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Appropriations Committee
March 10, 2011

[AGENCY 12]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 11, the Attorney General? Seeing none, we will close up the public hearing on Agency 11 and open up the public hearing on Agency 12, the State Treasurer. Welcome. [AGENCY 11]

DON STENBERG: (Exhibit 3) Good afternoon, Mr. Chairman, members of the committee. For the record, my name is Don Stenberg, S-t-e-n-b-e-r-g, and I am the State Treasurer. I have reviewed, of course, my predecessor's budget recommendations or proposals, the Governor's recommendation, and the committee's preliminary recommendations for 2011-2012 and 2012-2013. They are a 13 percent reduction in the operating budget of the State Treasurer's Office and I'm here to support that recommendation by the committee, the committee's preliminary recommendation. This will be a very tight budget but I think, with effective management, we can continue to perform all the necessary operations of the State Treasurer's Office with a 13 percent budget reduction. I did, as you know, Mr. Chairman, meet with you approximately two weeks ago and provided you with a letter dated February 25, 2011, in which I requested some flexibility in our personal service limitations so that as we implement this very tight budget over the next two years I'll have the ability to shift people or parts of people's time among the various programs so that we can effectively manage this program. And I've set out the requested personal service limitations in this letter and request that the committee adopt those, if possible. Some of those actually are smaller than the committee...original committee recommendations, some are larger, and I'm sure we will not spend it all but I just don't know two years in advance exactly how many people I need to get assigned to each function to get it carried out. So we need some personal service limit flexibility. It in no way increases the amount of money that we would spend. There was a deficit request submitted by my predecessor that the only new money relates to the College Savings Program and, I think as the committee knows, under my predecessor the management of the College Savings Program was shifted from Union Bank to First National Bank of Omaha, was a fairly expensive transition process and it

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was underbudgeted. Virtually all of that money was spent prior to me becoming the State Treasurer and that deficit request is for additional consulting fees already incurred of \$65,926.25, and additional legal fees of \$65,000. I don't like deficits--I used to be in state government--because it's kind of like what do I do about this? And in that sense, I'm in that sense, I'm in the same boat as the Appropriations Committee. This is money that's spent before I was even in office, but it has been spent and there's a legal obligation now for the state of Nebraska to take care of. And that's the only remarks I have. Respectfully request the committee's consideration of our budget proposals and be happy to answer questions. [AGENCY 12]

SENATOR HEIDEMANN: Are there any questions? Senator Conrad. [AGENCY 12]

SENATOR CONRAD: Thank you so much and welcome to your new role. [AGENCY 12]

DON STENBERG: Thank you. [AGENCY 12]

SENATOR CONRAD: I have a couple of questions. One, I don't know if you were present in the room or not when the State Auditor was here on his budget a few minutes ago. I didn't think you were. I didn't see you in the audience yet, though... [AGENCY 12]

DON STENBERG: No, I caught a part of it on...I know that you asked a question about the SLEBC, but... [AGENCY 12]

SENATOR CONRAD: Staffing. [AGENCY 12]

DON STENBERG: ...I didn't hear it all, so if you'd like to repeat it. [AGENCY 12]

SENATOR CONRAD: Yes. And the State Auditor, of course, has released some findings from health insurance audits, particularly related to the State Patrol, earlier this

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week and was suggesting that the State Treasurer's Office kind of act as receiver or manager for those funds. It wasn't clear to me if that's on a permanent or a temporary basis. But I just wanted you to address, in your staffing plan, if you had the capacity and ability to do that with these existing resources or how that would work. [AGENCY 12]

DON STENBERG: Well, yes, although it's important... [AGENCY 12]

SENATOR CONRAD: And it might be too early to say (inaudible). [AGENCY 12]

DON STENBERG: Yeah, well, it's...we won't need any additional resources, but let me explain why. There's really two different components to this situation or at least from my perspective. There is the physical handling of the money, and that's one process and that's the part that the treasurer would be taking over. The other and more complicated, staff-intensive part of the process is the benefit management, the review of all the medical claims, and then the oversight of the benefit manager. The agreement, the agreement in principle that I reached with SLEBC only brings the money under the State Treasurer's control, and so I will not have any different duties there, at least we don't envision that, than I do with the general state health employee plan. It will be a different...a different fund, a different plan. But basically the way it will work is the benefit manager of the SLEBC plan will periodically, probably most business days, submit a request for a certain amount of money to pay the claims that have been approved that day or that week, and we will send that money to the benefit manager, ACH, and they will pay out the claims that they have approved. The oversight of that benefit manager who was selected by SLEBC will still be the responsibility of SLEBC, as I understand it, under the agreement, their collective bargaining agreement that they have with the state of Nebraska. So the heavy lifting will be there. I think there's a question, that I'm not involved in and I don't know the status, as to whether the management or the oversight of that might be shifted to the state. I think that would take a change in the collective bargaining agreement and I don't know that anything has been done there one way or the other. But I'm not involved in any of that. This would just be the handling of the cash,

