and his agreement to fund it in his proposed budget finally allows us an opportunity to make significant progress in a fair and equitable funding system. The service providers support it. The advocacy programs support it. The division supports it. The Governor supports it. And now we ask the Legislature to support it in full. Funding only part of the methodology will do no good as that would not achieve the fair and equitable goal. What will the new funding accomplish? For John, it will mean he will no longer have to share a bedroom and be able to participate more in his community. For Danielle, it will mean she will be...have more opportunity to participate in her favorite activity--shopping--without all of her house mates having to go with her. For Jeremy, it will mean he will have more staff assistance with his daily routine as his dementia has decreased his abilities. For Heath and his wife, it will mean that they can learn more home maintenance and gardening skills and to be a good neighbor. And for Kate it will mean that at age 85, she won't have to spend all day at day service and she'll be able to retire at home, as most of her peers do. Additional funding would allow providers to offer starting wages that would provide maybe not a livable wage but move towards a livable wage; hopefully reduce turnover; professionalize the work force and, in turn, enhance the quality of services. Currently, service participants are getting jobs that pay more than what the staff who help them obtain that job earn themselves. A pool of qualified applicants for beginning positions is nonexistent at the current wages offered. We support an increase of the 2.25 percent increase in July to tide us over until the new funding methodology goes into effect in January. Just demanding higher quality of services without providing community providers the funding to hire, train, and retain staff makes it impossible to achieve the quality demanded. Now is the time, finally, to fully fund the developmental disability service system so that those receiving services and

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supports are treated fairly and to end their wait to receive the additional services they deserve. Thank you. [AGENCY 25]

SENATOR MELLO: Thank you for your testimony, Linda. Are there any questions from the committee? Senator Harms. [AGENCY 25]

SENATOR HARMS: Thank you, Senator Mello. Linda, thank you very much for coming, making the long trip from Scottsbluff to Lincoln. I know that... [AGENCY 25]

LINDA REDFERN: It's all downhill. It's not a problem. (Laughter) [AGENCY 25]

SENATOR HARMS: I know. It's...it is. [AGENCY 25]

LINDA REDFERN: It's going home that's tough. [AGENCY 25]

SENATOR HARMS: And when you go back, you go back barefoot and walk in the snow, too, don't you? [AGENCY 25]

LINDA REDFERN: That's right. [AGENCY 25]

SENATOR HARMS: Yeah. I understand that. Linda, could you explain to me, do you anticipate further growth in the number of people needing services there? And how many people are we actually not able to serve appropriately with the present funding that we have? [AGENCY 25]

LINDA REDFERN: Well, when we initiated the objective assessment process, about 40 percent of the people we served, which was about 200, were below their projected objective assessment amount. And that...the only time that we were told that they could get an increase if somebody else who was over would get decreased. And in that nine years, that hasn't happened. That's what I'm...we have about 175 people in services

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now and a lot of that is because people have chosen the least restrictive, more community supports program or we...but so I don't know that our program is going to...just because there are so many other options out there. But we still have, we still have four-person and five-person and six-person group homes, and some of those people have to share bedrooms because we can't afford to run them with the funding that the person generates because they're not at their objective assessment amount. And so, you know, so that's what, you know, we're really looking at is the fact that giving some people freedom, giving some people better quality of life. And if I could hire people at a little higher salary so I have a better pool of applicants so there's more quality staff, I wouldn't have exhausted staff which I have now who are having to work long hours. Because they're really...the pool of applicants, they're just isn't anybody that's coming in the door. [AGENCY 25]

SENATOR HARMS: Linda, do you think that because of this, the issue of funding and things, we just have lost people there? They're doing other sorts of jobs or have moved out. [AGENCY 25]

LINDA REDFERN: As far as staff that we've lost? [AGENCY 25]

SENATOR HARMS: Right. [AGENCY 25]

