

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Appropriations Committee July 30, 2024  
Rough Draft

**CLEMENTS:** May I have your attention, please. Thank you. Sorry for the delay here, but let's get started. Welcome to the Appropriations Committee. My name is Rob Clements. I'm from Elmwood, and I represent Legislative District 2, which is Cass County and eastern Lancaster County. I serve as Chair of this committee. We'll start off by having the members do self-introduction, starting with my far right.

**ERDMAN:** Steve Erdman, District 47.

**LIPPINCOTT:** Loren Lippincott, District 34.

**VARGAS:** Tony Vargas, District 7.

**WISHART:** Anna Wishart, District 27.

**McDONNELL:** Mike McDonnell, LD 5, South Omaha.

**DOVER:** Robert Dover, District 19.

**DORN:** Myron Dorn, District 30.

**ARMENDARIZ:** Christy Armendariz, District 18.

**CLEMENTS:** Assisting the committee today is Cori Bierbaum, our committee clerk. To my left is our fiscal analyst, Keisha Patent. Our page today is Ellie Locke, a UNL pharmacy student from Stanton, Nebraska. If you're planning on testifying today, please fill out a green testifier sheet located in the back of the room, and hand it to the page when you come up to testify. If you will not be testifying but want to go on record as having a position on a bill being heard today, there are yellow sign-in sheets on the left side of the room, where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record after today's hearing. To better facilitate today's hearing, I ask that you abide by the following procedures. Please silence your cell phones. Move to the front chairs to testify when your bill or agency is up. When hearing bills, the order of testimony will be introducer, agencies, proponents, opponents, neutral and closing. When you come to testify, spell your first and last name for the record before you testify. Be concise; we request you limit your testimony to 3 minutes or less for the general public. We will not limit agency representatives. The request-- you be precise. Written material may be

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distributed to the committee members as exhibits only while testimony is being offered. Hand them to the page for distribution when you come up to testify. If you have written testimony but do not have 12 copies, please raise your hand now, so the page can make copies for you. With that, we are today combining the hearings for LB2 and LB3. We will proceed in agency number order, and with the agencies in LB2, with only agency representatives testifying at that time. After the LB2 agency testimony, we will invite other agencies, then we will invite public testimony. We in-- intend to have-- we expect this to be a fairly long day; we will take a lunch break from 12:00 to 1:00 P.M. And with that, we will begin with the Governor's budget representative, Mr. Will. Welcome.

**LEE WILL:** Chairman Clements and members of the Appropriations Committee, my name is Lee Will, L-e-e W-i-l-l, and I'm the Chief Financial Officer for the state of Nebraska. I'm appearing today on behalf of Governor Pillen in support of LB2 and LB3, as part of the property tax reform effort. The budget-- budget package introduced during the special sess-- session is a commitment to all Nebraskans that the state will continue to do more with less. Code agencies have worked with our office, and Epiphany Associates, to identify where existing expenditures reside, and whether we are receiving a return on investment. In far too many instances, contracts entered with vendors have defined activities, but no measured outcomes to the populations they serve. The state must continue to evaluate things that we have done yesterday to improve in the future. The guiding principle for these reductions must be "improve services while reducing costs." We must make certain that we do not do these items in reverse order, to ensure the high-quality delivery of services. An analysis of General Fund expenditures was condruc-- conducted across every state agency to determine the historical and current level of spending. We took into account potential projects, and increased investment for future years. It also considered which agencies can right-size their fee structures to ensure the general taxpayer is not subsidizing these user fee-based programs. In total, the recommendation includes a reduction of carryover funding of \$116.7 million from FY 2024-2025. It also includes-- provide-- it also provides for an ongoing General Fund appropriation reduction of \$83 million annually. Governor Pillen frequently shares that Nebraska is going to get more than its fair share of federal funding to the state. With this-- this decision that has provided a significant opportunity to leverage federal dollars to

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reduce the General Fund burden. An example of this is \$32.5 million that was provided to the state as part of LB1087, the hospital assessment provi-- program bill. This allowed for a direct offset in HHS general fund expenditures. We are committed to this approach in the future, and believe that it will, it will provide "substantral" opportunities to reduce General Fund costs. The recommendation also targets interest accruals from most cash and revolving funded agencies to the General Fund. This is on an ongoing basis, and will provide nearly \$40 million in funding each year. The recommendation is simple; it is our view that nearly every agency must contribute to the effort of tax reform to ensure that we can thrive and grow as a state. We must also look at our reserves that currently sit at \$2 billion at the end of this year, between the General and Cash Reserve Fund. The recommendation relies on \$235 million from the Cash Reserve Fund between transfers to the military department and General Fund. Even with these transfers and other obligations, the General and Cash Reserve Fund is estimated to have over \$900 million in funding. Testifying after me is Kristen Cox with Epiphany Associates a not-- and agency representatives from the crime commission, Corrections, Fire Marshal and HHS who can answer more in-depth questions about the impact on their respective organizations. I want to express my gratitude to the committee for doing the people's work to assist in delivering transformational relief to Nebraskans. I'll be happy to take any questions. Thank you.

**CLEMENTS:** Thank you. Are there questions? Senator Dorn?

**DORN:** Thank you for being here, Lee Will. Very much. Some of the proposals that have been brought forward, these are more news articles than anything we read, where they may have some-- I call it "federal impact;" we maybe have-- some of what we're proposing here may have an impact on some federal funds we get. What is your take on that? Or, there aren't any? Or, could you go over that concept?

**LEE WILL:** You know, we want to make sure that we're not cutting federal fund match. There was one provided to us with Game and Parks; I believe that they need \$100,000 in their general funds to provide for a match within their grants. So we would want to work with the committee to make sure that they have that. But that's really the only one that I've been aware of that we would potentially jeopardize a match in regards to general funds.

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**DORN:** Well, the only reason I ask is, last year we had one that-- and I don't remember what it was--

**LEE WILL:** Oh, the Game Fund? Yeah, that's fair.

**DORN:** --with quite an impact. And then when you read the articles-- shouldn't read the articles, but you do--

**LEE WILL:** That's your first mistake, sir.

**DORN:** --and it said there were some impacts or whatever, and so-- Do you believe there's only just the one? I guess that's my question.

**LEE WILL:** Yeah. Yeah. And we went through and carved out those specific funds that had those match, or weren't entitled to savings for the General Fund. Like, we carved out the Game Fund, we carved out Perkins County Canal, because that's already going to the North Omaha project, road construction projects. We tried to go with a fine-toothed comb to itemize those cash funds that would have a match issue. So, I don't think we have that issue anymore.

**DORN:** OK. Thank you, sir.

**CLEMENTS:** Other questions? Senator Vargas.

**VARGAS:** Thank you. In the testimony, it includes-- it provides for an ongoing General Fund appropriation reduction of \$83 million annually.

**LEE WILL:** Yes.

**VARGAS:** Later on, you talk about the interest accrual transfers from revolving funds to the General Fund, and you said it's \$40 million of funding each year. Is that \$40 million-- is that half, is that half of the \$83 million? Is that what you're talking about?

**LEE WILL:** Oh, great question. So the \$83 million is, is in relation to appropriation reduction. And, and then--

**VARGAS:** OK. So these, these funding appropriation projections--

**LEE WILL:** Yes. The, the other \$40 million is proceeds or revenue that will come into the General Fund that previously would have been credited to those cash funds or revolving funds.

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**VARGAS:** But you're not accounting that for the-- because for the \$83 million reduction to offs--

**LEE WILL:** No. It's in addition to that.

**VARGAS:** It's in addition. OK. And when you looked at the General Fund appropriation reduction, you know, the question that I've been asked recently is, "Why are certain agencies and some agencies being targeted for base fund reductions and others are not?"

**LEE WILL:** Great question.

**VARGAS:** There's a base fund reduction being proposed for the Legislature, but there's not a base fund production, you know, froze for the Governor's budget or the Governor's office. And I don't have an answer for them. I wanted to see, you know, why-- what's the difference here?

**LEE WILL:** Yep. Yeah. So, I think you have to look at every-- you know, I went through and looked at base appropriation, reappropriation, and expenditures, and you have to see, is an agency actually spending their base appropriation first to eat into their carryover. In the Governor's instance, they're pretty close into eating that base appropriation and heading into that carryover; Legislative Council is not. The other thing I would also offer is, the Governor took a 0 percent increase over these last two years in a, in regards to the appropriation.

**VARGAS:** You know, we've had conversations here and, and I'll get to the question about when we tell agencies and we provide them with a budget, we-- and they're requesting funds for, you know, operations, for FTEs, for, for things that they do. The concern has been, if they don't use their funds, that we're telling them, "We will cut you, we will cut your funds, we will take away your revolving funds. We won't lapse your funds over." Is the intent to tell agencies, "Use everything that we appropriate to you in every single year?" And like, that's, that's how we're moving forward here, not to be fiscally conservative each year? Because there are agencies that are very conservative, spend less than what they're appropriated, and then we allow them to carry over. Is this a new push? Is this a new, you know, change, or goal, or metric that we're pushing from, from state government?

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**LEE WILL:** I don't know if it's different because, as you're aware, Senator, at the end of every biennium, agencies that do not spend their general funds will lapse it back to the General Fund. So, I mean, there's really no difference if we have this process versus naturally having it lapse back to the General Fund.

**VARGAS:** Well, but they often request re-appropriations and relapses from us to be able to fund, you know, different things.

**LEE WILL:** That, that does happen with the Legislative Council and Governor but an o-- and the Supreme Court, off the top of my head. But in a lot-- almost every instance there is no re-appropriation provided, aside from those agencies. But I will tell you, you know, we're going to right-size the budget on how we feel expenditures are, without cutting services, but-- yeah, I don't think it's, it's our goal to have agencies spend every dollar that they're appropriated.

**VARGAS:** And I know there'll be, be people that testify in support and opposition on, on this, because there are different cash funds and revolving funds that are different-- people would say that it, it is not-- they shouldn't be taking that. Now, in times in the past, we have taken money from these cash funds, and-- in downturns, when we have economic downturns, we use it to backfill or-- you know, the cash reserve, or to offset the General Fund. But, I still want to know more about the rationale from the Governor's office. If we take away these revolving funds and cash funds in the interests, and we have an economic downturn, where do we turn?

**LEE WILL:** So I will say, as-- and it's not part of this budget package, but I did go through the fund summary by fund report, and go through every state cash fund. And I don't want to scare folks in the room, but I could probably recommend about \$150 million to \$200 million tomorrow that we could sweep from excess cash fund balances. So, I don't think we broke every, you know, every acorn we didn't uncover. In regards to this budget, I think there's other opportunities with downturns that we left in the budget.

**VARGAS:** I appreciate that. You have prop-- I think there are the proposals to take those funds. We, we just work to not make sure we take all those funds. But, thanks for answering my questions.

**LEE WILL:** No problem, sir.

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**CLEMENTS:** Other questions from the committee? I had one that was looking at the securities, that cash fund transfers that you're proposing. And the Fiscal Office was looking like, with using the 2024 revenue, that would go negative in 2028. Are you-- have you projected out that--

**LEE WILL:** One, I would say it's very difficult to go out to 2028. I will say also, in securities, that the balances have been going up as people trade more; as trades are free, the securities fund is going to go up. We also have, you know, 2 to 4 years of make-- of the ability of making adjustments in those transfers if absolutely necessary. So, we work with our agency directors to kind of right-size what they believe, in banking, that fund would be at, and, you know, I think that they'll have enough money there. But if absolutely necessary, we can make an adjustment.

**CLEMENTS:** All right. We'll take a look at that. Any other questions? Seeing none, thank you for your testimony. Next, we'll welcome Kristen Cox of--

**KRISTEN COX:** Morning.

**CLEMENTS:** Good morning.

**KRISTEN COX:** Thanks for having me. My name is Kristen Cox, and-- with Epiphany Associates. I'll spend a-- just a little bit of time talking about our approach and methodology. There's a lot of things we could go--

**CLEMENTS:** Would you spell your name, please?

**KRISTEN COX:** Oh, sure. Thank you. K-r-i-s-t-e-n C-o-x.

**CLEMENTS:** Thank you.

**KRISTEN COX:** Just quick history on me, I was a budget director for the state of Utah for 8 years, and then served on the cabinet of other governors prior to that; 3 governors, in fact. And we're-- reformed federal bureaucrat, etc., so I've been in government for a long time. But what probably has informed my approach as much as those things, is my own journey through government as I went blind, and being case-managed and understanding how difficult these systems are to navigate for the people who need the services, and sometimes they're

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very vulnerable. So that highly informs our approach, and I hope that manifests itself as I talk through this today. I find your jobs incredibly difficult. The question is-- there is endless demand for services, and there's just finite resources. And how do you know where to invest? It can feel, quite frankly, quite overwhelming. And we're really good in government tracking costs using traditional cost allocation methods, which are great. It gives us the healthy financial-- is-- are we bringing in mon-- enough money? Are we spending it? But what we can't see in traditional cost accounting are the causes of cost. And these are very hidden. They're not-- you can't see them in your strategy; you can't see them in most of your data systems; you can't see them in your budget. And these deeper causes of cost are always connected to poor service delivery. People not getting the service when they need it, delays, things stuck in the system, re-work, quality issues, and yes, you can do some process improvement things around the margins, and take off a 2 percent here or there. But the real causes of cost are always connected to how well government delivers high-quality services, because we get into this false choice. On one hand, we think we've got to invest more, or maintain budgets to provide high-quality services for the customers we serve. But on the other hand, we want to protect the taxpayer. So high return on investment and respect the hard-working dollars earned by taxpayers. And so we get into a false choice that it's either/or. And what we can do is shift the problem to one side, to the customer suffers if we cut too deeply, or in the wrong place. Or, we shift it to the taxpayer to not have a good return on investment. And if I maybe seem old, I think great leadership does not fall into false choices, because ultimately everything in government is made up. Our policies, our procedures, our data platforms, our IT, our performance evaluations, even accounting. These are manifestations of how we think. And our systems are perfectly designed today to give us results we have. So we have a thinking problem. And it starts with not falling victim to false choices. So, how do we break it? For us, more value for every dollar invested is huge, and that manifests in different ways. You'll see in our report seven different strategies, but the one that can be sometimes the hardest to get our heads around is, "How do we actually cut costs?" And we say, by improving services is how you reduce costs. And it seems very counterintuitive. So we use a systems-lens approach; I could spend four days on this concept as well. It's simple, but not easy. By the way, I think complexity is easy. What is really hard is simple, clear impact. That is hard. So, let me just give you a little



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sense of our framework; I'll walk you through it, we can walk through an example, and then open for questions. We start-- systems thinking can be very theoretical and it can be actually really challenging work to do. But at its core, what we're asking is, "What are we supposed to be delivering?" And we talk about primary customer and primary needs. It's very easy for us-- and I've been in government-- to drift into secondary needs. For example, we'll spend more time trying to simplify an application, even though it still takes months to get a decision made. Or we'll do a reorganization to have a one-stop, even though the person still can't get a job. We can drift to, to very simple secondary needs, but those fundamental obligations-- is a kid safe, free from abuse and neglect, and not taking two years plus to get done? Can we deliver on that before we do all the nice-to-haves? What's interesting-- the first page you'll see here-- is very common when we go into organizations, from IT systems to portfolio projects and initiatives, we'll see this distribution all the time. A small percent is on primary customer, primary need. And even then, it's not fully baked; you usually have half-baked solutions going in there, and the execution is problematic. I'll show you some operational issues in a second. You've got another big column on secondary needs; single sign-on, all the kind of stuff that feels great, but it's not penetrating what matters for the person at the end of the day. We'll see a lot on compliance, and-- look, this is never a blame on people. The systems are promoting behaviors that o-- often don't make sense. People are overwhelmed; they're working so hard, and they have a lot of compliance stuff coming at them. A lot of stuff in compliance, and then internally focused-- "I need a new data system. I need my new IT" doesn't translate to customer outcomes. So we have so much time and effort not going into that fundamental obligation. That, by itself, is wasted effort. Hence, why we started with infrastructure systems. IT, procurement, cost-- the fees, things that cut across all of your agencies. And we want to shore those up first to ensure people stay focused on the most high-impact projects. When we started in child welfare, there was 93 projects in play. First question is, because your leadership bring like this fast, all their initiatives. That's number one. Do we even know what's going on in our agencies? But of those 93, 4 were going to move the needle. So the amount of time and energy chasing things that you cannot see in the budget is significant. We have a whole thing called work and process controls; we won't get into that, but we start with that. Now, we don't just start with that as a theory for, let's say, child welfare; are kids

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free from abuse and neglect? Quickly, into a permanent state situation. That is key; we've got to deliver on that. Now that tells us something else, which are, what are all the processes, parts, functions, IT, policy, data systems that have to play together to deliver on that outcome? What happens-- I think public enemy number one in government is a concept called local optimization. It manifests in our budgets, and our operations, and our measurements, and it's crushing the ability for government to make impact. So, let's look at your next slide. Do you guys have all these pieces of paper, or am I just talking to the air?

**WISHART:** Yes, we do. We do.

**KRISTEN COX:** OK. You never know, in my world. So, I want you to-- this is very simple-- understand this, but it manifests the principle that is true in every type of work environment. You can see a simple flow. We're seeing this today in long term care, child welfare. You'll see it in every, in every system. A-B-C-D-E. These could represent different functions; it could represent intake in child welfare, and then it goes into investigations, and then to service delivery, etc. So, you can see across the system, right? All of these things have to work together. And this is the difference: systems thinking is about 'how do the parts work together?' Traditional analytic thinking is about 'how does each part work separately?' We try to optimize each part, right? Optimize IT to-- the fact that, even if it may not make a difference. So, you can see here, A can do 20 units, B can do 16, C can do 10, D can do 18. You can-- A-B-C-D-- E can do 24. Yeah. So, in this system, where do you improve? There's problems everywhere in government. But I would say most problems aren't worth solving. If we don't know how to detect the problem, we can chase a lot of efforts. So, for example, you could split a lot of time and energy on A, and do a process improvement initiative, etc., and get A from going 20 units to 40 units an hour. But the system itself can only produce as much as C is capable-- capable of producing. The system is only going to perform at the level of its constraint. C here can produce 10; it doesn't matter what you do up-front. In fact, you can make the system worse. We do this, we'll see-- have you ever been in the fast food-- they just create more lines, but there's only one person taking the order? This will happen in our systems all the time. We start improving at the wrong place, and we actually make things worse for the constraint. Now finding the constraint in systems are all operational practices. It's hard work, it's not easy. We're not taught how to do this in

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government, usually. But it is where you get simple but high-impact, when you can find and detect it, and manage the system around the constraint, and focus your energy there. So this is how you improve quality. Because, think, if you're somebody moving through the system, and you're stuck at B, and you can't progress; you can't get into services. There's a waitlist, there's re-work. You have to get into more information. That-- a lot of times you'll see call centers; half of the time it's status calls. "Where's my case?" Which is pulling away from C, the ability of the constraint to process the application for taking status calls. So this is a very simple, but very challenging principle to implement. But, in government, we manage vertically. A new program and-- we talk about silos, all we do re-org the silos. You have to integrate at the flow, at the horizontal, what's moving across all the programs. And when you figure that out, you can find the constraint, and actually remove delays which costs money in the system-- and I'll show you this very good example on child welfare-- and improve quality. Right? So that I don't have rework. So this is the trick in systems thinking; it's to move into horizontal management, not vertical management. You need both. It's really hard to do. So that's the first piece; we've got to focus on primary customer, primary needs. Second, we have to understand all the parts that come together to make that happen. And there's a lot you can do with that. So, there's a huge opportunity cost when we don't get this right. It was really interesting, when we went to your child welfare system, and you asked the front line, who are heroes, "How much time do you get to spend actually doing the job you were hired to do?" What do you think? They'll tell you 15-20 percent. So think of that wasted capacity of these folks who want to make an impact on the front line, because if we do not even control how much work and change, and we're not focused on the constraint, and we just introduce endless initiatives, these po-- folks on the front line can't do the job. And when they can't do it, well, the customer suffers. This is all about quality. These are about hidden capacity that we just can't see; our trick is making the invisible visible so we can see it. Except for-- I don't see it, but you can all see it. So let me go to one more example in child welfare quickly, and then we can talk through some numbers here. This is a very-- this will be your fourth piece of paper. Does it say child welfare?