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having it in the state's bank account, having any excess funds invested by the State Investment Council, who presumably won't buy buildings with it. [AGENCY 12]

SENATOR CONRAD: Okay. Thank you. I appreciate that. And then I had a question related to I caught a news report this week on an announcement that you had made in relation to your internal budget, cuts that you were going to be proposing or working through, and it specifically mentioned in the story I saw that you were looking to cut travel in your office. [AGENCY 12]

DON STENBERG: Uh-huh. [AGENCY 12]

SENATOR CONRAD: Could you talk more specifically about that and if you see...and where did you announce this? Was it a press release or...I didn't... [AGENCY 12]

DON STENBERG: No, we did some news conferences.... [AGENCY 12]

SENATOR CONRAD: Okay. [AGENCY 12]

DON STENBERG: ...across central Nebraska talking about the fact that we were going to tighten our belt and live with a 13 percent budget reduction over the next two years, approximately \$1.4 million. You know, I don't have the exact numbers on travel reduction. There's a variety of things we're going to do. We're going to do less conferences, there's going to be less travel, we're going to use less contract in short term agreements. So there's a variety of things involved there. [AGENCY 12]

SENATOR CONRAD: Uh-huh. Well, and I don't want to get to an issue of micromanagement because that's not our role in this committee, and I applaud you for finding those efficiencies because we've been...well, certain members of this committee have been working for years to encourage constitutional officers to find those kind of budgetary savings. But I'm just wondering. I mean it struck me as kind of unusual, as I

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was reading the news reports about this, that we're making cuts to travel and touting budget cuts but then we're traveling around the state (laugh) to make those announcements. Do you see any inconsistency there? [AGENCY 12]

DON STENBERG: I don't, Senator. [AGENCY 12]

SENATOR CONRAD: Okay. [AGENCY 12]

DON STENBERG: And here's why. Just like each of you go back to your districts and have district meetings... [AGENCY 12]

SENATOR CONRAD: Uh-huh. [AGENCY 12]

DON STENBERG: ...or attend Rotary Clubs and talk about your work here in the Legislature, I'm an elected official. [AGENCY 12]

SENATOR CONRAD: Uh-huh. [AGENCY 12]

DON STENBERG: I represent all 49 legislative districts. [AGENCY 12]

SENATOR CONRAD: Uh-huh. [AGENCY 12]

DON STENBERG: And I think part of my job is communicating with my constituents, whether that be town hall meetings, whether that be news conferences, whether that be talking to the local Rotary Club, and that's part of the job, as I see it, and there's a certain amount of expense involved in doing that, just like there is for the members of the Legislature. [AGENCY 12]

SENATOR CONRAD: Okay. Thank you. [AGENCY 12]

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DON STENBERG: Uh-huh. [AGENCY 12]

SENATOR HEIDEMANN: Senator Fulton. [AGENCY 12]

SENATOR FULTON: Thank you, Mr. Chairman. Welcome. [AGENCY 12]

DON STENBERG: Thank you. [AGENCY 12]

SENATOR FULTON: A question for clarity and then this will tie into the deficit request. So the budget recommendation that you have, was the budget recommendation from Treasurer...from Shane Osborn previous, correct? [AGENCY 12]

DON STENBERG: No, I'm supporting your committee's preliminary recommendation, which is smaller than that. [AGENCY 12]

SENATOR FULTON: Okay. [AGENCY 12]

DON STENBERG: The committee's preliminary recommendation for 2011-2012 was for operations, is \$4,746,080, and for the following fiscal year, 2012-2013, is \$4,774,448. That's a 13 percent reduction in our budget. I believe the previous Treasurer's proposal was approximately a 10 percent reduction. [AGENCY 12]

SENATOR FULTON: Okay. So you are, to be clear, you're okay with what the committee has recommended. [AGENCY 12]

DON STENBERG: Yes, that's right. [AGENCY 12]

