



Opening Day Speech

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Speaker, Nevada State Assembly

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25th Special Session

I want to thank you for the honor of serving as Speaker. I want you to know that I will do my best to serve you and our State.

To the newly elected legislators, I welcome you. The legislative branch of government is one of the most important – we enact policy to move our State forward and adopt a state budget that reflects what kind of State we want to be. You will learn our traditions, traditions that have been handed down from some very talented legislators who came before all of us. You will bring your own experiences and life views in all the matters you examine. It is the best process utilized in the world.

To our returning legislators, welcome back. We have been given another opportunity to serve by the people we represent. Every legislative session is unique, but we know that certain things never change: if we work as problem solvers, together we can create solutions to any problem facing our State.

It's easy to be a leader when times are good; when the economy is healthy, new programs are possible. You feel good when:

- Parents and business leaders ask you to approve new money to retrofit high schools for career and technical programs and you can.
- Families beg you to finally set up autism treatment programs, and you can.
- Judges ask you to set up effective alternatives to prison such as new drug court or mental health court programs, and you can.

It's not so easy when times are tough. But when they are, you need leadership more than ever.

We are facing an unprecedented time here in Nevada and in our country. For months, the pundits have been wondering whether our country was in a recession.

But Nevadans weren't wondering.

- Nevada leads the nation with 1 out of every 74 homes in foreclosure, the highest rate in the nation for 22 consecutive months.
- The mortgage industry meltdown has eroded property value; 48% of Nevadans owe more on their mortgages than their homes are worth.
- Construction has screeched to a halt.
- Many businesses are hanging on by a thread.
- Visitors across the country and the world are reeling from the economic downturn and are staying home or spending less, causing our general fund revenue to go into a freefall.
- Our unemployment rate is rising and is now at 7.5%, which is higher than the national average of 6.5%.
- Mounting job losses mean locals are spending less.
- This fiscal year alone, we have seen our revenue projections get adjusted lower and lower.
- Just when we think things can't get worse, they do. Before this special session, we reduced the biennial budget by \$1.1 billion.
- And we are now facing an additional \$340 million shortfall in this fiscal year. Combined with previous reductions, this represents an overall drop of 21% in revenue.

At the same time:

- o Our kids still need schools.
 - o Our poor seniors still need their nursing home bills paid.
 - o Violent criminals still need to be in prison.
 - o Highway patrolmen still need to patrol roads.
- 93% of our state funding goes to three places: education, health and human services and public safety.

- Major declines in revenue hurt the three most important things government does.

Thus far, reductions – either by the Governor unilaterally, or by lawmakers and the Governor working together – have included the following:

- \$173.5 million in cuts to K-12 at a time when our schools rank 47th in the nation for funding.
- \$83.8 million in cuts to higher education when our colleges and universities rank 49th in the nation for funding.
- \$26.5 million in cuts to prisons, closing one prison, one conservation camp, and one section of Nevada State Prison, and leaving 20% of the positions needed to staff the prisons vacant.
- \$5.6 million in cuts to Parole and Probation, leaving 17% of the positions cut, with some caseloads per officer recommended at 100 now at 700.
- \$113 million in cuts to Health and Human Services. These cuts closed mental health clinics, reduced Medicaid reimbursements by 5%, and created reductions of personal care aid to our most vulnerable seniors. 15% of the positions in the department are now vacant at a time when caseloads are skyrocketing.
- We returned \$45 million to the federal government because we no longer had matching State funds available.
- We've drained the rainy day fund, stopped construction projects, halted maintenance projects, and drained reserve accounts.

Now we are faced with a changed projection – in the middle of the fiscal year.

We must balance the budget. Unlike the federal government, or California for that matter, gridlock is not an option.

If we were to implement across-the-board cuts now in order to balance the budget and had 12 months to do it, a 10% reduction of funds would be required. But because we only have 6 months left into the fiscal year, a 20% reduction of funds would be required.

Can we reduce funding to education, health and human services and public safety by 20%?

The answer is a simple no.

And so the bills that will be introduced today represent another alternative.

- They include sweeping reserves from all remaining accounts and targeted cuts suggested by agency directors. They also include a line of credit of \$160 million which could be utilized if our ending fund balance of \$189 million is not sufficient.
- No one would recommend any of these options if the economic conditions were not so unprecedented. No one would recommend these options at all – except when you examine the alternatives. If we didn't utilize the line of credit, we would be facing alternatives such as closing Summit View, the State's correctional facility for the most serious and violent juvenile offenders; reducing Medicaid payments to nursing homes and hospitals, forcing some to close their doors; and shifting students to classrooms doubled in size in the middle of the school year.
- These are not invented scenarios – these were options considered.
- Our challenges are not over. For the next biennium, the Economic Forum has predicted that our revenue will decline 34%.

What that means is that from 2005-2009:

- Our general fund revenues are projected to increase 1.26% while the state's population is expected to grow by 4.5%,
- The state's prison population will increase by 24.3%,

- Students enrolled in K-12 education will increase by 9.4%,
 - Higher education enrollment will grow by 9.2%, and
 - Medicaid caseloads will grow by 13%.
 - At the same time, the consumer price index will increase by 9%.
- Our work here today is to act as crisis managers.
 - When we come back, there will be no band aids left.
 - We have to come in with a clear focus – how to weather this financial storm and how to be less susceptible to the boom and bust cycles Nevada experiences every ten years.
 - We need to examine our assumptions that gaming is recession proof, that real estate holds its value, and that our construction boom will never stop.

We need to develop solutions that balance two things:

- Education, health care and public safety cannot withstand a 34% cut.
- Our economy is fragile and many families and businesses are hanging on by a thread.
- We know that the economy will turn around. Our nation and our state have some of the best and brightest minds and our potential is limitless. The economy will turn around – it is just a matter of when.

If we, as state leaders, create permanent change as a result of this downturn, change that includes:

- An examination of spending so that our rankings in critical areas improve,

- The creation of a forced savings account so that we address our boom and bust cycles, and
- Ensuring adequate revenue is available to fund our spending priorities so that we meet our goals as a State,

we will create a stronger State for the Nevadans who just elected us to meet these challenges.

Thank you for the honor you have just given me. Working together, we can create a better Nevada for all those who have placed their trust in us.