**WISHART:** Yes.

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**CLEMENTS:** The child welfare map we have?

**KRISTEN COX:** Thank you, sir. This is a very high-level example. We start high-level. You build a blueprint for a house before you choose what carpet you want. When we in government don't know what to do, we je-- dig into the details too quickly, and we start doing local optimization. Fixing A, fixing B, fixing D, but not fixing the system. And we start reinforcing all of this local optimization and complexity in our systems. What we do is we start at a very high level. What's the blueprint? How should these parts work together? And then we go deep, deep into it. You can see here, in child welfare, a very simple flow. There's intake, report, and assessment/investigation. It goes-- it's substantiated, it goes into case management, service delivery, etc. and then hopefully a successful reunification. What was interesting when we started this, when you look at baseline performance, inflation-adjusted between 2021-2023, is the 6 percent increase in budget. By the way, it's interesting to know where the budget's going up. It's not just in your categories of expenditure; that's not going to tell you enough. Is it going up in your admin? Overhead? Indirect cost? Management? New IT systems? Is it going up in provider-- where's it-- where's the money going? So we actually organize budgets around indirect, direct, and direct aid. Are we bloating the bureaucracy and not getting any return on investment? So in child welfare, a 6 percent inflation-adjusted increase in 2 years was serving 4 percent fewer kids. But the time to permanency, which is key, was going up by 108 days. This is the worst-case scenario; more money going in, worse outcomes. And when we believe money the-- is the answer, what we believe, the assumption is that we're doing as good as we can. The system's I-- is totally working well. I've never been in one system-- I've lost count, I've been in, in over 300, I lost count after that. I haven't seen a system yet that didn't have hidden capacity to do better for the people they serve. That-- both the taxpayer and the customer. What you'll find here is, for example, think in this system, if a family and a kid needs services, the most critical thing we can do is get them those services. Guess what we never measure in these systems? Time to first service. It could take 6--60 days plus, just to get a plan. And who knows after that? And so, what does that mean? Every day a family and their kid are stuck in this system is, on average, \$2,700 a day. So when you reduce the delays by-- because that's what's good for families and kids, not to have them bouncing around in foster care for two years, you actually

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save money, and you save money by doing the right thing. We say you have to do the right thing effective, then you do the right thing well, efficient, in that order. And cost savings is a by-product. And government, once it can get a handle on this-- and it's hard. This is hard to move this Titanic. And we never, ever recommend taking money out of direct services until the improvements are made. Right? We never do that. In fact, in case-- in this instance, we've actually recommended that a portion of those savings be considered for reinvestment upfront for in-home, all this stuff. And you get into these really great cycles when you start doing it.

**CLEMENTS:** I'm going to ask you to have some closing remarks.

**KRISTEN COX:** Yep. So there you go. I will wrap it up. But here's the, the final piece on, on this. There's huge hidden capacity in these systems, but we do not have the tools to detect it. And we can start, actually, by committing to a systems approach, get better outcomes for those we serve, while saving taxpayer dollars. I've seen it time and time again. With that, I'll open up for questions.

**CLEMENTS:** Are there questions from the committee? Senator Wishart.

**WISHART:** Well, first of all, thank you so much for, for being here today. I thought that was very impressive. So, so thank you. Were you-- I, I am familiar with Utah's budgeting process, because I followed the work they did when they needed to build a new prison. Were you in the budget office at that time?

**KRISTEN COX:** Yes, but I came in after that decision about the prison and the budget were done.

**WISHART:** OK. OK. In, in terms of one of the things that we have struggled with from the appropriations perspective is, oftentimes, when we invest in technology software, it actually ends up costing more. And it's always felt a little backwards that if you're investing in an IT system, wouldn't, wouldn't that end up creating efficiencies? Can you explain a little bit, from your experience, where states have done it right in terms of investing in technologies?

**KRISTEN COX:** You are a kindred spirit on this. We call it-- called pre-IT. Before it should even go to technology, you need to figure out the operational issues, the system issues, the measurement problems you may have, any policy constraints. Then, and only then, do you know

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what problem you're solving for. Half the challenge in IT is getting really clear on the problem. And then you can bring in forward a technical solution. Too often we jump to the IT. I was in a state, they just set up a \$60 million new IT system for unemployment insurance, and actually baselining, after it, they were 18 percent worse when you looked at the cost per decision because these system issues had not been worked through, and that's why we looked at it first. It's gone amok in this country. We often think IT is a solution. It can be powerful. I'm not against IT, but we can actually over-engineer the IT and not get the impact that we need, so totally agree with you on that.

**WISHART:** OK. And then one follow-up question to that. From your experience, is it, is it more beneficial for a state to look at funding sort of an external private entity to do that IT work, or building in-house? We wrestle with this quite a bit.

**KRISTEN COX:** Yeah. Yeah, yeah, yeah. Well, the first thing I would say even before that is, how do you know if IT's working? And often we measure a scope, schedule, budget, where actually I think we really should be looking at speed-to-value. And when you start taking IT-- because part of systems thinking is to align all the functions, including IT, to the system goal. So how do you know at the beginning that it's even going to be beneficial? And so, when we put the IT costs within the denominator of the system, right? So you have a system, let's say unemployment insurance, and you're going to build a \$30 million new IT system, it's a life cycle of 10 years, \$10 million a years, plus ongoing maintenance, let's say \$4 million, \$14 million a year. That should now tell us, for \$14 million, what are we getting out of that? Are we faster? Is our quality better? And then you can make a decision based off, "Can I get that done cheaper through in-house or a vendor?" That becomes a very secondary, tertiary question. But it's-- once we understand the problem, we do the pre-IT, we understand the baseline cost, then you can actually have a competitive bid that tells you where the best value is. And we can go into a lot more detail on that, but that's the theory.

**WISHART:** Thank you.

**CLEMENTS:** Other questions? Senator Vargas.

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**VARGAS:** Thank you very much for being here. Thank you for testimony. A couple questions. So in, in the spirit of transparency for this, please remind me, what's the dollar amount for your contracted services for doing this work? For Epiphany.

**KRISTEN COX:** Yes. Total transparency, I'm sure you've already seen it. The first year it's about 2.4, and then it goes up for 2 years to about 288,000 a month, so just over 3 million. And then the fourth year, it goes way down, because our goal is to build infrastructure within the state so you can kick us out. I don't want to be an ongoing vendor. This is work that I feel passionate and love it, and our goal is to make and build-- help build that infrastructure within the state so that it becomes very self-sufficient. Our contract, though, has very clear deliverables, which we have met, and we'll continue to make very tangible. You can measure it or you can't.

**VARGAS:** And so what is the-- the 288,000 a month increase. What is the rationale behind that in the contract?

**KRISTEN COX:** Sure. It's-- well, just to get to the report where we did, we've probably had over-- I'm going to-- don't-- between probably 13 and 16 different people on the ground looking at your I.T systems, your procurement systems, doing budget stress-testing to understand your rainy day balance and idle funds, all this stuff. This year, those resources will maintain, and we'll bring a few additional people in, now that we're deeper into operations. So it's really-- most of it is for staffing.

**VARGAS:** OK. Second, your metrics, your contracted metrics-- is the main metric-- what I'm trying to understand, because I agree, I, I think we talk about this a lot; we talk about efficiency a lot, we talk about spending less. We've done this for years. We've worked in hand with the Governor's office, even if it does or does not feel that way all the time, we do. And we, we tend to agree on about 90 percent of the things in terms of-- and Lee Will is nodding, so, good affirmation. I'm not trying to blow smoke up, you know-- so, but in that same vein, is your, is your performance indicators about cutting costs?

**KRISTEN COX:** If I say this one thing they say a million times, we, number one-- if you look at the contract itself, in fact phase two is about improving quality up by-- up to 25 percent. And we 100 percent

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believe that you cannot have breakthrough in cost reductions unless you prove quality. You can't do it. And that is 100 percent-- when you look at our contract language, phase two is a 25 percent increase in quality and through-put, which is the capacity for the system to meet demand.

**VARGAS:** And this is probably where I have a hard time because I, I agree that more money-- what you said is the assumption is that more money doesn't always help people. And I think that's an assumption that we try not to take here in the committee. That's not always the case, right? More money doesn't always help people, but it's also less money doesn't always help people.

**KRISTEN COX:** Correct, and that's where you have to know where to take it.

**VARGAS:** Yes. And as part of your testimony, talking about the amount of, amount of contracted services that don't have metrics you said was very, very high.

**KRISTEN COX:** Yeah.

**VARGAS:** Instead of looking at cutting those costs, why are we not improving and creating metrics for contracted services, and then working with those entities to, to actually enact on those, on those goals?

**KRISTEN COX:** We actually are. Part of the report, if you look at the implementation guide, it starts with just improving the flow of contracts. You know, it's called a pre-agreement rule, screening out contracts that don't have good ROI, or an outcome isn't verbalized. And then we've moving into what's called value-based procurement; it's, it's a vehicle in the procurement field that actually helps reduce the burden on vendors. It creates a more competitive environment, but it also attaches to outcomes. So with the new administrator over procurement and play, that is part of this phase right now moving to value-based procurements to help shift the model into something you can measure. That's a win for the vendors with reduced paperwork and all the overhead, faster procurements, but also high-impact for customers and taxpayers.

**VARGAS:** And have you worked or connected with the Auditor's office? And, and the reason why, the reason why I ask, before you answer is,



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you know, there have been recent reports looking at, you know, child subsidies, even child welfare and-- sort of to Senator Wishart's point, like, technology can improve and be more efficient, and sometimes we have to spend money to be able to find those efficiencies. We've done it in the past. But it found that there were just clear, egregious lack of oversight over, you know, the N-Focus system, for example.

**KRISTEN COX:** We've been deep in the N-Focus system.

**VARGAS:** Yes. So, you know, our Auditor, you know, thankfully, has been doing a lot of this work on the back end. But he was very, very clear in his report that we have to improve our oversight mechanism and our technology--

**KRISTEN COX:** Yeah.

**VARGAS:** --and that does require new technol-- it does require some money and, and efficiencies in that money. But are you collaborating with them? What does that look like in the contract?

**KRISTEN COX:** I have talked to your State Auditor, actually, and we-- he had some interesting ideas, which I thought were fascinating. I think the issue with N-Focus, if you look at our IT strategy, it's full-forward pre-IT; don't move it forward until you figure out your operational policy, business, performance measures. Tell me how you measure me, and I'll tell you how I behave. You put in weird performance measures in your systems, which we see in these IT systems all the time; it perverts the behavior. Number two, once it's in, you actually have to improve flow. And IT has its own flow issues as anyone else. And if you get command and control over that, you can actually get more projects done over the period of time. You also have some issues in your state with very expensive IT vendors-- not vendors like bo-- but some body shop contractors, and your new CIO, with us, is working on that. And there's some other issues going on, but we're aligned on that. IT can be powerful, but it can also create a lot of damage if we don't put it in correctly. And you'll notice in our report, one of the biggest levers we're looking at is IT, so that we can improve outcomes while reducing costs. So I think we're aligned on that.

**VARGAS:** All right. Well, thank you. And I appreciate you being here.

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**KRISTEN COX:** Yep. Thank you.

**CLEMENTS:** Any other questions? Seeing none, thank you for your testimony.

**KRISTEN COX:** Thank you. Appreciate it.

**CLEMENTS:** We're going to move on to, in our agency order here-- we have Legislative Council. Chairman Aguilar. Welcome, Mr. Chairman.

**AGUILAR:** Thank you, Chairman Clements, and members of the Appropriations Committee. My name is Senator Ray Aguilar, spelled R-a-y A-g-u-i-l-a-r, and I represent the 35th Legislative District. I'm here today before you as chair of the Executive Board, to testify in a neutral capacity on the proposed changes in LB2 to the budget for Agency 3, the Legislative Council. While the Executive Board has not taken a formal position on the bill, members met on Friday to discuss the bill, and expressed significant concerns regarding the provisions of the bill impacting the Legislative Council budget. As introduced, LB2 makes fairly sizeable cuts to 2 programs within the Legislative Council budget. These programs are Program 122, Legislative Services; Program 123, Clerk of the Legislature's Office. Legislative Services is the largest program within the Legislature's budget, and it includes funding for the senators' per diems, salaries and operating expenses, office supplies, printing, etc. for senators offices, travel reimbursements, and Legislative Accounting and Budget Office, the Coordinator of Legislative Services, and a wide variety of contracts approved by the Executive Board. The proposed cuts would include both a lapse of re-appropriated funds, and cuts to General Fund appropriations in both programs. Because nearly 90 percent of the Legislative Council budget consists of staff salaries and benefits, the Legislature must frequently rely on re-appropriated funds to undertake major projects. For example, when the Clerk's office needed to replace the video boards in the chamber in 2021, we had to rely on re-appropriated funds to make this critical update. Similarly, when a delay in the HVAC project prevented us from being able to use Room 1003 at the start of the 2023 session, only because of the availability of re-appropriated funds were we able to convert Room 1307 into a temporary hearing room for the Appropriations Committee. As committee members are maybe aware, the Legislative Council is already utilizing re-appropriated funds to finance a variety of items in our current budget, including replacing laptop computers, staffing

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our video archive library, staff salary increases that went into effect on July 1, pay advancements which go into effect on July-- January 1, contracts with outside counsel regarding the Attorney General's opinion on constitutionality of the offices of Inspector General. Reappropriated funds are currently being utilized in most of the budgetary program for operating expenses, everything except salaries and some benefits, in order to reduce the need to appropriate new General Fund dollars each budget cycle. So a reduction in re-appropriated fund would create a need for additional general funds down the line. While Program 122 would potentially shoulder a small one-time lapse of some re-appropriated funds, the proposed cuts to ongoing General Fund appropriations would significantly hamper the work of our separate branch of government. The proposed cuts to Program 123, the Clerk of the Legislature's [SIC] office are even more problematic, and I've asked the Clerk to testify following me to address some of these issues in more detail. Within the Clerk's office, there are multiple ongoing and pending projects for which funds have already been expended, which would be imperiled by the proposed cuts in Program 123. Most notably, the Executive Board recently approved a serious-- series of room renovations in the northeast corner of the Capitol, which would be virtually impossible should it be cut-- should the cuts in LB2 go forward. I would be happy to try to answer any questions you have, and the Clerk of the Legislature would testify following me as well. Thank you.

**CLEMENTS:** Thank you. Are there questions? Senator Wishart?

**WISHART:** Thank you, Chairman Aguilar. And you can tell me if, if this is better for the Clerk to answer, but can you help me understand how these cuts would impact the salary increases that we provided for staff members? Because it's my understanding that we did not increase the base funding for the Legislative Council to incorporate the salary increases. So I want to understand how-- with these cuts, how we would be able to say-- sustain the staff increases.

**AGUILAR:** It, it's my understanding the cuts would significantly imperil the opportunity to get some of those things done.

**WISHART:** OK.

**AGUILAR:** Other questions, Senator Dorn?

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**DORN:** Thank, thank you, Senator Clements. Did, did I understand you right that, that if, if, if these cuts are approved, or we call or bring back some of these funds, next year in the budget process, you will be asking for an increase in operations?

**AGUILAR:** We would have to. The General Fund budget.

**DORN:** You'd have to? General Fund budget. OK.

**CLEMENTS:** Senator Vargas.

**VARGAS:** I will sort of semi-attempt to answer this question too, because we've had this conversation that we will be fine for the salaries now, for the increases, for this biennium. But in future bienniums, we wouldn't have the funding to be able to sustain the salary increases. That's my-- that's been my understanding in our conversations. Given that as a co-equal branch of government, Chairman, were you consulted to find cost savings or efficiencies from the Governor's office to try to aid in this effort, or was this something that was basically this is the cut that we're proposing of your co-equal branch of government?

**AGUILAR:** We were not.

**VARGAS:** Thank you.

**CLEMENTS:** Other questions? Seeing none, thank you for your testimony.

**AGUILAR:** Thank you, Senators.

**CLEMENTS:** Is the Clerk-- representative of the Clerk available?  
Welcome.

**BRANDON METZLER:** Thank you, Mr. Chairman, members of the Committee. My name is Brandon Metzler. B-r-a-n-d-o-n M-e-t-z-l-e-r. I will echo some of what Chairman Aguilar said. In terms of Program 123 specifically, I've had discussions with both the Fiscal Office and our appropriations office; based on numbers that I've been given, the Clerk's office is looking at an excess of between \$600,000 and \$900,000. Certainly a \$1.5 million cut presumably would, would look like we're operating at a loss. I don't know how that would be rectified, but based on the numbers that I've been given, there's some serious concerns from my office on Program 123. Mr. Chairman, I know

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there was some interest within the, the Executive Board discussion of, of looking at these, maybe even Program 123 seriously, and having some discussion. So, I certainly would welcome any of that. You know, as, as the chairman said, many of your programs and, and your projects rely on those carry-over funds. It, it's what gives you the flexibility as a co-equal branch of government in that you don't need to always, you know, come to the Appropriations Committee; you have the ability to, you know, restore your voting boards, restore a hearing room, you know, projects that pop up with the media room that the, the Executive Board's working on. You know, some of those things are handled with these carryover funds, so, by taking those funds away and, and depleting those down to, to very little-- we've already relied on carryover funds last year. We are-- my office in particular, we have a full-time position that was, funded solely by carryover funds. That's going to be an ongoing expense that, at one time, you know, off the bat, was started with approp-- re-appropriated-- or excuse me, with, with re-appropriated funds. So, I thank you for, for looking at Program 03, specifically 123, and I'm welcome to answer any questions.

**CLEMENTS:** Are there questions? Senator Vargas.

**VARGAS:** Will you walk me through, you know, how you've been finding cost efficiencies over the years, and doing this saving intentionally for both rainy day and for projects?

**BRANDON METZLER:** Yeah, absolutely. And this-- if I can take a step back and look even broader, one thing I want to say to the committee-- my predecessor was here for a number of years, I know there are several division directors that are in the same boat as me, in that we have not had a chance to even go through a budget cycle. I have not created a budget for Program 123. I haven't had the opportunity to show that I'm fiscally responsible with my budget and make cuts where I deem appropriate. So it's, it's important to me that, you know-- I hope that the Legislature considers that, when they look at their division directors and say, you know, "Here's some responsibility. Where can you make cuts?" You know, that directive, coming from the legislative branch-- as a legislative individual, I'm very passionate about the fact that the Executive Board, the Appropriations Committee, legislative leadership stepping in and saying, "OK, legislative branch, it's your turn. Where can you, you know, be fiscally responsible?" But that directive coming from the legislature. In terms

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of what we've done, I, I will tell you, I planned on my next budget; there's a good chance I can make significant cuts. We've done the print-on-demand program, for example. We used to print copies of everything; we've gone to that print-on-demand, and save considerable amounts of money on, on printing only what we need. So, we've got different programs like that. You've seen the use of, of, IT and some of those projects that used to, to cost, two, three, four people, we can now do in two people with IT, you know-- less paper, that sort of a thing. So I-- we've certainly have looked at those, and will look at those going forward. And I just hope that the Legislature takes that into account.

**VARGAS:** And of your contracted-- or, not contracted, ICIO, or other services or rates, have they increased, you know, for us as the legislative branch?