SENATOR FULTON: Then with respect to the deficit request, what's the number? What was the precise number? I guess does it differ from... [AGENCY 12]

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DON STENBERG: It's exactly what was submitted. The total of the two amounts for the consultant and the legal fees is \$130,926. [AGENCY 12]

SENATOR FULTON: Okay. Thank you. [AGENCY 12]

DON STENBERG: Uh-huh. [AGENCY 12]

SENATOR HEIDEMANN: Are there any other questions? Wanted to note that I did receive your letter, we got it copied, we handed it out to the committee. When we finalize your budget, we'll bring it up for the Fiscal Analyst. We'll bring it up as an analyst issue and we'll take it up at that time. [AGENCY 12]

DON STENBERG: Great. Appreciate that. Thank you. [AGENCY 12]

SENATOR HEIDEMANN: Great. Thank you. Is anyone else wishing to testify on Agency 12, the State Treasurer? [AGENCY 12]

JERRY STILMOCK: Good afternoon, Senators. My name is Jerry Stilmock, J-e-r-r-y, Stilmock, S-t-i-l-m-o-c-k, testifying on behalf of the Nebraska State Volunteer Firefighters Association, of course here in recognition of the work that the committee has done in the preliminary item to assist with the Mutual Finance Assistance Act. I felt, given the workload and the afternoon and so forth, rather than parade four, five, eight fire departments in that participate in the MFO, it would be dignified to say we certainly appreciate the digging that the committee has done, appreciate the recommendation and the reduced amount of the reduction at least that came out preliminarily, and let you know that the MFO is working. When it started in 1998, there were ten different counties that were involved. Now that's up to 37. And the whole rationale was to, as many of you are aware of and all of you certainly have been briefed and understand the issue, is it was meant to level out the difference in valuations and the value-poor fire districts and departments and the value-rich, and to submit a carrot out there, if you will, to have

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equalized levies across a particular county and get a good number of participation. I'm here to tell you it's working. It's working so well that last year when the appropriated amount of \$3.65 million was applied for, we busted...the departments busted the lid off that appropriation. They exceeded it for only the second time in history. So it is being used and we appreciate it. And be happy to answer any questions if you have any.
[AGENCY 12]

SENATOR HEIDEMANN: Thanks, Jerry, for coming in today and testifying. Are there any questions? Senator Conrad. [AGENCY 12]

SENATOR CONRAD: Jerry, thank you and I appreciate...I have no doubt that many of your members would be here but you always do a nice job on their behalf. So appreciate the efficient use of time... [AGENCY 12]

JERRY STILMOCK: Thank you. I hope that continues. [AGENCY 12]

SENATOR CONRAD: ...right before a recess day, nonetheless. That's always appreciated. But would it be fair to characterize this program as an aid to local government? [AGENCY 12]

JERRY STILMOCK: A gray matter, sometimes yes, sometimes no. Yes in the sense of it certainly is coming back for a government function, if government is believed to be there, I said it before in front of you and the committee, if government is believed to provide public safety to its citizens. No in the sense of there's probably a smattering of members to the MFO of the 37 that actually have paid departments. So a great majority, not 100 percent, are volunteers and that's why I answered some black, some white, and probably a little gray. Certainly we volunteers are considered part of the government but different in the sense that, candidly and succinctly, it's free labor. [AGENCY 12]

SENATOR CONRAD: Uh-huh. Well, I'm just trying to make sure that this body takes a

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consistent posture and, of course, we've had extensive debate in the elimination of aid to cities and counties and NRDs, and it seems that really the corpus, if you will, of this program has remained intact but there was, I think, a small reduction in the Governor's budget. And so for consistency sake, I'm just trying to grapple with some of those issues. [AGENCY 12]

JERRY STILMOCK: I appreciate that. If I may respond, it was a...do you come in and shine the light upon it in front of you and others, or do you politely appreciate the gesture, say thank you, and we hope that you can see this portion of the reduction through as is. [AGENCY 12]

SENATOR CONRAD: Okay. Thank you. [AGENCY 12]

SENATOR HEIDEMANN: Are there any other questions? Seeing none, thank you. [AGENCY 12]

JERRY STILMOCK: Thank you. I do have a bit of news from the morning ball games. I don't know if you all saw them all but some of you are winners and some not. (Laughter) [AGENCY 12]

SENATOR HEIDEMANN: Is anyone else wishing to testify on Agency 12? Seeing none, we will close the public hearing on Agency 12 and open up the public hearing on Agency 14, the Public Service Commission. [AGENCY 12]