LINDA REDFERN: Well, for instance we have a program in Sidney and we can't compete with Cabela's. We can't even compete with McDonalds, you know. And, you know, those are some of those...those jobs, you know, it's hard work when you have to take fully care of someone. You have to deal with all of their hygiene needs. If they have...you're transferring from wheelchair into bed and so forth, you need to two staff there. And sometimes, you know, that's hard to get two staff there, so it really puts a strain on that staff. You know, they're totally responsible for that house, and, you know, the four or six people there. And, quite often, they work alone. They don't have...because the funding is not there for them to have...for us to have two people

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there when we really should. You know, we are...I'm so blessed with the staff that I have, that they are committed and that, you know, they're willing to go that extra mile. But I don't know how much more I can ask of them. [AGENCY 25]

SENATOR HARMS: Well, thank you very much. [AGENCY 25]

SENATOR MELLO: Senator Kintner. [AGENCY 25]

SENATOR KINTNER: Mr. Chairman, just a quick question and a quick statement. Do you get any private-section funding? Do you do any private fund-raising? [AGENCY 25]

LINDA REDFERN: We don't do private section funding. We are...our organization is a regional program that has...my board has 11 county commissioners, and they do provide some additional funding. What we depend on the community for is a lot of the recreational type of activities that like churches or community groups put on. We have active action clubs with the Kiwanis. So we don't really ask them for money. We ask them to participate, which is...which also relieves staff a little bit as well. But we don't do community fund-raising. There's...you know, I don't think that, personally, I've always believed that our folks are not a charity case, you know. This is...we're doing what's right for them with what they need to have. [AGENCY 25]

SENATOR KINTNER: Well, you know, I hope that you realize, you know, first of all, this committee I think supports what you're doing, obviously within our plenary budget. [AGENCY 25]

LINDA REDFERN: Well, they do and I certainly appreciate all the support we've had. [AGENCY 25]

SENATOR KINTNER: Yes. But I hope you realize what we do here. We...almost to the point of a gun, we go to people and we say, give us your money that you worked very

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hard for. And if you don't give us that money, you're going to go to jail. So we force people to give us money for things they wouldn't normally give money for--you. And we forcibly take that money from them and we give it to you. So I just want to point out that this isn't...we have an awesome responsibility to be very, very responsible with this money and spend it the most prudent, frugal way possible like it's your own money. I hope we do that. And no one has told me that you don't. But I just think we get very flippant. Ah, another \$1 here, \$4 more for the dollar. You know, this is huge responsibility when you can reach into someone's pocket and forcibly take his income from him. [AGENCY 25]

LINDA REDFERN: Sure. [AGENCY 25]

SENATOR KINTNER: And so I pray you go out there and do great work and don't waste a dime of it. [AGENCY 25]

LINDA REDFERN: Well, we hope we don't waste a dime of it. And the other part of it is, is that we're trying to create taxpayers. As we help people find jobs, hopefully they'll be paying taxes too. As they continue to contribute into their community, you know, whether they're doing their own volunteer work, which we really encourage them to do, that they become a vital part of their community in all aspects of their life just like the rest of us. And so we are very conscious of doing the best with the dollars that you're gracious enough to give us. [AGENCY 25]

SENATOR KINTNER: Thank you. And thank you, Mr. Chairman. [AGENCY 25]

SENATOR MELLO: Thank you, Senator Kintner. Are there any questions from the committee? Just as a statement, Linda, I guess some may also perceive paying taxes as the price we pay to live in a civilized society. (Laughter) [AGENCY 25]

LINDA REDFERN: That's right. [AGENCY 25]

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SENATOR MELLO: And the work that you do is part of that civilized society. So thank you. [AGENCY 25]

LINDA REDFERN: Thank you very much. [AGENCY 25]

SENATOR MELLO: (See also Exhibits 25 and 26) Are there any further testifiers tonight on Agency 25? Any further testifiers tonight on Agency 25. Seeing none, that will close tonight's public hearing on the Department of Health and Human Services and end the Appropriations Committee hearings for the year. Thank you. [AGENCY 25]