**BRANDON METZLER:** They, they certainly have. We're looking at like some of our phone lines and, and our data service lines. We're looking at a jump in those. So when you see costs for the Legislature rising, it's not always the Legislature; sometimes it's those services that we don't have independent-- you know, we still kind of piggyback off the executive branch. Sometimes those costs do come from exec branch services, if those rates jump up.

**VARGAS:** Thank you.

**CLEMENTS:** Other questions? Seeing none, thank you.

**BRANDON METZLER:** Thank you for your time.

**CLEMENTS:** That concludes Legislative Council. Next agency is the Governor. Is there a representative wanting to comment on the Governor's budget? Seeing none; Lieutenant Governor's budget comments? Seeing none, we'll go on. Secretary of State would be next. Welcome, Mr. Secretary.

**ROBERT EVNEN:** Good morning, Mr. Chair. Members of the committee, thank you for, allowing us to come in this morning. I want to begin by just talking about a, a, a larger view, a larger picture; I won't dwell on it for too long. The, the Business Services Division of the Secretary of State's office-- you heard comments earlier about sweeping interest out of the revolving accounts and so forth, taking those into the General Fund. The, the Business Services Division of the Secretary of

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State's office contributes about \$16 million every biennium into the General Fund. So the Secretary of State's office is it-- and if you compare what, what we take out of the General Fund for our operations and compare that with what we contribute to the General Fund, we contribute many multiples of what we take out of the General Fund already as we sit here today. Earlier this year, in the legislative session, there was an effort to retrieve unspent cash funds; I'm sure you recall that exercise. And the State Records Board, which the Secretary of State chairs-- we contributed back \$3 million from that fund of cash that I thought would be fine, I, I-- we didn't object to that. And we agreed and encouraged that for the purposes that the Legislature saw fit. So I don't want you to think that I'm coming in here today as, as someone who's unwilling to participate in this effort, who's unwilling to contribute to this effort; I'm not, nor, nor is my office. The proposal that's been made here is something that I would ask this committee not to adopt, and I, I want to talk a little bit about it. There-- if, if you take a look at the document that's been handed to you-- there are things referred to as "exhibits," but those are just parts of the same piece of paper. Exhibit A shows what was submitted to you in terms of the proposal itself. It seems like the, the, the proposal is to take \$250,000 out of our elections budget each year, this-- of the two years of the biennium. And I don't think that's advisable. I would encourage you not to do that. When I try to understand what was the basis of this, what's the basis of the proposal itself, what I see is that we have a carry-forward of \$691,000. You can see this in the, the-- this is the lower right hand number under fiscal year 2023-2024 of Exhibit A, which is the, the top graph. That's-- that was in the proposal. So I want to make a couple of general comments, then I'm going to come back to that number and what that represents, and why I think that you ought to leave it alone for now. Many of the proposals, many of the agency evaluations carry a biennial excess line. You see this? This is the last line in a number of the recommendations for, for agencies. And, if you take a look at-- that, that line is not present in the recommendation that was made for the Secretary of State's office; that line was left off of that. And you can see in the example here-- this is the-- this is another agency that, you know, they had a biennial excess of \$240,000-- this is Exhibit B on this sheet of paper-- you get-- they had a biennial excess of \$240,000 in 2021 and, and \$421,000 in 2022-2023, and the proposal is to take some of that. If you take-- if the biennial excess line had been shown for the Secretary of

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State's office, you take a look at Exhibit C, and that shows you what it would have been. \$187,000 in 2020-2021, \$51,000 in 2022-23. There's the biennial excess for the Secretary of State's office. But the proposal is to take \$500,000. Now, if you take a look at Exhibit D, what we've done is we've compared the, the proposal for, for the Secretary of State's office with four other agencies and how it, how it compares, relatively speaking, to the biennial excess, the line that was not present on our proposal. Here you can see the Treasurer, they're proposing to take 24 percent of that excess; Historical Society, none; oil and gas, 48 percent; tax-- TEC, 36 percent; but when it comes to the Secretary of State, they're proposing to take 48.9 percent of our biennial excess. Well-- so, what does that come back to? How are we to understand that? And that is, and that is to be taken from the, from the election appropriation. Well, I want to say that if you take a look at unspent appropriations in elections over the last 3 bienniums, it's 1 or 2 percent. So we don't have a lot of unspent appropriations in elections. In, in the most recent biennium, it was 1 percent; it was, it was \$20,792. So, we don't have a lot of unspent excess. We have very little in elections. But, if you take a look at the carry-forward, we go back up to Exhibit A; there's a \$691,000 figure, and the best I can, the best I can surmise is that this-- that, that the assumption is that that \$691,000 will be in excess this year, it'll be in excess next year, and you can take \$250,000 of that. It's, it's-- I'm not sure the rationale, I don't know the rationale for that number specifically, but this is as close as I can come. Well, the difficulty is that that \$691,000 carry-forward is for specific purposes that are related to voter ID and, and, and one other project, but the vast bulk of it is related to the implementation of voter ID, and it's money that the Legislature appropriated for this purpose. So our office received \$1.2 million in appropriations for fiscal year 2024 related to implementing voter ID. That included \$700,000 for public education in the primary election. And then, the other 500 was for the general election. So how did it go? I'm going to talk about our spending on that in a second. But how did that go? How do-- how do we measure whether or not that, that money met its purpose? Well, one measure is that we had a very great understanding of the part of the voters of Nebraska in the primary election about voter ID, and we had a very good understanding on the part of our county clerks and county election commissioners about how to implement it. And we had, very good understanding on the part of our poll workers about how to implement it. And the result was that we



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had 200,000 or 250,000 people who voted at the polls in the primary election. All but 84 of them complied with the voter ID requirements at the polls. That's pretty good. And that, to me, is a sign-- now, those people had a week to come in and show their ID. It was 84 out of 200,000 or 250,000 voters. That suggests to me that the, that the voter information efforts we undertook were successful. That, that's some indication of that. I think it's a good indication of it, because the proof's in the pudding. Now, should we take a look at what, what's, what we spent of that \$700,000 that you appropriated to us for this purpose? \$400,000 has been spent. We have \$170,000 worth of bills that will have to be paid out of that. That leaves \$130,000 of that first \$700,000. And that's money that we've held because we, we wanted to not spend it all and hold some of it back in case there were needs that needed to be met. And now, we have some needs that need to be met, because they're-- the place where we had less compliance with this were in the 11 counties that vote entirely by mail. And there was less compliance with the voter ID requirements in, in those areas. So what we want to do is take these funds and focus on that in a way that we hadn't initially planned. That's where we're going to focus that money, if we have it. And that was our intention, is to hold some of that back. If we don't need it, by the way, I'm going to say this again later, but whatever's left over out of this goes back to the General Fund on June 30 next year. So, whatever we don't need and don't use, the General Fund is going to get back. You don't need to take it now while we're, while we're in the, in the process of trying-- we're in the middle of this process. In addition to that, so we have-- now, what's going to happen in the general election is we're going to have 2 or 2.5 times more voters in this general election than we had in the primary. The primary worked out very well, because it helped our entire election systems across the state get comfortable and compliant with voter ID. But now we're going to have a large influx of voters, 2 or 2.5 times the number of voters will be voting in the general election. So you have a very large number of people, this will be their first time in voting-- for voter ID. We have to continue these voter informational efforts, and the Legislature appropriated money for that purpose, and we're going to do that. So some of these, some of these funds, then, will be targeted towards the areas where we saw we, we would like to get voters better informed; that we saw from our experience in that in the primary election. That's what we're doing with these funds. So, when you take a look at, at where that comes from then, we have \$170,000 of that-- \$691,000;

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I'm going back to the \$691,000, which is, I think, informed the proposal that's before you, and there's \$170,000 bills yet to be paid. There was \$130,000 we held back that we would like to commit to these areas, for voter information. We did have a savings on envelopes. Now, we do have a-- we have \$50,000 that are yet to be paid on envelopes, but we also have 150-- so that's \$50,000 of that money, but we also have \$150,000 in savings. And that's because the, the people who are involved in elections and in financial administration in the Secretary of State's office have sharp pencils, and they're careful with the public fisc. They were able to negotiate a better deal. So we have savings on those envelopes. We also had savings on our voter registration contract that we negotiated, but that money is going to be needed later. It's savings up front. So this is-- that, what I just said, accounts for about \$600,000 of this amount. What will happen, what will happen is, at the end of the year, in June 30 next year, is whatever we haven't spend, the General Fund is getting back. So what I would ask is the committee's forbearance here; let us get our work done in our elections, please. Let us get through this election and, and pursue things in the way that we have planned and intend. And as we, as we have savings for the people of this state, the General Fund will get that money back. All right. Thank you.

**CLEMENTS:** Thank you. Are there questions? Seeing none, thank you, Mr. Secretary.

**ROBERT EVNEN:** Thank you, Mr. Chairman.

**CLEMENTS:** Next agency is the State Treasurer's office. Is there a representative for the State Treasurer? Just to let you know, after this will be Public Service Commission. Welcome.

**JASON WALTERS:** Thank you. Good morning, Chairman Clements and members of the committee. My name is Jason Walters. J-a-s-o-n W-a-l-t-e-r-s, from Lincoln, and I'm the Nebraska Deputy State Treasurer. State Treasurer Briese is unable to be here, as he is at another hearing right now, but I am here testifying on behalf of Treasurer Briese in favor of LB2. As I'm sure you're aware, Treasurer Briese has worked on this issue with many of you for a number of years. He is pleased to see the plan put forth by Governor Pillen and like-minded senators that will actually help Nebraskans suffering from crushing property taxes without raising taxes on those same individuals. LB2 is an important step towards the goal of helping our fellow Nebraskans. I

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would like to point out that while LB2 reduces the appropriation for the State Disbursement Unit, or SDU, by \$100,000, the actual cost to that program will be \$250,000. For those of you who may not be aware, Nebraska has a centralized child support collection and disbursement office, which, through an interagency agreement with Department of Health and Human Services, is under the Nebraska State Treasurer's office. The SDU receives a federal fund reimbursement based on the amount of state expenditures. In this case, the reduction of \$100,000 in state money will result in our office seeing a reduction of \$150,000 in federal funds. This reduction will not negatively impact the performance of the SDU in any way, shape or form, and we fully expect the staff of the SDU will continue their excellent work. As stated previously, Treasurer Briese is in full support of LB2, and I would welcome any questions that you have.

**CLEMENTS:** Any questions? Senator Dover?

**DOVER:** So you're simply saying that you don't need the \$250,000, is that correct?

**JASON WALTERS:** We have some efficiencies that we have recognized. And we have some other things planned that are going to reduce costs. So yes, it's-- we can absorb the loss of \$250,000 in total funds to the program.

**DOVER:** All right. Thank you.

**CLEMENTS:** Any other questions? Senator Dorn?

**DORN:** Thank you, Senator Clements. Thank you for being here. So I, I caught on the handout we get, you, you actually show a reduction of 100,000. But, and I asked our fiscal-- Governor's fiscal analyst Lee Will about this, federal funds that [INAUDIBLE]. And this one here, showing one up that we, we're also-- the negative effect to the state of Nebraska is another \$150,000 or \$250,000. So it's-- your budget is actually \$250,000 loss, not \$100,000, and when it shows up, we're going to bring back for reduction.

**JASON WALTERS:** Yes. There's-- child support disbursement is part of a federal program. And so for every \$1 that-- or for every \$0.40 for-- out of every \$1 spent, \$0.40 is state general funds and 60 percent is federal funds.

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**DORN:** So, so, so in reality, though, I know on our line here on this line where you see the handout, it shows \$100,000 cost to your Secretary of State department. Yeah, yeah. In reality, though, it's to the state of Nebraska; it's a \$250,000 cost, because we're now also-- somewhere along the line, somewhere down the road, your budget, your office will be picking up that other \$150,000 cost in some kind of expense somewhere.

**JASON WALTERS:** Yes. Yes, that's correct.

**DORN:** Oh, I see our fiscal analyst showing "no." It's to the state of the-- the people of the state of Nebraska, though, are going to lose that \$150,000 also.

**JASON WALTERS:** Are you addressing the question to me? Or, to-- Yeah. So, if, if, if we don't spend that money, we're not eligible for the match. So nobody's picking up the extra.

**DORN:** Nobody's picking up the extra?

**JASON WALTERS:** Yes. Yeah. So I may have-- I misunderstood that question.

**DORN:** I asked it, I think, wrong. All right. Now I understand what he-- how he explained it. So it's-- it is an officially a \$100,000 cost to your department--

**JASON WALTERS:** Yes.

**DORN:** --but there's another \$150,000 in funds we could have had?

**JASON WALTERS:** There's a, there's a-- yeah. It's, it's a, it's a side impact that, that that money is-- so the amount of our federal grant does not change. We're just not eligible to seek reimbursement for those funds.

**DORN:** Thank you for that clarification very much. Thank you.

**CLEMENTS:** Other que-- Senator Erdman.

**ERDMAN:** Thank you, Senator Clements. Thank you for being here. So, had this not been brought to your attention by the Governor, was the Treasurer's office going to make these reductions anyway?

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**JASON WALTERS:** We had not had discussions if we were going to make those or not. We had-- will be submitting our budget in September, but we haven't begun internal discussions on that, that budget. There are-- I know there is a project that was going to be-- I don't know if we'll be able to do it now or not; improvement to a-- we operate a customer phone service system, where incoming calls come in, and we've added some features to that, but there's a, an upgrade to that system that we would like to make. That may prevent us from doing this, that may delay it for a period of time.

**ERDMAN:** So if LB1, LB2 and LB3 doesn't pass, will the Treasurer's office still go forward with making these cuts?

**JASON WALTERS:** I d--, I don't know the answer to that. I'm sorry, Senator, I'd have to-- ultimately a decision for the treasurer to make, but we would have a discussion about it, certainly.

**DOVER:** Thank you very much.

**CLEMENTS:** Other questions? Seeing none, thank you for your testimony.

**JASON WALTERS:** OK. Thank you.

**CLEMENTS:** Next is public Service Commission. Good morning.

**DAN WATERMEIER:** Good morning, Chairman. Senators of the committee. My name is Dan Watermeier, spelled W-a-t-e-r-m-e-i-e-r. I'm here representing the Nebraska Public Service Commission. We did not prepare any testimony. We just decided to follow through with our 2 fiscal notes. And I guess, just to clarify, Chairman, is it OK if I speak about LB2 and LB3 at this time?

**CLEMENTS:** Yes. We're doing both LB2 and LB3.

**DAN WATERMEIER:** OK. That's what I was-- I assumed. Right. Just-- if you want to refer to anything, it'd just be the fiscal notes. LB2 takes away five and-- \$5 million out of the first two, and second fiscal years. Just to be clear, we have already obligated the whole \$20 million, \$19,700,000, which lists in the fiscal note for the first fiscal year of 2023-2024 of the Bridge act. And so we would have to come up with the dollars out of that. And I'm assuming-- we've been working behind the scenes, whether we can actually pull that money out of the second year's obligation of our appropriation; we think we can

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probably do that, but it's a little bit unclear. So, just so you understand, we've actually fully awarded the first year of the \$19.7 million. On LB3, that deals with the interest amounts in different funds. The two biggest funds dealing in the commission would be the NUSF fund, which is around \$3 million of projected interest, and then also on our 9-1-1 set-aside funds, which I re-- think is around \$350,000. That's both listed in the fiscal note. Those would be in jeopardy, both of those. I know in the past we've had-- Senator McDonnell's had the 2-1-1 bill, which has taken interest out of the NUSF fund and used that to pay for the 2-1-1 program, so that would be in jeopardy as well. But mainly we're just here and wanting to answer any questions that we can. I have staff with our budget department that can help, maybe answer the detailed questions that you may have.

**CLEMENTS:** Are there questions? Senator Erdman?

**ERDMAN:** Thank you, Senator Clements. Thank you for being here, mister. So, to follow up on a similar question that Senator Vargas asked, were you contacted in advance about these adjustments?

**DAN WATERMEIER:** No, sir.

**ERDMAN:** Thank you.

**CLEMENTS:** Senator Dorn?

**DORN:** Thank you, Senator Clements. Thank you for being here. So, if, if I understand it right, we-- I think from the Governor's proposal two years ago, we were going to pull \$40 million out of the Public Service Commission. We got hammered on the floor. It didn't happen. We were going to pull some funds out last year, that-- also that didn't happen because it was obligated already. And if I understand your comments right, this has been obligated, just not disbursed. So, it's not like it's money sitting there that is no need, or no strings attached to it; this is obligated. And then explain a little bit about the broadband. I don't know if everybody understands the Broadband Bridge Act, but that's money that our state has put forward approximately \$20 million in several years for broadband access across the state.

**DAN WATERMEIER:** Let me may-- if I may clarify that just a little bit. Last year, the budget discussion about the \$40 million was out of the NUSF fund, which is strictly a fee-based fund. It's not-- no general

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funds inside of the NUSF. So there was a constitutional questions about whether that should be appropriated or not. The Bridge Act is strictly general funds that's allocated \$20 million per year to the Public Service Commission for us to alloc-- hand out and grant funds. So those are general funds, and we completely understand if those won't be backed out of the budget. And then we understand every year, that's something that the Appropriations Committee decides, whether really, really need to have that. But to answer your question, just to be clear, going back to this biennium that we're in-- we've just started the second year of the biennium-- last year, in our first-- the first half of the biennium, we have compl-- we had application process, we had awarded grants of \$19.7 million for that first year. So that \$20 million is pretty much taken care of. The \$300,000 will carry over to the next fiscal. And so we were prepared, and when-- actually next month, starting in a couple days, we will open up application process for the second round of the Bridge Act. So it does put it in jeopardy. I would say it does. But I understand the rationale behind it.

**CLEMENTS:** Further questions? I had a question--

**DAN WATERMEIER:** Yes, Senator?

**CLEMENTS:** Regarding broadband, there's this BEAD program with quite a lot of money.

**DAN WATERMEIER:** Yes.

**CLEMENTS:** \$500 million or so?

**DAN WATERMEIER:** 405.

**CLEMENTS:** 400, \$400 million. Is it possible to use that instead of the broad-- the Bridge Act for next fiscal year?

**DAN WATERMEIER:** Well, they will be working together in conjunction, but there is a segment of the state, different stakeholders, telecoms, that are not eligible for the BEAD program. They will rely on the Bridge Act and the general funds. They have different federal fundings that's available. But there is a segment of the telecoms in the state that are not going to be eligible for the BEAD program.

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**CLEMENTS:** That's what I was really wondering if there was overlap or not. There is--

**DAN WATERMEIER:** So, we're working really closely with the broadband office, and we just really think that in the next 5 years we can actually get the state covered. But it's going to be a challenge. And, and, you know, there was a hope that there was going to be a partnership with the state. And, you know, this is not a large amount to lose \$10 million, but it is-- it sets back at the stakeholders, and I think you'll hear from them this afternoon, in regards to this bill on LB2.

**CLEMENTS:** All right. Any other questions? Thank you for coming.

**DAN WATERMEIER:** Thank you.

**CLEMENTS:** Our next agency is the Department of Revenue. Good morning, director.

**JAMES KAMM:** Good morning, Chairman Clements. Thank you, and members of the Appropriations Committee, for having me here today. My name is James Kamm, J-a-m-e-s K-a-m-m. I have the privilege and honor to serve as the Nebraska Tax Commissioner. I'm here today to support our support for the recommendations being made in LB2 and by Governor Pillen. I have submitted a letter that also states the DOR's support of these changes. I want to be respectful to members-- members of the committee's time today, and so I won't read my letter, which has been, being handed out now, being submitted part as the official public record. But I wanted to come here this morning to make myself available to any questions you might have of the Department of Revenue, given the role we play as the state agency in charge of the collecting the state's revenues.

**CLEMENTS:** Thank you. Are there questions? Senator Erdman?

**ERDMAN:** Thank you, Senator Clements. Thank you for coming. So there's \$1.6 million. What is your, what is your total budget?

**JAMES KAMM:** I'm going to misstate that if I do, Senator. So, I'll have to get back to you on that. I should know that this morning; I apologize, but I will, I will misstate that if I tell you a figure this morning.



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**ERDMAN:** So, so were you, when-- you contacted in advance about this adjustment?

**JAMES KAMM:** We worked collaboratively with the budget office this spring to come up with this savings. And, and basically what this represents, Senator, is it's our unobligated obligation for the, for 2023-2024, for the current year. And, and so that is our unobligated portion.

**ERDMAN:** Thank you.

**CLEMENTS:** Other questions? Senator Vargas?

**VARGAS:** Pretty quick, sort of following up on Senate Erdman. If this was not to pass, are you going to make this adjustment anyway and propose it for next year and cut?

**JAMES KAMM:** Well, what I understand, Senator Vargas, and as you know, I'm fairly new in my role yet; just coming up on a year. Not as new as I used to be, so I can't use that excuse anymore. So-- but from what I understand, in the past we've carried over our budget, our excess unobligated portion from one year to the next mid-biennium. And then, if we still had an unobligated portion at the end of the biennium, then we would come and, and let you guys know how we'd want to use that money going forward. So-- we run pretty lean and mean in the Department of Revenue; I can say that. And, at this time, that just represents, essentially, our salary savings that we have over the course of a year. So, we're anticipating that for 2024-2025 as well, although there were some one-time costs that we incurred this year that we won't incur for 2024-2025.

**VARGAS:** It sounds like-- I mean, the conversation I had previously with Lee Will-- I'm still concerned that you're thinking about the carry-over, and still determining how we might use those funds is not the direction that the administration is heading, as I-- I'm flagging that for all agencies, because if that, that's where we're heading, that's where we're heading. But, I just wanted to know whether or not you were going to do these cuts, even if this doesn't pass and propose the next year, and I don't know if you can answer that.

**JAMES KAMM:** Yeah, I don't have an answer for you on that today, Senator. I just know that we have contributed the 1.6 and what was unobligated this year, and what you guys appropriated and what we had

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excess. And, and again, that is salary savings that the agency, realizes over the course of a fiscal year.

**CLEMENTS:** Thank you. Other questions? Seeing none, thank you, Director.

**JAMES KAMM:** Yes. Thank you for having me today.

**CLEMENTS:** Next is Department of Agriculture. Do we have a representative from Department of Agriculture? I believe we have a letter from-- yeah, we had a letter from them. All right. Next is Department of Banking. Is there a representative? Oh, that's right, we have a letter from them also. Very good. All right. State Fire Marshal would be next. Senator Erdman?

**ERDMAN:** I have a, I have a question that-- maybe it's inappropriate, it's past the, the agriculture, presentation-- at the bottom of that, the \$300,000 from the corn check-off.

**CLEMENTS:** Oh, we'll discuss that in committee.

**ERDMAN:** OK. Thank you.

**CLEMENTS:** And yeah, we've had, we've had comments about that.

**ERDMAN:** Yeah. Thank you.

**CLEMENTS:** And there, there'll be public comments after we go through the agencies available, also. All right.

**DOUG HOHBEIN:** Glad that wasn't directed toward me. I couldn't have answered that.

**CLEMENTS:** Good morning.

**DOUG HOHBEIN:** Good morning, Chairman Clements and members of the Appropriations Committee. My name is Doug Hohbein D-o-u-g H-o-h-b-e-i-n. I am the assistant State Fire Marshal; State Fire Marshal Scott Cordes is out of the state at a previously-scheduled conference, and cannot be here to speak to you today. The State Fire Marshal agency is charged with enforcing all laws regarding the suppression of arson, investigation of cause, origin and circumstances of fires, to promote safety, to reduce loss by fire, to make an investigation for fire safety of premises and facilities. There are

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numerous programs associated with these duties to ensure the safety of the public. The agency was requested to find ways to accomplish these duties, while reducing the amount of general funds appropriated to the agency. There'll be two has a reduction of \$250,000 of General Fund re-appropriation in fiscal year 2023-2024, and \$3.5 million in the General Fund appropriation to the agency for fiscal year 2024-2025, leaving a base General Fund appropriation of \$320,392. There's also a corresponding increase of \$3.5 million to the Cash Fund appropriation, resulting in a total Cash Fund appropriation of \$7,376,891. The State Fire Marshal's impact in LB3 shows the removal of set fee amounts for various services the agency provides. With these removals, the agency will be able to set fee amounts at levels necessary to pay for the direct and indirect costs of performing all duties of the agency. Thank you for your time and attention today. I'll be happy to address any of your questions.

**CLEMENTS:** Are there questions? Senator Dorn?

**DORN:** Thank you, Senator Clements. Thank you for being here. And maybe I'm misunderstanding all of what's kind of going on here in the fire marshal aspect of it-- you're-- some funds are going to be pulled back, or you're pulling back. But to replace those funds, now you're going to increase fees?

**DOUG HOHBEIN:** Correct. Yes. That is the intention.

**DORN:** So, who's going to be paying most of those fees?

**DOUG HOHBEIN:** It'll be the people that utilize our services, for the most part. We do licensure inspections, those request licenses, buildings that are built, they play for, plan review. Those are the main sources of our income for, for the fees that we charge.

**DORN:** So it, it, it-- in your fee structure, are you're not at the top of what you can be at a fee structure? You're gonna-- just filling that in a room, or even just-- I guess I'm trying to understand how, how your department gets to change the fees or if they're supposed to come in front of the Legislature or not. I guess that's my question.

**DOUG HOHBEIN:** I guess that is a good question. And that-- those are things that need to be answered. The intent is to, to be-- for us to be able to set the fees where we need them to be able to, to operate as an agency and fulfill our, our needs, fiscally, so-- I'm not sure

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if that is a complete answer, but that is the best I can give you this time, you know?

**DORN:** Thank you.

**CLEMENTS:** Senator Dover?

**DOVER:** So with removal, are the fees set in statute currently?

**DOUG HOHBEIN:** Well, these-- many of them are. Yes

**DOVER:** And then those will be removed, so, if they're not set statutorily, are you able to just then move them whenever you need to move them?

**DOUG HOHBEIN:** Yes. To, to move to a regulatory process to set them to where we need them to be, yes.

**DOVER:** My last question would simply be, are any of those-- would any of those fees that you're talking about be imposed on local fire-- fire departments or volunteer fire departments?

**DOUG HOHBEIN:** They will not, no. There is, there's no change to that. We don't charge for any of the training we provide now. And there's no, no change to that proposed.

**DOVER:** Thank you.

**DOUG HOHBEIN:** Yeah. You're welcome.

**CLEMENTS:** Oh, Senator Erdman?

**ERDMAN:** Thank you, Senator Clements. Give me an example of some fees you may raise to make up the revenue.

**DOUG HOHBEIN:** OK. Someone who applies for a license; we do inspections for daycares and liquor licenses. We inspect health care facilities. But the biggest portion of our fees right now is probably through plan reviews for buildings that are being built across the state. An example, right now, we, we have a baseline of \$2.50 that we collect for plan review fee. That doesn't cost-- they-- basically it does not cover our cost to receive the fees, let alone review them and have

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inspections conducted. So we feel maybe a, a change to those fees might be necessary to help fund the agency.

**ERDMAN:** So, could you make those changes now?

**DOUG HOHBEIN:** We made a change not too long ago to simplify them. But we are, are working forward with this LB2 and LB3 in mind to make the changes, to address these issues.

**ERDMAN:** So if LB2 and LB3 don't pass, you're going to make those changes anyway?

**DOUG HOHBEIN:** We will see where we go from there. That is a qu-- a good question that we don't know the answer to right now.

**ERDMAN:** Thank you.

**CLEMENTS:** Any other questions? I had a question. Do you know how long it's been since you raised your fees?

**DOUG HOHBEIN:** We had a change our fee schedule for plan reviews. It was probably 3 years ago, but otherwise it's been 15 years, maybe longer than that, with any changes to our fees.

**CLEMENTS:** And \$2.50 per square foot, or per review? Per review.

**DOUG HOHBEIN:** No. It's a flat fee, a flat fee of \$2.50. It starts there and it does go up, but it's a flat fee of \$2.50. Yeah.

**CLEMENTS:** Well. We, as senators, are being paid \$5.74 an hour, and, we could at least come up that, I think. Seeing no other questions, thank you for your testimony.

**DOUG HOHBEIN:** Thank you very much.

**CLEMENTS:** Next agency would be Department of Insurance. Is there a representative? Seeing none, Department of Health and Human Services is next. Good morning.

**STEVE CORSI:** Good morning.

**CLEMENTS:** Go ahead.

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**STEVE CORSI:** OK. Thank you. Good morning, Chairman Clements and members of the Appropriations Committee. My name is Steve Corsi, S-t-e-v-e C-o-r-s-i, and I'm the chief executive officer for the Department of Health and Human Services. I'm here to testify in support of LB2 and LB3. Division of Developmental Disabilities and Division of Behavioral Health director Tony Green and Division of Public Health director Charity Menefee are also here today, and available to answer any specific questions about their divisions that I, that I might not have details on. On February 12, DHHS testified before this committee regarding our mid-biennium budget request. At that time, DHHS made a commitment that we would aggressively continue identifying areas where we can reduce costs and improve the quality of services to Nebraskans. I am here today to share an update on that promise. Over the past five months, the department has engaged in an ongoing effort with Governor Pillen to refine our budget in ways that will better serve Nebraskans through fiscal responsibility. I would like to highlight a few important components of the budget recommendations that emphasize DHHS's commitment to the most vulnerable Nebraskans. Specifically, the department is dedicated to providing children in the foster care system the best possible care based on individual needs. We are increasing our utilization of Title IV-E funds to assist in this effort. The department is leveraging additional federal funds and the following programs to support children and families: maternal home visiting, support for pregnant and parenting youth, food banks and the summer EBT program, early childhood programs, child advocacy centers, and CASA programs. The department is also dedicated to improving timely services to individuals with intellectual or developmental disabilities, as our efforts to eliminate the DD waitlist continue. In LB2, you will see the Division of Public Health has identified savings related to the modernization of the vital records system, as well as unspent funds in the CyncHealth health information exchange budget. Excess in the CyncHealth budget is due to an increase in federal fund claiming, with no change in contractual services. I want to thank Governor Pillen for his leadership and for working with the department on these efforts. We respectfully request that the committee advance both bills to General File. Thank you for the opportunity to testify today. I'd be happy to answer questions on these bills.

**CLEMENTS:** Are there questions? Senator Wishart?

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**WISHART:** Thank you for being here today. I do have a, a question on-- I'm just trying to, to find it here in my notes-- on the public assistance aid reduction. My understanding is that in 2023, we had over \$80 million in, in aid needs. And so what this reduction would do was put us under that. My question is-- this is an aid program, which means it's need-based. How has the department contemplated the potential that we actually will exceed, in needs, what the Appropriations Committee and the Legislature might be providing you in a budget share, should we pass?

**STEVE CORSI:** Senator, if I-- I think I understand your question correctly; if I don't, then, please restate. But I think you're saying, if we're going to make these reductions, how are we going to pay for those needs that were previously identified? Is that based-- basically the question?

**WISHART:** Yes. My, my understanding is in 2022-- I've got so many sheets in front of me, that's why I'm-- yes, here we go. In 2021 and 2022, our needs were approximately \$71 million. But in 2023, there were nearly \$88 million. And my concern is that we would be, for Program 347, we may have more aid than, than we would have available in dollars. Should we take this decrease?

**STEVE CORSI:** So, Senator Wishart, thanks for the question. 347 is the Office of Economic Assistance. And I can tell you that there are no changes in services for any of the programs in that office; childcare, LIHEAP, SNAP, ADC and ongoing. Let's see here. What I, what I can tell you-- I don't have a note in front of me specifically about that, but I can tell you that, in any of the reductions that we're doing in the department, there is no reduction in services anywhere. And in fact, as I mentioned in my testimony that I gave you a, a copy of, there are a number of places where we're increasing services across the board. Multiple-- in fact, I don't know what that total is, I, I don't have it with me, but if I totaled that up-- I'm looking at some notes right here-- \$14 million, \$22 million, another \$22 million, \$3 million, and \$1.5 million. So that's 44, 47, 61-- about \$62.5 million, just in the Office of Economic Assistance, in increases in services and, and help and aid to families and kids. So, I don't know if that answers your question.

**WISHART:** Yeah. And I think what I'd like to do is follow up with your team on this one in particular. Just-- I'm most concerned about a cash

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flow issue in particular with this department, since it's need-based, and we've seen a, a difference in need over the last 3 years. And so, just making sure you'd only have 2.6 million remaining in carry-over for this program for the remainder of the year, so, just want to talk through what happens if there's additional need.

**STEVE CORSI:** Sure. We would be happy to work with you and your office. Yes, ma'am.

**CLEMENTS:** Other-- Senator Vargas?

**VARGAS:** Thank you very much, Director Corsi. And, yeah, I have similar-- some similar questions. And I just want to dig a little deeper, because my concern is that we have a projected revenue shortf-- rev-- deficit into this next biennium, and public assistance aid-- these lapses in aid are based off of need. And I understand that finding efficiency is with operations, but for the aid programs, if the projected need, which is still staying the same, actually actualizes in future years when we don't have money to pay for it, we won't have the money to fund any requests. And there have been requests; we've increased child welfare aid in these-- in mid-biennium adjustments. Millions, tens of millions of dollars to address the need. And that is a sweeping change in a-- having to do 20 or 30, \$40 million in more aid in the middle of a budget. It's a lot of money. So, have you projected out-- you know, do you have the flexibility to respond within your existing budget and aid to meet-- if, if we actually fully actualize the need in aid? Right? Do you have the flexibility to meet that need without asking us for more money again when we don't have the money?

**STEVE CORSI:** So, Senator Vargas, and Senator Wishart, I'm going to-- as I answer his question, I think it will provide you more clarity on the question you asked as well, ma'am. I think the answer to that, Senator Vargas, is yes. At the, at the present moment, we don't, we don't foresee any shortfalls in funding. In fact, we-- as I mentioned to Senator Wishart, we're expanding what we're doing in a number of areas. And, the comment that I wanted to make that I think will help you as well, Senator Wishart, is that one of the ways that we're able to do this, the primary way that we're able to do this, is by leveraging federal funds. The Governor has made very clear that he wants to capture every federal dollar that we can in the state of Nebraska, and we've gone after those aggressively, and we're going to



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continue to do that. And we're bringing in substantially more in federal funding in a number of places than we were before. So--

**VARGAS:** It still doesn't address-- I may appreciate the, the answer of the c-- the response. It still doesn't address that you're cutting aid, and it's based on projected need and then-- or lapsing aid, or cutting public assistance. And if need increases in a future year, you're going to be requesting from this Appropriations Committee more general funds to backfill. And we don't have, we don't have the funds, you know. Especially if, if the, the, the other bills in Revenue pass, we definitely won't have the funds. This is the reason why I'm concerned about long-term sustainability of services, because even though you say we can meet the services now, that is dependent on need and people using them. And so, I would like to see more of a plan on that in the long term, because I, I, I'm not, I'm not hearing that there is a plan, just that we, we can cover the services now, based off the current needs. And that, and that's different; those are two different things.

**STEVE CORSI:** Senator Vargas, I, I would, I would respectfully disagree that there is a plan, and would be happy to share our plan with you. I would tell you that going back to former colleague's testimony-- Kristen Cox, this morning-- that as we continue to look at the department through the lens of system improvement, one of the tenets of system improvement, as you heard her testify, is that there is 25 percent hidden capacity in any given system. And as we have dug into our system, we've-- we're finding places with hidden capacity that, as you do that, and you improve services, over time, you'll have fewer people on services typically, because you're improving services, and you're increasing your flow through the system in safe and appropriate ways. That's a given. I don't want to alarm anybody; that's always the given. You, you, you do everything through that lens. But as we get better at what we do, we, we have additional opportunity, like getting better at claiming federal funds. We have additional opportunity to provide additional services. I, I am absolutely not concerned about the future, for services for the people of Nebraska through DHHS, and truly would be happy to sit down with you and have that conversation.

**VARGAS:** No, I appreciate that. And I look forward to having the conversation. And I-- and again, the reason I'm concerned is because we have mid-biennium budgets that ask us to fund more money based off of need, and if we don't have the money, I don't know where we're

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going to be able to backfill that. One last question, because it has to do with efficiencies and, and sort of-- Epiphany, to some extent. For DD services, for example, for waiting-- for the waitlist. And I'm prefacing this also for Director Green, so apologies. How do we plan to eliminate the waitlist without providing additional funding? What is the plan for that?

**STEVE CORSI:** So, I-- we could certainly have Director Green come up to, come up to answer that in, in a lot more detail. I made a few notes on that, and I'd be happy to share those with the committee, Senator Vargas. Before March, individuals and families would often wait up to 6 to 8 years for services to support their everyday lives, and the, and the-- their needs in the community. Director Green and his team sat down and spent countless hours working on a, a plan to eliminate that. And I think the problem went back-- goes back 34 years, if I remember correctly. It's been a 34-year problem. And the Governor charged us with solving that, by the way. It's number two on my list, with the Governor, in getting that solved. So, with that in mind, director Green and his team sat down, sorted through the best way to do that. And what they-- Tony can answer more detailed questions, but basically what they came up with was that, rather than waiting the 6 to 8 years to be on the comprehensive waiver, we could better serve people here and now if we did evaluations utilizing a clinical team, util-- do evaluations of people's current needs, and then meet those through the family support waiver that we initiated and rolled out in March. The cost for that, the cost to meet people's needs where they're at currently, and then over time bring all-- it was approximately-- at that time was about 2,500 people that were on the waitlist. To bring them all off, that total cost was about \$44.6 million. \$18.5 million of that was in general funds-- is in general funds, and \$26 million in federal funds. For SF-- or, for state fiscal year 2025, we can absorb the cost-- increased cost within our existing appropriation using that phased-in approach, which goes back to what I just said about meeting people's needs where they're at now, as opposed to the full comprehensive waiver 6 to 8 years out. Is that-- does that help? And by the way, let me give you some numbers. They're pretty exciting. So, since March, since the roll-out effort-- I think it was the-- it was in late March, as I recall; 24, 30 somewhere around there. Anyway, since March, we have offered 650 families the family support waiver, and of those 650, 327, which is about 50 percent, have accepted. 105 have declined, and the majority-- the

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major reason for that is because they are currently on the aged and disabled waiver, and they just wanted to stay with that. And then 218 are pending, which is about 34 percent. We're awaiting their decision. So, I'm pretty excited by those results. It means that, right now, we have 327 families and individuals that are getting needs met that might not have gotten met for a number more years, and they might have been worse at the time that they were met. Does that help?

**VARGAS:** It does. I'll look forward to talking to Director Green about it, too. It is good to hear that you can absorb it now. My concern is, with the rising cost of services and salaries, and for providers, that you will be coming back to the Appropriations Committee in a future year and asking us for more money to fund it. Also to then leverage federal funds, and the funds may not be there if a lot of these other things are enacted in other committees, and including this committee. And that is my-- my concern is sustainability of this. So, I look forward to hearing more.

**STEVE CORSI:** Appreciate your concern, Senator.

**CLEMENTS:** Other questions? Senator Dorn?

**DORN:** Yeah. Thank you, Senator Clements. Thank you for being here, Director Corsi. I-- on our handout that we got, it was, I call it the biomedical research of \$15 million reduction on-- that's what we see on here under, Program 623 or whatever, that that comes through your department. Is that the Health Care Cash Fund, the biomedical part? That, that's what's shown on our handout, on our sheet from our fiscal. So I-- you, you don't have the same handout but I-- well, I guess my question is, is that-- the Health Care Cash Fund, the biomedical part-- the \$15 million in reduction of the biomedical that your-- that we would take stuff out of general funds. Is that under your department then?

**STEVE CORSI:** Yes, sir.

**DORN:** Yes, it is?

**STEVE CORSI:** Yes sir. Senator Dorn, it is.

**DORN:** Who-- How, how was those decisions arrived-- or, who came up with those decisions to, not have us fund the-- out of the Health Care Cash Fund, the \$15 million for biomedical research? Because if there's

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one thing I've gotten emails on, it's this one here, right here, that we have had a massive amount, or in the billions, and were a billion dollars of additional funding for research. And many people were coming to the state of Nebraska to our research facilities because of the funding that we were able to re-- acquire, and that some of them have really concerns about if, going forward, that we can maintain what we had done. I have multiple emails about that. And I guess, how was that decision-- do you-- were you part of it? Or is that a question I have to have somebody else later? I can see Lee Will shaking his head.

**STEVE CORSI:** Well-- which way did he shake his head? What'd you just say?

**LEE WILL:** I said after the committee hearing, I can talk to Senator Dorn.

**STEVE CORSI:** Senator Dorn, I was part of that, part of that decision. I don't know all of the details of that, but I can give you some, some generalities. I can tell you that the \$15 million that's eliminated is about \$11 million to the state university system, and it's about \$4 million to the Creighton University Boys Town Research Hospital. It's also estimated that Nebraska Medical Center-- as a result of the provider assessment, that Nebraska Medical Center will receive approximately an additional \$146 million, and Boys Town will receive an additional \$30 million from that same provider assessment. So, while we can't, as a department-- and wouldn't dictate how the medical facilities handle additional dollars, it could be within their means to decide to support research activities, through funding those systems. So-- and if you, if you want additional details--

**DORN:** If we need additional information with you here, we'll have a discussion in our committee.

**STEVE CORSI:** Yeah, we-- or we can, we can do that either with Director Menefee, or after the committee.

**DORN:** Thank you.

**STEVE CORSI:** Yes, sir.

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**CLEMENTS:** Other questions? We'd like to have Director Greene, if you would. We have questions, evidently.

**VARGAS:** Can I ask a question before he leaves?

**CLEMENTS:** Excuse me.

**VARGAS:** It's, it's, it's-- I'm going to blame Senator Dorn, because he brought this up, about the biomedical research, and also this, this fund. In our time, in these 8 years, I haven't seen us use the Health Care Cash Fund to fund aid programs like this. What is the rationale behind this? Because the Health Care Cash Fund on its own may be sustainable right now; we've had sustainability issues. If we start moving funds to fund aid programs for need from cash funds that are not sustainable, we may not have money in the future, and we'll have to backfill that with general funds, which Erdman hates. So, like, we have to think about-- so what was the rationale behind starting to use health care cash funds to fund DDA?

**STEVE CORSI:** Senator Vargas, I think-- I would hesitate to, to speculate on the rationale. I want to go back and dig into that a little bit. I, I'm sure Lee Will has a response to that; a, a reasoned and rational response to-- I don't have that off the top of my head, but it-- in, in my mind, it does go back to the aggressive leveraging of federal dollars, and so-- but I'm sure Lee has a much better response.

**VARGAS:** Well, I'll talk to you afterwards about, because we can't get it in the record. We gotta get it in the record. All right. Thank you.

**CLEMENTS:** Any others? Seeing none, thank you. Director Green?

**TONY GREEN:** Good morning, Chairman Clements and members of Appropriations Committee. My name is Tony Green. T-o-n-y G-r-e-e-n. I am the director for the Division of Developmental Disabilities and the interim director for the Division of Behavioral Health. Happy to answer any questions you might have.

**CLEMENTS:** Senator Vargas?

**VARGAS:** I already gave you a precursor to this. So, basically, talk to me about, you know, the, the ending to the waitlist. What is the plan, given that you're not asking for increasing funding? I mean, we've

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seen examples of-- and it's, you know, apples and oranges, but, like, you know, Pennsylvania's putting hundreds of millions of dollars towards ending their waitlist, and I'm trying to, to, to connect the dots. How are we ending the waitlist to maintain quality services and, and make sure that we're, we're also paying for services adequately thinking ahead without adding significantly more funds to that?

**TONY GREEN:** Yeah. So I'll first kind of go back to the announcement of, of the elimination of the, the waiting list that the Governor, did back in March, and did make a commitment that, going forward, in the estimates that we've put together, that there would be potentially an \$18 million investment into that. We've started the process in March with the family support waiver, which was already funded in previous legislation. And so, as we move further into the plan, those will be conversations that we'll continue to have. We're obviously working on the next biennium budget to see what that would look like, if there's opportunity for funding specific to this request that's before us today. I would point out that the actual positive net impact for the Developmental Disability Division by moving state general funds, and switching that, and replacing it with cash funds, is that becomes a permanent base for DD. So, it actually has a, a net gain for us in DD of \$8 million that can be used towards that waitlist as step one.

**VARGAS:** And that's sort of my second question then, because-- and you're talking about like the Health Care Cash Fund--

**TONY GREEN:** Correct.

**VARGAS:** We have had sustainabittle-- sustainability issues with the Health Care Cash Fund in the past, because it's really dependent on how well the market does, to some extent; it's all dependent on whether or not new senators bring more bills to try to look at it. And I underst-- and that's going to happen into the future. And-- so, it's not sustainable on its own: we can't always rely on that. That's why we rely on the General Fund, because there is sustain-- sustainability, at least right now, from taxpayers to be able to fund services. So what is the rationale behind making that, that move? Because I-- it is a concern I have. It's a concern.

**TONY GREEN:** Yeah, I would say-- I would probably echo what CEO Corsi said, and I mean, Lee can certainly articulate the thought process there. But in this specific case of the, the transfer of trying to

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come up with how we can best utilize our resources and free up state general funds when appropriate, this seemed to be a viable option, which also had a positive impact to the base budget of DD by replacing the cash funds as opposed to, letting it lapse.

**VARGAS:** OK.

**TONY GREEN:** So-- and then a-- if you want me to-- so the, the larger, waiver cost-- and, and there's more information we're, we're continuing to share with stakeholders. But I think the key piece that folks need to understand as well is that this really is a different approach to how we're, we're tackling the waiting list, right? The previous approach was everybody waited, as, as Steve had mentioned, without any services for, for lengths of time. And then you went into the most expensive waiver and utilized the services. This new approach starts all the way back at the beginning. I'm proud to say in the beginning of July, we started offering Medicaid as a supplementary insurance program to all children that qualify for developmental disability services. That's one approach that started kind of meeting people's needs right away, that hopefully will prolong, maybe, a need for moving into that deeper-end services. We have the family support waiver that launched in March. And so, when you look at the cost in the, in the previous estimates, where we-- you know, we've been together many years, where we looked at how do we eliminate this waitlist. And it was always the, the single focused approach to, say, number of folks times the cost of the comprehensive waiver, and that's what it's going to cost us to get rid of it. And this approach says, "Let's do this differently." Let's say some of those folks are just going to want Medicaid, and that will meet their family's needs. Some will just want the family support waiver and that will meet their needs. And the day waiver at 21, and so on. And so, it really is taking the available resources that we have today and spreading them out across everybody. And with some folks choosing to go into lower categories, it allows those that need that deeper-end service to move into that based on need, versus a date of application.

**CLEMENTS:** Senator?

**VARGAS:** Can you do what you just said without this \$8 million transfer from biomedical research to DD?

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**TONY GREEN:** Not the entire elimination of the, the waitlist. No.

**VARGAS:** Will you be requesting more general funds next biennium to be able to meet this waitlist plan?

**TONY GREEN:** I would say we're in process of developing that budget now.

**VARGAS:** OK. I appreciate you, Director/Interim Director hybrid. And thank you.

**TONY GREEN:** Welcome.

**CLEMENTS:** Senator Wishart?

**WISHART:** Thank you for being here. I want to turn to behavioral health aid. And so, a couple of questions on this.

**TONY GREEN:** OK.

**WISHART:** First is, I know that the department is working with the U.S. Department of Justice on ensuring-- on sort of looking at how we support individuals so that they aren't-- those with mental health issues or behavioral health issues aren't continuing to sort of be institutionalized in terms of care. How-- is that work going to be able to continue with a lapse of \$8 million in funding for behavioral health?

**TONY GREEN:** So, that work is in process right now. So what I can say is, you know, DOJ has issued their findings, and we are in the process of, of, of negotiations with DOJ on how to resolve those issues. And we're also putting together the, the fiscal component to, to, fixing those concerns, right? So obviously, some of that for folks that might not be receiving services today. Case management, as well. And so the short answer would be as-- again, we're working on, on the next biennium budget, this lapse that's referred to in this request of, of state General Funds would not have an impact on that.

**WISHART:** OK. And then can you just walk me through, and I know we discussed this in our last budget hearing, why do we continue to see unspent funds in behavioral health?



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**TONY GREEN:** It's a complicated question, and one that I think-- we were, actually, having a conversation earlier this week about needing to get the messaging correct. Right? And so when we talk about the behavioral health division and its funding, it's a narrow slice of the pie, if you will, of the larger behavioral health picture. And so one of the things that you're seeing is a, a decline in the number of folks who are accessing services through the regions. Doesn't mean they're not accessing behavioral health services, but when we did Medicaid expansion, a large number of those folks who previously had been getting their services from behavioral health providers funded through the regions are now having those services funded through Medicaid. And so in, in total, we've actually seen a 31% decrease in the number of folks that are getting services funded out of the behavioral health region. Again, I don't want you to take that to say that there are 31% less folks getting behavioral health. That's not what I'm trying to articulate, but from that specific funding source, what we haven't done a good job is really taking what is happening then on the Medicaid side and bringing all of the behavioral health system together. And, and we're going to work on getting that taken care of here shortly, because I think it is confusing to look at. But, historically, prior to, to COVID and Medicaid expansion, the regions were pretty on point with, with the spent of what was happening. And then over the last several years, that's continued to grow. And this year, we lapsed in '24, \$18 million. And so this, \$8 million reduction technically is still leaving \$10 million in the biennium if something would need to, to change or additional needs would surface between now and June of '25.

**WISHART:** OK. Thank you.

**TONY GREEN:** Welcome.

**CLEMENTS:** Senator Vargas.

**VARGAS:** Sync-- SyncHealth health information exchange budget. Have you talked with them about their ability to absorb some of the services in this cut?

**TONY GREEN:** I have not.

**VARGAS:** OK.

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**CLEMENTS:** Anyone else here? Thank you, Director.

**TONY GREEN:** Thank you.

**CLEMENTS:** Did the committee have any other HHS questions? Seeing none, that will conclude Health and Human Services. Next agency is Department of Veterans Affairs. Is there a Veterans Affairs representative? Seeing none-- did I skip one? No. OK. The Department of Natural Resources would be next. Is there a Department of Natural Resources representative? We'll go on. The Military Department. Is there a representative? Well, seeing none, Nebraska Game and Parks Commission. And after that would be Corrections.

**CLEMENTS:** Welcome, Director. Good morning.

**TIMOTHY MCCOY:** Good morning. Thank you, Chairman Clements and members of the committee. My name is Timothy McCoy, T-i-m-o-t-h-y M-c-C-o-y, and I'm the director of the Nebraska Game and Parks Commission at 2200 North 33rd Street, Lincoln, Nebraska. Thank you for the opportunity to share the Commission's concerns and thoughts about LB2 and LB3. As you heard earlier from a question asked of Lee Will, in LB2, Section 21, we are requesting a change and that would be rather than removing all of the General Funds, which is over \$1 million from that program, leaving 100-- we would request \$125,000 in General Fund authority and to retain in that base and then, obviously, make that change and reducing the cash fund authority would shift it over. The reason for this is we receive over \$25 million from the U.S. Fish and Wildlife Service. We also receive other federal funds that pass through our agency, like the federal land and water conservation funds and federal recreation trail program, where we passed funds to local state government, state entities in government for improvements that they apply for grants for. Through those, there are-- we have to do an allocation of shared services plan to be eligible and ensure eligibility for federal funding. And part of that is to ensure that we are not spending our, our agency funds that are tied specifically the fish and wildlife service from game cash and, and parks cash or habitat cash, that we're not applying those funds to things that aren't eligible for eligible uses. And those eligible uses are also identified in each one of our funding programs. So our-- when this came out after our first visit and, and this came out in the bill, we sat down with our federal aid folks and my budget folks and, and, and drilled down into what's the-- what, what's the minimum we need to, to

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comply with the requirements. They came up with \$125,000, we would request that's the reason we would like that to stay in there. I would also note there's already within the-- within the, the bill, there's a-- there will also be \$100,000 in carryover funds of General Funds in Program 337 that are going to be pulled back. We have several different funds that that's happening in. From the standpoint of an agency who doesn't have a goal to strive to spend every piece of our budget, we rely largely on cash funds. We have ample carryover in our programs and cash funds that will already carry over that we can do some of our additional work with. None of those General Funds were allocated to anything specific. Section 22 would remove General Funds entirely from the parks administration and operations budget and increase the cash authority by that amount. So that's pretty significant when you lump those two programs together, we're looking at about a 66% reduction is written in General Funds that come to the Game and Parks Commission. It would be with the shift that we just requested, a 65.3% reduction. We really appreciate the Governor's proposal that shifts some additional cash funds to the State Park Cash Revolving Fund to offset the loss of General Funds in this-- in this current fiscal year and, potentially, some of those should be available in the next biennium in the first year. We are concerned, looking at the long-term impacts on, on parks users, potentially, if we move the park system to a totally fee only, fee focused user pay system. Right now, just the initial estimate in looking at this year's budget. In terms of project-- of revenues, we'd need to increase our park permit fees, our camping and lodging fees, and our park activity fees by 26% across the board to make up for that loss. So we always try to look at those carefully. We do not want to price people out of their state park, park system. The other thing, when we, we look at our park permit fees, when we look at camping and lodging fees and activity fees, we're also looking at park permit fees within other states that surround Nebraska. Some of our competitors, we also look at those same-- those same values to try and be competitive in the in-state and out-of-state market with camping and lodging fees and activity fees. So that will be a challenge. But if that's the intent that that's how the state's going to go forward, we will-- we will get it done. As part of that, the other-- the other thing I would, would bring up is that we know our park permit fees are at their current caps. We just raised them for calendar year 2014. So we will likely need to bring a bill in future, you know, in the next legislative session to move those caps up again. Those fees were increased by

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action of our Commission and moved it up to the cap, which is \$35 for an annual for residents and \$70 for nonresidents. We really appreciate the clarifications on several of the funds that would identify the ability that the investment earnings would be retained in the funds. Those were all funds that were identified because of connections to the, the federal funding that we get through the Fish and Wildlife Service. For many of those, we have, have one-- several other funds we would request that the State Park Revolving Fund is the first one. Part of that reason is if in the long term, we're going to be moving to a user fee system in the-- in the state park system, it would seem to make sense to be able to protect any additional dollars from our users from the interest being swept to another source so that we can make sure that we're making the promise that their fees and, and the funds they provide are being used to benefit the park system. Because when we work on larger capital development projects in the park system, we typically are taking time and building up the amounts to do those sorts of projects on top of our annual operating and taking those-- taking that interest will slow that progress on certain projects. And we have a few projects that were identified in, you know, the current biennium that that could impact, including improvements that, you know, \$4 million each year for improvements at Kiewit Lodge and \$10 million each year for projects at Fort Rob. So we're just trying to look forward with that. The other thing that's in park cash is donated funds. We get significant at times. We can get significant donated funds for parks and park improvements. We also see grants or funds from foundations when we can get them. There's currently \$4.505 million in cash funds from donations for the completion of the final venture park projects, which are the aquatic center improvements at Mahoney, fishing improvements at Louisville SRA, and completion of a new classroom and educational stream at Schramm SRA. We are a bit concerned that if we're-- if, if the intent is interest is going to be pulled off of that, that we will have a hesitancy to provide us donated funds which we're required to have the cash funds on hand as a state agency when we enter into any construction project, because we are a cash-funded government. And so just want to-- you know, that is-- that is a concern. The Hunters Helping the Hungry Fund, the only funds that go into that are donations from permit buyers and other donors. And it's for a program that we, we provide funding to local-- dollars per whole deer for local loggers that want to participate. We pay them to provide ground donated venison, which we can-- which then is distributed through food

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banks. There's no other commission of state funds that are used within that fund program. And we think it'd be prudent that the interest from those donated dollars stay in there. The Cowboy Trail Fund is used to help manage and, and continue development of the Cowboy Trail in northern-- across northern Nebraska. The funds that are in there that we get as fees are from crossing leases and a few right-of-way leases for the formal-- former railroad right-of-way. The fund also currently has donated funds from local groups who are providing funding to help support additional development of the trail in their local areas. And we-- you know, they are very interested in doing that, and, and several of those same groups are interested in raising money with the long-term goal of completing the trail across northern Nebraska. And, and, again, that same challenge of concern from interest from donors and, and other granting organizations, if those funds-- any funds are sitting there, you know, waiting for the final bills on a project that the interest will be swept. The last two are the Josh the Otter Fund and the Wildlife Education Fund. Those both receive funds from specific license plates. People who purchase those plates pay additional recreation-- vehicle registration fees that go into those funds. And we hope that sweeping of those funds would not decrease interest in those. But, you know, those were just the, the primary things that, that we saw if there would be an opportunity or if you'd be willing to consider to add those protections to those funds so interest does get swept. I appreciate the opportunity to share with you sort of our thoughts on these two bills. I'd be happy to answer any questions at this time.

**CLEMENTS:** Senator Erdman.

**ERDMAN:** Thank you, Senator Clements. Thank you for being here, Director McCoy. So share with us what plates do the funds-- what do you collect funds from, which plates? Is that the mountain lion plates or--

**TIMOTHY MCCOY:** Yeah, the Wildlife Education Fund comes from the mountain lion plate. And when that plate was developed, they set it up in statute at putting money to the Education Fund. And the same was with the Josh the Otter Fund that Josh the Otter would be safe around water license plates. Those were also done by the Legislature. Those dollars go to that fund for grants to organizations that, that do work

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for educational programming, programming about water safety and, and messaging about water safety.

**ERDMAN:** So it appears, because of our so well-designed current plate in the state of Nebraska that a lot of people are choosing the mountain lion plate, has that revenue increased?

**TIMOTHY McCOY:** The mountain lion-- actually, the mountain lion plate revenue is going down slightly. There were some new wildlife conser-- conservation plates that were added probably 3 years ago that have a-- I think they've, they've got a bighorn sheep, a turtle, and a sandhill crane.

**ERDMAN:** OK.

**TIMOTHY McCOY:** Those appear to be a little bit more popular, but I would say from what I know of what we're seeing from revenue, there's been a slight decline in the-- in the mountain lion plate, but not quite as many as there were before.

**ERDMAN:** So my next question is about Program 336. I see we're going to transfer \$250,000 General Fund out of that program. Do you know what the balance is in that 336?

**TIMOTHY McCOY:** Are you talking cash balance right now?

**ERDMAN:** Yeah. Please.

**TIMOTHY McCOY:** I have it. Let me grab it. Make sure I get you the right number because I've been looking at the parks balance for everything right now. Current balance is about \$29.7 million.

**ERDMAN:** And how much did you spend out of it last year and what did you spend it for?

**TIMOTHY McCOY:** Our total expenses-- our total expenses last year were 29 point-- over \$29.9 million.

**ERDMAN:** So how much of that is General Fund? Any? It's some because we're transferring some out.

**TIMOTHY McCOY:** Oh, you're wanting the program. I'm looking at the fund. I'm sorry. I don't actually have those numbers off the top of my head. There is about-- if I remember off the top of my head, there's a

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little over-- close to over \$2 million, might be a little over under right now, in wildlife conservation. That General Fund is, is really tied to two things. Well, three things. The biggest one is law enforcement. Our conservation law enforcement for the work that they do as partner law enforcement agencies, especially across rural Nebraska, which is being exacerbated. There's probably more going on now than there was, because I know the State Patrol is having some, some challenges in hiring as our counties.

**ERDMAN:** So there's, there's a significant portion of that comes from fish and wildlife?

**TIMOTHY McCOY:** The majority of the conservation officers comes from game cash funds. And then they also spend-- you know, when they are working in the summer, they're-- they identify their work for what they're doing, if they're working in parks it's coming from parks cash funds.

**ERDMAN:** Because in the past, as you well know, I had earmarked \$10 million out of that cash fund to pay for wildlife damages. And I was always told that because of the contribution from fish and game or whatever else puts money into that, that was unacceptable to take money out to pay for damages. Has-- is it-- have you changed your opinion on that or is it still the same as it was?

**TIMOTHY McCOY:** From the-- from the perspective of not having-- not having a specific program that identifies-- that identifies how that would be done, paying for anything that does-- is payment for wildlife damage can't be done using the federal funds that we're eligible for and the program has to be-- would have to be designed very carefully in terms of trying to look at how you would equalize those funds. And then there's the, the question mark of is there-- does that create an, an untapped, you know, an untapped issue that continues to go on forever and ever? We have focused our efforts instead on working and hiring depredation biologists to spend more time working with landowners and following up with them and we continue to add those across the state.

**ERDMAN:** If I remember correctly, several years ago, it was like \$14 million came from the federal funds that was in 336. Does that number sound right?

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**TIMOTHY McCOY:** Within 336, it would be closer right now to-- you know, it'd be over \$20 million that we're getting in federal funding that we can utilize that's, that's reimburse-- that's-- you know, those are grants so it's reimbursable. So we-- anything that we can do-- we do in fisheries and wildlife that's eligible for that, we can get reimbursement for. Law enforcement activities, because they're enforcement, are not eligible for reimbursement from them.

**ERDMAN:** OK. But we don't know for sure that if we did wildlife damages out of that account, that would affect Game and Parks or the fish and wildlife contribution? It's our estimate or opinion.

**TIMOTHY McCOY:** It would-- it would have to be done in a program developed by the agency that specifically identifies how it meets the long-term goals for population management for Nebraska.

**ERDMAN:** So it'd be quite obvious, we have to know how many animals we have before we can manage those. Would that be correct?

**TIMOTHY McCOY:** We always have estimates of our number, number of animals. We don't have exact estimates, and I know we disagree on what some of those are.

**ERDMAN:** I understand. So the fish improvement program in the state of Nebraska, most of the lakes that I attend are like the Dead Sea. There's no fish. So what is the goal to enhance fishing or the opportunity to catch fish in the state of Nebraska? Because we're missing a great opportunity for tourism by not having fish in our lakes.

**TIMOTHY McCOY:** We continue to stock fish around the-- around the state in all public waters every year. Our biologists are looking at those waters and making stocking recommendations every year. We're also-- we also finally got some authority here, just starting for this fiscal year to enhance our hatchery work a little more with more ponds being lined at North Platte. We saw great increases in our productivity and our fish growth in those ponds, the ones we blind. So we look forward to that. We're also planning for a facility to, to do a-- more of an inside recirculating facility at Valentine. And that's part of the design that we're working on. We're getting ready to do an RFP for it right now to look into the future. If we're able to do things through that system where we do some species that we don't stock a lot of,



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that we could actually raise them in those wrasse systems and free up pond space. And then there's, there's some other species that we could do like largemouth bass and, and species that are really, really popular in our-- a lot of our smaller lakes and cities, they just get fished out. We can-- we can actually produce and grow fish over the winter, which would make a huge difference for us because, typically, winter growth in ponds is pretty minimal with, with fish.

**ERDMAN:** So in your-- in your analysis and, and research of these lakes, do you find that is an agreement with me that we're not catching the fish we're used to?

**TIMOTHY McCOY:** I'm-- I, I think-- I don't know if it's the fish you're used to. We're hear-- we're-- we see good catch rates across the state. If it's a specific lake or a specific thing you're trying to catch, I'd love to know that.

**ERDMAN:** OK.

**TIMOTHY McCOY:** We can talk about that.

**ERDMAN:** All right. Thank you.

**CLEMENTS:** Other questions? Senator Dover.

**DOVER:** He's talking about fishing and people not catching fish. Do you think that the increase in technology-- I mean, it's a-- it's, like, unbelievable from the time I was a child. Right? Do you think that that's putting pressure and, and some people are catching more fish and some people are catching less fish or not necessarily or--

**TIMOTHY McCOY:** There's actually a couple of states that are starting studies to look at some of-- especially some of this more advanced sonar, the forward-facing sonar, and their ability to basically specifically find fish and, and catch them and pretty much see them at the same time. We've not gone-- nobody's yet gone down that road of trying to deal with that technology. But we do think there can continue to be advancements in fishing and fishing technology and all sorts of different gear so we may have some species that are seeing higher, higher catch rates than we have in the past.

**DOVER:** Thank you.

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**CLEMENTS:** I had a question, you talked about you might need a 26% fee increase to make up for the General Fund loss and I didn't catch when was your last fee increase?

**TIMOTHY McCOY:** The last parks permit fee increased, we just increased it in 2023 for this calendar year, 2024. So we're at the cap now. The other thing with, with park permits, like our other permits, there-- there's restrictions on how fast we can move those in statute. We can move them up to 6% a year. You can carry up to 3 years. So the maximum you could ever do would be 18% if you haven't carried it 3 years. So that'll take time. We also just-- we're planning-- actually in October, we were already planning on this. We are planning on bringing some updated within park fees to our Commission because they can change those, especially looking at some of our lodging offerings, because we think that in some cases we've got newer, newer lodging, some of the bigger cabins that we're probably a little bit under the market and looking at moving those up to kind of match what's going on with our competition.

**CLEMENTS:** Very good. Senator Erdman.

**ERDMAN:** Thank you, Senator Clements. That brings up another question I had. So in statute, are you able to charge out-of-state people more than in-state on park permits?

**TIMOTHY McCOY:** On what?

**ERDMAN:** Park permits.

**TIMOTHY McCOY:** Yes. By statute, it's two times the resident rate now. That was-- that was something then Senator Hughes got done in the Legislature.

**ERDMAN:** So I believe Colorado has a permit cost of \$93. Is that an understanding you have?

**TIMOTHY McCOY:** My understanding is they-- yeah, they raised both their resident and their nonresident fees.

**ERDMAN:** And we're at what, \$45?

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**TIMOTHY McCOY:** We're at \$35 for residents, \$70 for nonresidents right now.

**ERDMAN:** So perhaps we ought to charge Colorado people \$93 if theirs is \$93?

**TIMOTHY McCOY:** Well, if we-- we will run into issues with the federal Land and Water Conservation Program and, actually, the federal entities that own many-- some of the reservoirs we manage if we go above that two times the resident fee. So I'm pretty sure that Colorado's is that they raised the resident fee and their nonresident is twice that.

**ERDMAN:** Because if they're charging \$93 for residents and nonresidents and we charge \$93, they're sure not going to go to Colorado for the same price. So anyway, something to think about.

**TIMOTHY McCOY:** Yeah.

**CLEMENTS:** Other questions? Seeing none, thank you, Director.

**TIMOTHY McCOY:** Thank you.

**CLEMENTS:** I had announced that we were going to take a break at noon but we have-- Corrections is here, I see. I'd like to go ahead and have Corrections and then we'll have a lunch break after that. Director, you're welcome to--

**ROB JEFFREYS:** I'll be brief.

**CLEMENTS:** OK. Thank you for coming. Go ahead.

**ROB JEFFREYS:** All right. So good morning, Chairman Clements and members of the Appropriations Committee. My name is Rob Jeffreys, R-o-b J-e-f-f-r-e-y-s, and I'm the director of the-- I'm the director of Nebraska Department of Correctional Services, NDCS. I'm here today to speak about how NDCS proposes to meet the \$10 million budget reduction plan for our agency. The work at NDCS and in line with our strategic planning is identified by four categories: people, programs, policies, and physical plant. Our plan to meet this budget reduction focuses on efficiencies and leveraging federal funds and state funds as we work to develop our people, follow sound correctional policies, and invest in our physical plant, while ensuring our services remain

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robust and effective, providing program opportunities for our population to develop tools and skills to successfully reenter into their communities. We have identified opportunities for cost savings, particularly in the areas of health services, purchasing and innovative use of technology. To give you an example, between utilization of federal funds in healthcare services and increase the volume of purchasing of-- purchasing of food, our agency has been able to generate nearly \$6 million in cost savings alone in FY 2024. Similar strategies are being used again in FY 2025 to meet or surpass those numbers in those particular categories. Our strategies in our physical plant, we have been able to utilize or increase and maximize the use of 309 funds, full implementation of electronic purchasing processes for quality assurance, and increased sharing of resources between facilities to reduce the utilization of contract services. With these strategies outlined in our strategic plan, NDCS met the proposed cost savings for FY 2024. Plans to again to-- we plan to meet these again in 2025 without impacting services. As Corrections, it is our mission-- we are continuing to look for innovative ways to best reach our population and enhance the likelihood of successful reenter into their communities. We have embraced this same approach in reaching the cost-saving goals by delivering quality service to NDCS population and to the citizens of Nebraska. That is my opening testimony and I'll open for questions at this particular time.

**CLEMENTS:** Are there questions? Senator Erdman.

**ERDMAN:** Thank you. Thank you for coming. If you would talk about maximizing funds from the 309. Do you know about that?

**ROB JEFFREYS:** Excuse me, again.

**ERDMAN:** The 309.

**ROB JEFFREYS:** Yes.

**ERDMAN:** Maximizing the funds and that. Can you explain that?

**ROB JEFFREYS:** Absolutely. One of the things that we, we have identified in our strategic planning is the physical plant ensuring that we are, you know, being very mindful in improving the, the living area and working area for our people. So this past year, we, we were able to allocate at least \$1 million at the end of fiscal year 2024 to augment some of those general revenue services-- I mean, some of those

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renovations, in particular. We had something at Tecumseh that was about \$430 million-- \$430,000 in a project in NCYF with a roof replacement, which was, was a 50/50 funding so about-- 309 contributed about \$675,000 in that. And so we also-- it was \$1 million allocated last year for 2024, and we anticipate an additional \$1 million this coming year so it'll be \$2 million that we look to, to go ahead and offset some of those costs.

**ERDMAN:** Thank you.

**CLEMENTS:** Senator Vargas.

**VARGAS:** Thank you again for being here. It's good to hear about the reductions. Will you-- will you tell me if-- are any of this \$10 million in reductions going to reduce or eliminate vacancies or reduce the number of staff or salaries?

**ROB JEFFREYS:** No. Absolutely not.

**VARGAS:** So all salaries, all the increases that we funded and negotiated, that you've negotiated, they're going to be fully actualized, we're not eliminating any vacancies that currently exist?

**ROB JEFFREYS:** Absolutely.

**VARGAS:** OK.

**ROB JEFFREYS:** So as in my opening testimony, I talked about we're able to attain several, you know, federal funding opportunities to, to, you know, to streamline some of our processes and to increase the efficiency of the way we're conducting business, in particular with healthcare services. In partnership with HHS, my partners who just spoke earlier with electronic health records. We've been able to collaborate with them to make that more streamlined so that's more efficiency right there. Medicaid, with the expansion of Medicaid, I mean, we've been able to save-- Medicaid expansion and with our increase volume purchasing of food, we've been able to save about \$6 million, that's 70% of that \$10 million. So a lot of the things we're doing is more efficient. We're not cutting anything. We're being more efficient moving forward so it's like avoidance of costs as we continue to go forward, as we streamline some of the processes here.

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**VARGAS:** That's helpful. I just want to make sure we're prioritizing public safety and we try to fund these vacancies. So that's great to hear. And really good to hear that Medicaid expansion is affecting positively your agency at Correctional Services. Last question. In regards to federal funds, and we've heard this from other agencies which we're being-- more leveraging federal funds. There may or may not be a new administration and with cost cutting that happens in federal, how sustainable are these federal funds that you're now leveraging to find savings for us? Because it's still taxpayer money, and I want to make sure we're sustainable as possible as a state.

**ROB JEFFREYS:** Well, to talk about some of the healthcare efficiencies, some of the federal, federal funding that we are receiving is, is like start-up programs, like as I spoke about with the electronic records. So once we get that up and running, that's going to make us more efficient. So that was [INAUDIBLE] purchase. I mean, a one-time, you know, allotment. As far as Medicaid, you know, however Medicaid goes, the country will go. So we're going to be in line with the country is receiving as far as Medicaid, you know, services for our population. And it also helps them upon their reentry back into the community. As far as telemedicine, I mean, it's the same thing is as, as the country would go so where the Corrections Department will go as well, too, because those are some of the services that everybody's receiving in the community. And so we want to match what the community is, is receiving as well, too. So I hope nothing happens with Medicaid, just like everybody else. There is one particular program that we had a great opportunity. And let me be remiss if I didn't speak about the great medical team that we have that's been able to, you know, we got a new doctor, Dr. Lovelace, who has been very instrumental in identifying some of these cost savings as, as it relates to federal funding. In particular, one that I want to mention is the 340B pharmacy pricing plan. That is huge for us. And so we just started that here in July of this year. So we have not seen those fundings yet, but it's projected up to be about \$300,000 to \$500,000 a year because of the pricing will be compatible with, you know, across the board with, you know, low pricing that other communities that are impacted or low-income families are, are receiving as well, too. So that's going to be huge. And that's sustainability as well, too. As far as-- does that answer-- help answer your question?

**VARGAS:** It does.

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**ROB JEFFREYS:** OK. I mean, I can go on about some of the things we're doing with, with the federal funding because we took it very, you know, wholeheartedly to address some of the expectations from the Governor about that there's federal funding that can help us to make us better and make us more efficient. We want to go ahead and seek those fundings as much as we can.

**CLEMENTS:** Senator McDonnell, do you have a question?

**McDONNELL:** Yes. Thank you for being here. Percent of authorized strength. Where are you at right now with personnel?

**ROB JEFFREYS:** Excuse me?

**McDONNELL:** 90% authorized strength. Where are you at with personnel right now, 95%? How many short are you based on, on employees?

**ROB JEFFREYS:** How many vacancies?

**McDONNELL:** Yes.

**ROB JEFFREYS:** Oh, OK. We're about-- protective services, which is our correctional officers, our sergeants and caseworkers or anything, we're at about-- operating, operating at about a 12% to a 13% vacancy rate. So to put that in context, we got about 1,484 correctional officers. So that vacancy rate is about-- equivalent to about 180, 185 positions. Now, that's not-- when I say 12%, it's not very fair because I have nine prisons, but it's mostly impacting our three, you know, most, you know, mission-driven facilities: Tecumseh, RTC, and NSP.

**McDONNELL:** So what's the outlook look like for retaining, recruiting personnel?

**ROB JEFFREYS:** Well, there's two ways we're going to go-- we're, we're going about this. One is another cost-saving initiative is some of these facilities, we have three facilities by each other. Right? So one of the things we're doing as an agency is we're going to start rightsizing those particular complexes and everything so we can share resources. So that is something that we're going to be initiating going forward. We're going to start that-- we just started it in Omaha with the juvenile and the work release camp. Now that's under one administration, right? And so we can share the resources. So that

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right there is a great return on investment because we're able to share resources and contract services as well, too.

**McDONNELL:** Thank you.

**ROB JEFFREYS:** Thank you.

**CLEMENTS:** Others? Seeing none, thank you for your testimony. And that-- we're going to take a break now until 1:00 and be back at 1:00. Thank you.

[BREAK]

**CLEMENTS:** Senator Lippincott, time to get started. One, two, three, four, five.

**ERDMAN:** Six. Rob, one, two, three, four, five, six. Hey, is it 3 minutes?

**CLEMENTS:** We're still on agencies so--

**ERDMAN:** I mean when we're done with that?

**CLEMENTS:** Yes, the general public will be 3 minutes, but we're still on agencies now. And if we could get started, please. Can we shut the doors? Thank you. All right, we ended with Department of Corrections. State Historical Society would be the next agency and I see no representative. So the Oil and Gas Commission would be next. Is there a representative for them? Oil and Gas Commission. Seeing none, we'll move on. State Patrol. Is there a State Patrol representative? Seeing none, Department of Administrative Services. I don't see a person there. Foster Care Review Office would be next. Welcome. Good afternoon. For the committee, this is the Foster Care Review Office which is who is testifying now.

**DOVER:** Oh, thank you.

**DORN:** Foster Care Review Office.

**CLEMENTS:** Yes. And welcome.

**HEIDI ORE:** Thank you, Chairperson Clements and members of the Appropriations Committee. My name is Heidi Ore. It's H-e-i-d-i, the last name is Ore, O-r-e, and I am the Foster Care Review Office's--



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the FCRO's administrative program officer appearing on behalf of our executive director, Monika Gross. I offer this testimony in opposition to LB2. The Foster Care Review Office is the independent state agency responsible for reviewing, tracking, and reporting on Nebraska's foster children in out-of-home care in Nebraska and overseeing their safety, permanency, and well-being. Since 1982, the Foster Care Review Office has worked to ensure foster children's safety, permanency, and well-being by providing critical, timely information to decision-makers on an individual case and a systemic level. Our work brings transparency, accountability, critical oversight to the child welfare system, provides accurate and current data to senators, policymakers, service providers, and the public. The Foster Care Review Office efficiently provides oversight through reviewing and tracking children and youth in out-of-home care for half a penny for every dollar budgeted for the Department of Health and Human Services and its child welfare and service contractors, the Office of Juvenile Services and the Administrative Office of Courts and Probation combined. Cutting the Foster Care Review Office's base and carryover funding will directly jeopardize the safety and well-being of Nebraska's children and youth in foster care. LB2's proposed base reduction of \$250,000 will result in immediate staff layoffs. This cut represents more than 10% of our base appropriation. Staff layoffs could mean that 750 Nebraska children and youth in out-of-home care under the Child Welfare and Juvenile Justice Systems would no longer receive citizen review benefits of an independent review of the plans, safety services, placements, or case progress, less data would be collected, less information would be shared with legal parties, and about 45 citizen reviewers would no longer be able to volunteer their time. A decrease in the Foster Care Review Office's General Funds would also cause a proportionate decrease in federal Title IV-E funding which would lead to further cuts for our agency. LB2's proposed carryover reduction of \$250,000 reduces the Foster Care Review Office's unexpended funds that is accrued over time, which has been earmarked for critical IT projects used to develop, update, and enhance our independent tracking system, FCTS. The FCRO does this ongoing work without requesting additional funds from the Legislature. Please note that the FCRO has been granted permission to carry over unexpended funds by the Appropriations Committee and the Governor for this purpose for over 10 years. The Foster Care Review Office currently has three projects in progress with the Office of the CIO and an additional five projects slated to begin later this fiscal

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year. If our funds are cut, this progress will be stopped. A list of the Foster Care Review Office's completed and planned IT projects is attached to the materials that I provided. The Foster Care Review Office works with the Office of the CIO for programming due to their expertise and familiarity with our data system, which keeps record of every child placed in out-of-home care. The Foster Care Review Office recently contracted IT work to create data dashboards on our website, where data on children in out-of-home care is available for stakeholders, including the Legislature and the public each quarter. This data is an important gauge for efficiencies and outcomes for children in out-of-home care, and it's an example of our timely and efficient use of funds. The Foster Care Review Office requests that its funding be preserved at current levels. Nebraskans, including vulnerable children and youth in foster care, stakeholders of the child welfare system, policymakers and taxpayers benefit from our work. We ask that you not cut corners when it comes to the lives of children in out-of-home care.

**CLEMENTS:** Are there questions from the committee? Senator Dorn.

**DORN:** Thank you, Senator Clements. I have a couple of questions and one of them was-- and-- oh, it's on the back of the page. You said a decrease in your fund-- General Funds would cause a proportionate decrease in federal Title IV-E funds, so.

**HEIDI ORE:** Yeah, IV-E funding.

**DORN:** So it-- so if, if you're a \$500,000 decrease here, that will also be \$500,000 in federal funds?

**HEIDI ORE:** We receive a quarter of-- so we receive half and then a proportionate amount based on the number of children in out-of-home care that we review so it is about a quarter to every dollar that we receive.

**DORN:** Of federal funding?

**HEIDI ORE:** Yes.

**DORN:** So the \$500,000 would mean over \$100,000 decrease in federal funding.

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**HEIDI ORE:** Yes.

**DORN:** Probably.

**HEIDI ORE:** Probably.

**DORN:** And what-- Senator Erdman's asked this question a lot. Have you been-- were you contacted by the Fiscal-- the Governor's Fiscal Office before they told you that you were going to have this cut?

**HEIDI ORE:** No, sir.

**DORN:** No you weren't. Thank you.

**CLEMENTS:** Other questions? I was-- I had-- when they talk about your '24, '25 and '26 automation, there-- I mean, how is-- we're, we're going out 2 years already. You're saying those would also be affected by this cut?

**HEIDI ORE:** It would. So our unexpended funds represent savings that we have accumulated over time. We have asked for our unexpended funds to be-- to let us push that-- the funding forward into fiscal years. It represents over time the amount of money that we saved. And so that money being cut, once it's gone, it will be gone.

**CLEMENTS:** So do you have price estimates for the '25 and '26 work?

**HEIDI ORE:** I can-- I can get that to you.

**CLEMENTS:** But you're saying these funds would be needed-- at that time, they won't have savings in the next 2 fiscal years that could cover it?

**HEIDI ORE:** I don't think so, sir.

**CLEMENTS:** And how is--how is Foster Care Review? We have-- we've always had issues with the Child Welfare System. Do you see improvements in child welfare or how are you contributing to or maybe reducing the problems that we have in child welfare?

**HEIDI ORE:** Well, I believe that we report on the length of time and care that children spend in out-of-home care. The numbers of children in and out-of-home care. I believe that those numbers have, have been sustained or are almost increasing, the numbers. Also, the number or

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the amount of time children spend in out-of-home care, relatively, is unchanged over time. I believe that these are important measures for the child welfare system. And it's one of the things that we track on our system independently from DHHS and report on our website in our quarterly reports, in our annual reports to senators and to the public so that they know how Child Welfare is performing.

**CLEMENTS:** All right. Any other questions? Seeing none, thank you for your testimony.

**HEIDI ORE:** Thank you.

**CLEMENTS:** The next agency is Crime Commission. Welcome.

**BRYAN TUMA:** Good afternoon, Senators, Chairman Clements, members of the Appropriations Committee. My name is Bryan Tuma, B-r-y-a-n T-u-m-a, and I serve as the executive director for the Nebraska Commission on Law Enforcement and Criminal Justice, which is commonly referred to as the Crime Commission. LB2 proposes to reduce the appropriated balance for Program 22-- excuse me, 220, which is our Community Corrections programs by \$300,000. By not "reobligating" the funds to fiscal year 2024-25, there will be no disruption of efforts to administer the Community Corrections Program. The agency has been working in a collaborative process to identify cost savings in all areas of the budget. Recently, the agency proposed \$7.5 million in unexpended funds from fiscal year 2023-24 and \$3 million from fiscal year 2024-25. A significant portion of those funds were derived from Program 199, which is the operating budget for the Nebraska Law Enforcement Training Center. There are multiple reasons for cost savings, totaling nearly one-third of the agency's appropriated budget. Primary reasons include conservative spending for operational issues, staff vacancies, and less than anticipated expenses associated with the administration of the Law Enforcement Attraction and Retention Act, which addresses hiring bonuses for law enforcement officers and retention bonuses. Moreover, the agency examined all program areas for cost savings and identified funds that were not fully executed on due to staff vacancies or underutilization of funding by criminal justice partners. The agency does not anticipate an impact in services from these budget reductions. That concludes my testimony, and I'll certainly answer any questions you might have and thank you for your consideration.

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**CLEMENTS:** Are there questions? Just-- when did you become the director of this agency?

**BRYAN TUMA:** June 12 of 2023.

**CLEMENTS:** All right. And have you made some changes that have created these savings?

**BRYAN TUMA:** Well, we had a considerable number of staff vacancies and I kind of made this well known. We had some real issues around federal grants. We lost a lot of staff members. We had some other departures for a variety of reasons, retirement, other opportunities. Some folks left, I think probably, out of some concern about the federal grants and where they were at. So we've experienced all that. I would say I had, roughly, 30 vacancies over the course of the last year at various times and for various reasons.

**CLEMENTS:** And law enforcement training is important to us. I think that is still going to be fully functional.

**BRYAN TUMA:** Yes. Yes. We had considerable savings in funds that were-- that just were not expended. The hiring bonuses, so we initiated those last year in 2023. So there are, roughly, 3,700-- in excess of 3,700 law enforcement officers in the state. We had about 2,700 to 2,800 applications for those funds. So we saw a fair amount of underutilization of those dollars. Now, there are some folks that left law enforcement for a variety of reasons, but there's still a number of those that did not apply that could apply. But we're just not seeing those applications come in. And so we will start the second round, which is in year three of that program in 2025.

**CLEMENTS:** Senator Dorn.

**DORN:** Thank you-- thank you, Senator Clements. Thank you for being here. And he brought some to, to mind that I wanted to ask this. You talked about a lot of this saving is for the operating budget for the Nebraska Law Enforcement Training Center. Is that the one in Grand Island or--

**BRYAN TUMA:** Yes.

**DORN:** What, what is your-- or, or what is-- are we having a lot of people come there for classes or for training? I mean, so they can

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become law officers or are we seeing a downturn or what? Talk about some of that once.

**BRYAN TUMA:** Well, I think all of you are fairly aware that there's been a significant issue with trying to hire law enforcement officers, it's probably one of the more critical issues that's impacting law enforcement. Having said that, we've seen the demand for training out at the training center for the basic certification course, which is the, I call it, the bulk of the activity out there. We've had an excess of-- we can do 50 students for each 16-week training cycle so we do three of those a year. So our output, 150 officers a year. We've had a demand for, in some cases, considerably more number of officers than, than we can provide. So the Police Standards Advisory Council has looked at that issue. We're trying to take some short-term measures to address that, that might help some agencies. But I can give you a for instance, Grand Island Police Department hired eight individuals at one time. That, that's a real anomaly right now. We could only get two of their officers into the next training cycle. PSAC has limited agencies to two, two participants. If they have more than that from their agency, then they typically shift them over into the next training cycle. That's to avoid one agency, you know, taking more slots. The smaller agencies, particularly in, I'll call it, greater Nebraska won't be able to get their people in. And those agencies are probably even more impacted by staffing deficiencies than, say, a community like Grand Island. It's a big issue. So, yeah, the demand is still there.

**DORN:** So, so your classes are, are always full and then you almost have a waiting list--

**BRYAN TUMA:** Yes.

**DORN:** --so you don't have room on the back end to fill back in.

**BRYAN TUMA:** Right. Right.

**DORN:** Yeah. Oh, wow. OK.

**BRYAN TUMA:** Yeah.

**CLEMENTS:** Senator Vargas.

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**VARGAS:** Thanks for being here. So we have federal programs with domestic violence. We have, you know, Crime Victim Reparation programs. Is this offset or reduction coming-- how is it going to affect those specific programs?

**BRYAN TUMA:** So Victims of Crime Act, we call it the VOCA funds. We've seen a significant reduction from the federal folks for those dollars. Those are federal dollars. And primarily all of our grant staff are paid for out of federal dollars for the VOCA Program. We have Bureau of Justice assistance, the Byrne JAG dollars, which primarily go to law enforcement. Again, federal dollars, not a lot of state funds in play there. But the victim services, the Crime Victims Reparations, we, we have a cash fund that provides, I'll call it the resource for us to address those issues and that's not touched by any of this so I don't see any impact on that program whatsoever.

**VARGAS:** That includes domestic violence programs, right? That's not--

**BRYAN TUMA:** Yes. So, yeah, domestic violence programs, again, those are paid for out of the VOCA grant. We have some concerns with what-- you know, they put a cap on the amount of money available in that grant. It's a-- it's like a large cash fund at the federal level. They've seen reductions in the amount of money coming into that cash fund. So they have-- Congress has placed a cap on how much money can be expended out of there. So at one point we had 13 people working just on VOCA grants in the agency. We took a 40% reduction in one year. And, and now they're poised to maybe hit us another 40%. So we have some real concerns around that. So we were taking steps internally to really reduce our operational costs in case that occurred we would at least have some General Fund dollars, perhaps, we could apply to some of those programs.

**VARGAS:** And I'm asking because that's my concern. I'm hearing a lot of rural reliance on federal grant money, which is still taxpayer money. And if dramatic changes happen, it affects these programs. And you're now saying, well, you can-- we can reduce by \$7.5 million. We're losing out on General Funds that can actually fund these programs, like they should be from our state General Fund budget. And I am concerned that we're going to see reduction in some of these federal program funds in the following years regardless of what administration is there. So that being the case, then, shouldn't we be holding onto

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these funds to make sure that we can fund the basic services in case the federal government doesn't come through and actually cut services?

**BRYAN TUMA:** Yeah. So our \$7.5 million, most of that came out of the operating costs for the training center.

**VARGAS:** OK.

**BRYAN TUMA:** So we had-- that was last fiscal year's funding. We will get new funding in the next-- in this current fiscal year. But with respect to the-- to the victims programs, there's no reduction in the CVR program, whatsoever. So Crime Victim Reparations issues are being addressed, just like they have been. We feel very-- I would say we're comfortable with the amount of resource we have available to us for that program. The other programs, I think we have to monitor very carefully with the federal dollars available. And one program would be the Sexual Assault Survivors Program. We have a state statute that says that no victim of a sexual assault is going to incur the costs of the-- of the examination, the, the rape kit, and the laboratory fees. So we're watching that one really close. Of course, no one can really predict how much money we need for that program any one year because it varies. But we are using state dollars that you folks appropriated for that program and we match that up against the available federal dollars. So we watch that one very close.

**VARGAS:** OK. Thank you.

**CLEMENTS:** Excuse me. Any other questions? Seeing none, thank you for coming.

**BRYAN TUMA:** Thank you very much.

**CLEMENTS:** The next agency we have is TERC.

**ROB HOTZ:** Good afternoon, Chairman--

**CLEMENTS:** Welcome.

**ROB HOTZ:** --Clements and members of the Appropriations Committee. My name is Rob Hotz, R-o-b H-o-t-z. I'm the chairman of the Tax Equalization and Review Commission. Thank you for your long day of service today and hopefully we won't extend it too far. I've submitted to you a letter, the Commission-- LB814's General Fund budget for the



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Commission was about \$1 million. The LB2 would propose taking-- reducing that LB814 \$1 million budget by \$100,000 for '24-25. And we had a reappropriation of a little over \$300,000, part of that was vacancy savings. We had a fourth commissioner added to the Commission by way of LB243 in 2023. That commissioner took office sometime during the year and so we did have some vacancy savings on that. The Commission for this current year '24-25 could live with both the reappropriation reduction and the General Fund reduction. However, there would be some concern we have that in prior years, we've probably spent about 80% of our General Fund appropriation, but we've-- and it will reappropriate in, in the mid-biennium and then would lapse at the end of the biennium. Our, our concern at this point and we have some preference, I guess, that that General Fund \$100,000, perhaps, not be reduced because we went from three commissioners to four commissioners. We have one lawyer on staff and four staff members. Otherwise, we get about 1,500 appeals per year. To have the flexibility to hire a second attorney, which we've had in the past, may be needed. We're still watching closely how well we can handle the caseload having that fourth commissioner. The fourth commissioner was a nonlawyer. So we have two lawyers and two nonlawyers, one lawyer to service the four, whereas previously it was one lawyer to service three. Two of them were attorneys. So the, the, the key-- demand and the workload for that one lawyer, I anticipate may become such that we, we need to have that flexibility to hire a second lawyer. So there's some caution. We can make it through this year because of the reappropriation remaining for the current fiscal year, but we wouldn't be able to plan on next year having that \$100,000 in the General Fund. We wouldn't be able to make that hire this year and knowing that the money would be available in General Fund next year as well if, if it's the same baseline. So there's some concern, we might be able to make it work still. We usually seem to spend well below what we're appropriated, but there is some concern there. There's a lot of concern about property taxes at this point. And part of the concern is the angst that people have in getting their property valuation appeals handled appropriately and timely. And we want to be part of that solution and not part of a, a problem with that. Any questions you may have, I'd be happy to try to answer them.

**CLEMENTS:** Senator Vargas.

**VARGAS:** Thank you for being here. Will you talk a little bit-- you, you just-- obviously, this is meant to deal with property tax appeals

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or valuation appeals. Would you want to talk to me a little bit about the current state of what people are bringing in terms of their issues with valuations? We hear on one side-- on many sides, but one argument is that valuations are not the problem. But it sounds like valuations are a problem, which is why people are utilizing TERC to try to address concerns. So just tell me about the current state of, you know, what, what people are sharing, you know.

**ROB HOTZ:** What we hear, Senator Vargas, is almost universally that the reason people come in and challenge the valuation is because they feel like that's the only way that they can lower their property tax. They're, they're not accessing effectively the local levy authorities in their budget meetings and those kinds of proceedings. And so it's a one-at-a-time effort by each taxpayer. I don't think any taxpayer wants government to lower the value of their property for any purpose, to have the value of their property lowered, other than, than to-- because of the multiplying the value times the levy, that's the only way they know of or feel like they can lower their property tax.

**CLEMENTS:** Senator Erdman.

**ERDMAN:** Thank you, Senator Clements. Thank you for coming. So when you speak of hiring another lawyer, you say you have two on the Commission, you're talking about a lawyer to advise the Commission, is that what you're thinking?

**ROB HOTZ:** We have had-- traditionally, we've had one or two lawyers on the staff who assist the Commission and all the things that the Commission does. The primary duty is getting orders written. And there's a draft process that the commissioner is involved in each order and go back and forth and get the order prepared and so on. There's statewide equalization that involves a lot of legal work. And everyday, I call it putting out fires, it's everyday we have motions that come in for continuance, motions to dismiss, questions that come from taxpayers and lawyers representing taxpayers. We need to have at least one lawyer on staff. It's--we're-- I think we're pushing close to where we-- where we may need to, again, like we have had in the past.

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**ERDMAN:** It, it seemed peculiar when you add a commissioner, and you may have to add another lawyer that you'd be able to forgo extra funding or giving this appropriations back, that sounded strange.

**ROB HOTZ:** Adding a commissioner and reducing the funding to make it work. Like I said, we've been living below our budget for some time. It'll be a lot closer now.

**ERDMAN:** Are you considering not having remote hearings like Scottsbluff, North Platte?

**ROB HOTZ:** We, we by statute, and to be honest with you, by practicality, we still have not found, with all of the technology available, a system that's flawless. You have an evidentiary proceeding and you miss 15 seconds, your record is, is not good. There's, there's something that occurred there that didn't get recorded, it's not part of the record that was testified to and you can't account for it, that's a problem from a due process and full and fair hearing point of view. We've not found, including Zoom and, and other technological advances, something that's flawless that would-- that would be. Also, there are a lot of mom and pops and commercial and a lot of folks who don't have, including some counties, that don't have the technology where both the audio and video are at the level they need to be to be able to have that kind of hearing. We do a lot of hearings, statewide equalization we do using zoom. It's not an evidentiary proceeding in the same way that a, a, a appeal hearing is, and we do a fair amount of phone hearings for show-cause proceedings regarding jurisdiction. We, we haven't reached the point yet where I think we can step into doing that. We travel out to Scottsbluff, North Platte, Broken Bow, Norfolk, other places.

**ERDMAN:** So is your fourth commissioner helping you catch up?

**ROB HOTZ:** Yes. We've set some benchmarks starting about a year and a half ago. We're watching those benchmarks. We're tracking that. We're trying to aim at the right target.

**ERDMAN:** So what would be the average time if someone files a TERC complaint or, or issue before they have a hearing?

**ROB HOTZ:** Right now, it's the same as it's been always that for tax year 2024, the effective date is January 1. Taxpayer gets notice of the assessment in June, files a protest at the county level, gets a

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response in July or August. Files an appeal with the Commission between July and September-- August, September. Even if you were in the front of the line, you're already 9 months past the effective date. If we put everybody in that line for that year and we'd been completely caught up, still the last person in that line for 2024 if you got done in a year, wouldn't, wouldn't have their hearing until a year and 9 months after the effective date in 2024.

**ERDMAN:** Is the goal to catch up so that I have my, my hearing the same year before I pay my taxes the next time?

**ROB HOTZ:** Even if we-- like I just said, I, I don't think that's a realistic goal. I'd like it to be. But if we put everybody in the line for 2024, and no one was in line before the start and you had your first hearing in September of 2024, you'd get done after everyone's already paid their '24 taxes, both installments, late '25.

**ERDMAN:** So even with four commissioners?

**ROB HOTZ:** Well, that's the way the law is. The, the protest notice or the notice of valuation is June of that tax year. The protest hearings and they filed the appeals, we, we get the first one-- even if we got the first one scheduled yet that, that calendar year, the last one for that year wouldn't be done for, you know, if you can get a year's worth done in one year. I don't know exactly. There's so many variables and so many balls in the air every year and, frankly, every week that that's hard to predict with acc-- with great accuracy.

**ERDMAN:** So you may know the answer to this or may not, but when we used to use the court system was there much of a delay?

**ROB HOTZ:** I believe it was because the district courts used to do all of the appeals and there were, couldn't tell you the number, dozens and dozens of district court judges. And from what I recall of the history on that was that district court judges tended to put them at the back of the line because it was just a niche that they weren't as familiar with. And there was a lot of difficulty and--

**ERDMAN:** OK. Thank you.

**ROB HOTZ:** Yes.

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**CLEMENTS:** Anyone else? Seeing none, thank you for your testimony.

**ROB HOTZ:** Thank you.

**CLEMENTS:** That will conclude the LB2 items, and then we'll go on with any other agencies that would like to testify. Good afternoon.

**COREY STEEL:** Good afternoon. And my testimony says good morning so I apologize that it has not been updated to afternoon. Members of the Appropriations Committee, my name is Corey Steel, C-o-r-e-y S-t-e-e-l. I'm the state court administrator for the Nebraska Judicial Branch. I am testifying today in opposition to provisions of LB3 that allow interest accrued to be transferred to the General Fund from all the 14 cash funds administrated by the judicial branch. And we have, as I said, 14 different cash funds within the judicial branch. As a separate branch of government under Article II, Section 1 of the Nebraska Constitution, the judicial branch administers the courts and the probation as directed by the Nebraska Supreme Court and the Administrative Office of the Courts and Probation. Therefore, the judicial branch cash funds were created for judicial branch purposes. All fund assets, including interest, should be retained within the judicial branch and used to further the statutory purposes of each fund. Those purposes include the Supreme Court's constitutional duty to regulate the practice of law through funds such as a Bar Commission Cash Fund and the Counsel for Discipline Cash Fund. Other judicial, judicial branch cash funds allow probationers to pay for services that improve their lives, conflicts to be settled through the mediation centers, and parents to work together to best plan for their children's well-being and much more. Statutes governing judicial branch cash funds state the state court administrator shall administer the funds, and that the funds shall only be used for, for its stated purposes. It is reasonable that the statutory intent is that the judicial branch is in control of the cash fund revenue from any source. In addition, keeping the accrued interest within the cash fund, it improves the sustainability of the cash fund and the programs it supports, reduces the pressure to increase court fees that are paid for by the citizens of litigants that come in front of the court, reduces the pressure to increase attorney licensor dues and bar exam fees for law students that are going to be taking the bar exam, and reduces the need to request funding for these programs through General Fund appropriation. In conclusion, you may recall that this committee agreed with Chief Justice that the judicial branch funds are under the

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authority of the Supreme Court. Specifically, LB1413 did not include a transfer from the Probation Cash Fund that was originally placed in that bill to the General Fund. The same principle applies to LB3. Revenue, including interest credited to all of our cash funds should remain there. I'd be happy to provide the committee with language necessary to make this happen, and I'd be happy to answer any questions that the committee may have today.

**CLEMENTS:** Are there questions? Just one-- just to clarify, you do rely on the interest earnings, you're saying, to fund some of the functions of these funds?

**COREY STEEL:** Correct. I'll give you an example. In one of our cash funds, the Dispute Resolution Cash Fund, we utilize that fund to pay for mediation services that take-- through the mediation center. So we fund all of the mediation centers for the mediations they do, and that-- and the child custody disputes and what have you. We-- that fund goes down and drops almost to zero each year because we try to maximize and give the mediation centers almost all the dollars that we have, in order to do, to do those mediations. That continually increases each year. And we try to support those mediation centers by utilizing all of those funds. So even the interest in those funds, we, we try to give out to those mediation centers. Because, quite frankly, they haven't received any new increase in their service costs in, in quite some time, probably 10 years or so.

**CLEMENTS:** I got-- anyone else? Thank you, Mr. Steel.

**COREY STEEL:** Thank you.

**M. CAVANAUGH:** Good afternoon.

**CLEMENTS:** Good afternoon.

**M. CAVANAUGH:** This is unusual. I've never done this before, but I thought it was worth it. My name is Machaela Cavanaugh, M-a-c-h-a-e-l-a C-a-v-a-n-a-u-g-h, representing District 6 and the Nebraska Legislature. I am here to testify in opposition to LB2 and LB3. I primarily came up here today to testify in opposition to LB2 as a member of the Legislature, cutting funding of the Legislature. I fundamentally disagree with those cuts in this bill. I think it is outrageous for us to think that we have been overspending by \$7 million. Why would we have ever appropriated that money in the first

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place, if we had room to cut \$7 million? That does not even seem to make any sense, whatsoever. Also, the bill does not outline where we are cutting \$7 million from, which is additionally concerning. There are many things in these bills that are concerning. But the handout that is being given to all of you, members of the Appropriation Committee, is a copy of emails that my office had got from requesting about budget cuts. These emails are sent from Lee Will, from the Governor's Office, to every agency-- code agency head on April 6, before we passed our budget. They were planning this before we passed our budget, and now we are here with these budget cuts reflected in these bills. Why? Why did they not come to you, Senator Clements, Chair of this committee, when you were drafting the budget and ask for these cuts to be reflected in the budget that we passed? Why are we here wasting our time and our money to have a special session, rearranging everyone's lives, for budget cuts that they had planned in April, in concert with the consultant, Epiphany? I have requested numerous documents from numerous state agencies. And as those documents come forward, I will share them with the Legislature. I will put together all of the information that my office has gathered and give it to everyone in the Legislature, hopefully in time for floor debate on these 2 bills, because I have no wish or prayer-- I do have a wish, but no prayer of you all not voting this to the floor, which is extremely unfortunate because this is a complete disregard for our government. This should not be happening. Separation of powers for the courts, separation of powers for the Legislature. What this does is unconstitutional. LB3 gives the authority to set fees to state agencies and takes that authority away from ourselves. We are giving our authority, our duty, to the Governor's Office in these bills. Were you even aware of that? I know you don't have to answer. I thought it was important enough to bring all of this up prior to floor debate, because it is so egregious. These bills are a slap in the face to the Legislature, and to the people of Nebraska, and to all of the branches of government. And I know you have heard today from the noncode agencies, how they found out about their budget cuts was when the bill was introduced. Because as you can see in Mr. Will's email to Kristen Cox and Dave Lopez and Jonathan Coneby on April 6 at 7:50 p.m: Emails below have been sent framing the Governor's goals for savings. Noncode agencies will have to factor into the equation to get to the targets. Don't know how the heavy hitters will be treated, like state colleges, universities, etcetera. Now we know. So I hope you will reconsider this. I hope you will not vote this to the floor. At the bare minimum,

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I hope you will have enough respect for the people sitting at this table with you who work for the Legislature, not to cut our budget by \$7 million. That's all I've got.

**CLEMENTS:** Thank you for your testimony. I don't see any questions.

**VARGAS:** I, I did have a question, actually. Is that OK?

**CLEMENTS:** All right. Proceed. We're, we're intending to have representatives of state agencies continue before we had other comments, but while she's here, go ahead.

**VARGAS:** Are there other documents like this in regards to the public record request that you have requested that we haven't yet seen?

**M. CAVANAUGH:** Yes.

**VARGAS:** OK. Will you make sure to share those with us, as well?

**M. CAVANAUGH:** Oh, absolutely.

**VARGAS:** Thank you.

**CLEMENTS:** OK.

**M. CAVANAUGH:** The \$200 million that are being cut from HHS, the money that's being cut from child welfare, when we seem to have forgotten that we took an underbid of St. Francis Ministries and then had to have a special investigative oversight committee to undo that debacle, where children actually died. And now, we're sitting here talking about cutting \$40 million from child welfare. Yeah. I'll make sure you get the documents.

**VARGAS:** Thank you.

**M. CAVANAUGH:** You're welcome.

**CLEMENTS:** All right. Thank you for your testimony. Welcome.

**KELLY BRUNKHORST:** Good afternoon, Chairman Clements and members of the committee. My name is Kelly Brunkhorst, spelled K-e-l-l-y B-r-u-n-k-h-o-r-s-t, and I serve as the executive director of the Nebraska Corn Board. Simply put, Section 12 of LB3 would annually transfer \$300,000 from Nebraska's corn checkoff program, a proposal



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that our board strongly opposes. Funding that would not-- then not be available for strategic programs in the areas of market development, research, promotion, and education. In 1978, the Legislature established the Nebraska Corn Board to administer Nebraska's corn checkoff program. The legislation, the legislation provided for a board of directors that, among other things, would have the duties and responsibilities to authorize the expenditure of funds and contracting of expenditures to conduct proper activities of the program. In bypassing the board of directors' authority, it goes against the legislation that an earlier Legislature approved, and sets a bad precedence for transfers in the future. To provide some historical con-- historical reference-- excuse me-- in 2009, the Governor Heineman proposed to sweep fund from various state corn checkoff programs to close a revenue shortfall. Coincidentally, that was during a special session, also. Corn growers walk the hallways, meeting with senators to explain the value of the investment that they make in checkoff programs, and how that is completely different than taxes they pay for general funded programs. Ag and elevator associations testified in opposition to such a proposal that was ultimately not part of the final package, an outcome that we would also ask that you take. You note that I did not reference the program in which the funds would be transferred into: the AgrAbility program. I'm not here to debate the merits of the program, but will say that the state of Nebraska provides various programs and tax credits towards expansion of our business base for employment. The AgrAbility program provides assistance to keep a disabled farmer employed in the operation or facilitate their incorporation into an agricultural operation. I believe this should be worthy of the general funds that are support these programs, just like it does other incentive programs. I know your time is valuable, and so I will end my testimony here, and would be happy to answer any questions that you may have. Thank you.

**CLEMENTS:** Senator Erdman.

**ERDMAN:** Thank you, Senator Clements. What happened in '09 when Heineman tried to take your money?

**KELLY BRUNKHORST:** So ultimately it was not part of a final package. Senator Dubas also introduced a bill to strike that section. I found out this morning that Senator Ibach has drafted a bill-- or amendment, excuse me, to strike Section 12 of LB3 also.

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**ERDMAN:** So the money that's in the checkoff was put there by corn growers who pay a checkoff when they sell their corn. Correct?

**KELLY BRUNKHORST:** Correct.

**ERDMAN:** How is it possible that the Governor thinks that's his money? That's a rhetorical.

**KELLY BRUNKHORST:** It is a rhetorical question.

**ERDMAN:** I'm in agreement with you.

**KELLY BRUNKHORST:** Thank you.

**CLEMENTS:** Thank you for your testimony.

**KELLY BRUNKHORST:** Thank you.

**CLEMENTS:** I'd like to call on the med center people next.

**CHRIS KRATOCHVIL:** Chairman Clements and members of the Appropriations Committee, my name is Chris Kratochvil, C-h-r-i-s K-r-a-t-o-c-h-v-i-l. I'm appearing today on behalf of the NU system in oppositional to the removal of the biomedical research fund as proposed in LB2. I currently serve as the interim vice president for external relations for the University of Nebraska system. But for the past 25 years, I've worked as a clinical researcher and research lead at University of Nebraska Medical Center. In that role, I've had a front row seat to the vision, to the fortitude, and the excellence our state leaders have demonstrated in developing and maintaining the biomedical research funding of the Nebraska Health Care Cash Reserve [SIC]. This funding is not just a financial resource, but it truly is a cornerstone of our state's health, economic viability, and scientific progress. In 2001, the Nebraska Legislature passed LB692 and boldly established the health-- the Nebraska Health Care Cash Fund with a clear and visionary purpose to ensure the fund's sustainability, reflecting the Legislature's commitment to long-term health and economic benefits for the state. Their foresight has led to 2 decades of research, innovation, and life-saving breakthroughs. The intent of the Legislature was clear: to create a lasting positive impact on Nebraska's health landscape and economy. Not only have these dollars supported biomedical research, but they've allowed recruitment and retention of nationally excelling researchers and their teams,

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advancing healthcare for Nebraskans and dramatically impacting economic development. These funds have supported breakthroughs in heart disease, cancer, Parkinson's, dementia, and multitude of other medical challenges, challenge well-known to all Nebraskan families. And numerous entities have leveraged these critical investments from the state, including University of Nebraska-Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney, University of Nebraska Medical Center, Creighton University, and Boys Town. UNMC alone has used its funding to support the recruitment or retention of 286 researchers, contributed to a more than fourfold growth in extramural research grants and contracts, from \$40 million in 2000 to \$173.4 million in 2023, at UNMC alone. Through a top-tier biomedical research faculty, we built our research infrastructure and increased our competitiveness for federal funding. Investments in major equipment, facility renovations, and critical research programs make our institutions more competitive on a national scale, and losing this funding mechanism would dramatically affect current and future recruits, including those to which dollars have already been committed. It's also important to clarify that the recently enacted LB1087 provider assessment funding, though critically important to the hospital collaborators, is not a revenue source that UNMC or other campuses can use for alternative fundings to replace these appropriations. As proud partners of the state, we work to improve the health outcomes of all Nebraskans, and this funding is not only an investment in research, but an investment in the future health and prosperity of all Nebraskans. I respectfully ask this committee to reinstate these critically important funds. The work you and your colleagues are doing during this special session is important, and we thank you for your service. I'm confident you don't hear that enough, and I really do want to express my gratitude. With that, I'm happy to try to answer any questions you might have.

**CLEMENTS:** Senator Dorn.

**DORN:** Thank you, Senator Clements. Thank you for being here. On that last page there, you commented, it's important to clarify that the recently enacted LB11-- LB1087 provider assessment funding, which is critically important for hospitals, is not in any way a revenue source UNMC or other campuses can use for alternative funding to replace any current or future appropriations. Because we have been-- or at least I have-- been kind of told that you're getting all that money, now you

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can use part of that money. So could you clarify that or explain that or better-- give us a better understanding of that?

**CHRIS KRATOCHVIL:** Absolutely. Thank you for asking that question, Senator, because I think that really is a critical question. Because clearly, there was a large bolus of funding that was made available to the clinical partners across the state. And that's critically important funding because that's helping address a gap, the delta between the cost of providing care for Medicaid and what Medicaid funds. So part of it is filling that gap. So a lot of that funds goes to operational costs, but it's also going to expand some of the capacity. So the hospitals have set up an agreement with CMS of what they'll be delivering. And in conversations with state leadership, that's going to include expansion of maternal care, behavioral health, and things like that. So that's one aspect of how those funds are being used. But another really critical aspect is these are funds that are separate from the University of Nebraska Medical Center, for example. These are funds that went to Nebraska Medicine. So those are funds going to the clinical enterprise, which is a separate corporation. So, UNMC would not have direct access to those funds. Neither would University of Nebraska-Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney. Similarly, the funds that went to CHI, which operates the hospital operations that, that Creighton utilizes, Creighton wouldn't have access to those funds that are provided to CHI. So I think those are 2 important aspects that-- hopefully, that helps answer the question.

**DORN:** Yes. Thank you.

**CHRIS KRATOCHVIL:** Thank you, Senator.

**CLEMENTS:** Anyone else? Thank you, doctor.

**CHRIS KRATOCHVIL:** Great. Thank you.

**CLEMENTS:** Oh, I'm sorry. Go ahead. Senator--

**ARMENDARIZ:** Thank you.

**CLEMENTS:** Senator Armendariz.

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**ARMENDARIZ:** Thank you, thank you for being here. I was just trying to figure out-- huge, huge fan of LB1087. That was my priority bill. More than needed for our, our hospitals across the state.

**CHRIS KRATOCHVIL:** Yes.

**ARMENDARIZ:** So I know it filled the delta of what, what the gap was for Medicaid, with all those hospitals. So when-- where is the \$15 million being distributed? Are you saying that that \$15 million is going directly to universities, like Creighton, U-- UNL, UNO?

**CHRIS KRATOCHVIL:** Yes, exactly.

**ARMENDARIZ:** Not going to UNMC, not going to CHI, not going to Boys Town.

**CHRIS KRATOCHVIL:** Well, so the, the \$15 million comes from the Health Care Cash Fund and it's divided up amongst the, the universities. So it goes to University of Nebraska Medical Center, but not Nebraska Medicine, which is a separate entity. It goes to University of Nebraska-Lincoln, Omaha, Kearney. It goes to Creighton University. It goes to Boys Town. So it-- it's really separate from the clinical operations. And where this is really important is this has been a way that we could leverage bringing in world-class researchers coming into the academic side. And certainly there's some overlap with the clinical piece, but they really are separate. And it's not only the recruitment of these individuals, but also the retention of these individuals. As you can imagine, as we're growing, these rock star researchers that are bringing in massive federal grants and really earth-shattering breakthroughs, they're getting recruited everywhere. So those funds can also be used to help retain them, and also for some of the critical infrastructure to support their needs while they're here. But, but thes-- this \$15 million really is going to the, the academic enterprise, not the clinical enterprise.

**ARMENDARIZ:** So there is no overlap in who's receiving the LB1087 bill funds--

**CHRIS KRATOCHVIL:** Yeah.

**ARMENDARIZ:** --and the \$15 million funds.

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**CHRIS KRATOCHVIL:** So the LB1087 is going to the clinical enterprise. So Nebraska Medicine, things like that. And the, the Health Care Cash Fund is going to the academic enterprise like UNMC, the University systems, Creighton, and Boys Town.

**ARMENDARIZ:** So the only place where people might get confused is UNMC, University, [INAUDIBLE], Nebraska Medicine.

**CHRIS KRATOCHVIL:** Yeah. So the-- it is-- you're, you're exactly right. That's a very complex relationship because Nebraska Medicine is the clinical enterprise. It's a separate corporation from UNMC, although faculty may go over there, and we share a campus for, for part of our care.

**ARMENDARIZ:** OK. Thanks for clarifying.

**CHRIS KRATOCHVIL:** Yeah. Thank you very much.

**CLEMENTS:** Any other questions? Seeing none--

**CHRIS KRATOCHVIL:** Thank you.

\_\_\_\_\_: There's a few more of us.

**CLEMENTS:** We want representatives from the agency, like, work for the University of Nebraska. Is that who you are? Who are you with?

**TYLER KOHTZ:** I'm a state agency.

**CLEMENTS:** Let's have him next. Yes.

**TYLER KOHTZ:** I'd like to go back to work. Thank you.

**CLEMENTS:** Thank you.

**TYLER KOHTZ:** My name is Tyler Kohtz. I'm the director for the Nebraska Real Property Appraiser Board. Thank you, Senator Clements and committee members, for this opportunity to speak on behalf of the Real Property Appraiser Board on LB3. Just some brief background. The board was established in 1991 to carry out the requirements of Title XI of the federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 and the Federal Financial Institutions Examination Council Appraisal Subcommittee. The board is statutorily charged with administering the Real Property Appraiser Act and Appraisal Management

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Company Registration Act. The board's programs are funded by fees collected from real property appraisers, appraisal management companies, and education providers that offer appraisal education. There's no taxpayer money used to support any of these programs. Section 40 in LB3 redirects to the General Fund income received for investments made utilizing moneys from cash funds. The redirection of investment income would eliminate approximately \$21,000 in revenue each year for the board. The board strives to provide the most efficient and effective service possible while maintaining fiscal responsibility. Things that the board does is technology enhancements to better automate processes, staff duty evaluations, and reassigning based on workflow and workload, streamlining processes and procedures. Due to the board's success, you know, in the past, evaluating these processes and business functions, fees have not been increased for 13 years. Although the board continues to take a measured approach to budget management, a point has come where the fees must increase to keep pace with cost. The board is in the process of implementing a fee schedule to increase revenue slowly over the next 4 years, based on real property appraiser and AMC account projections, projected revenues, and projected expenditures. The board fully intends to carry this plan as far into the future as it can before another adjustment to the statutory fee limit is required. As previously mentioned, redirecting the investment income would remove approximately \$21,000 in revenue. That's significant to the board because our typical revenues are between \$350,000 and \$400,000, so not what you've, you've heard from previous agencies before, but to us, that's a big deal. Redirecting these revenues negatively impacts the plan being executed by the board. The projected revenues would no longer meet our projected expenditures that we're trying to put together. In addition, Section 40 in LB3 removes the board's revenue earned because of fees paid by Nebraska real property appraisers and registered AMCs from being used to support those programs for-- of those who paid those fees. If Section 40 in LB3 remains as it is, LB3 is passed, the board would be forced to make up those lost revenues through additional fee increases. Thank you for your time. If you have any questions, please let me know.

**CLEMENTS:** Questions? And we're done.

**ERDMAN:** Senator Clements.

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**CLEMENTS:** Oh. Excuse me.

**ERDMAN:** Thank you, Senator Clements. So the question is, have you been contacted before they took-- tried to take this money?

**TYLER KOHTZ:** No.

**ERDMAN:** You didn't have a discussion?

**TYLER KOHTZ:** No.

**ERDMAN:** So all this money put in there by fees? No tax dollars?

**TYLER KOHTZ:** No tax dollars, no.

**ERDMAN:** So [INAUDIBLE] corn checkoff. Thank you.

**TYLER KOHTZ:** You're welcome.

**CLEMENTS:** All right. I see Workers Compensation Court here. Let's go with you next.

**JILL SCHROEDER:** Good afternoon, members of the Appropriations Committee. I'm Jill Schroeder. I'm the administrator of the Nebraska Workers Compensation Court. On behalf of the court, I'm testifying in opposition to LB3, Section 40, which is the interest reallocation provision. The Nebraska Workers Compensation Court is, is a judicial branch entity, in follow-up to what Mr. Steel said, created pursuant to Article II of the Constitution, and-- as well as Article V of the Constitution in Section 48-152. The Compensation Court Cash Fund is a special purpose fund that exists to aid in providing for the expenses of administering the Nebraska Workers Compensation Act and the payment of the salaries and expenses of the personnel of the Nebraska Workers Compensation Court. Approximately 97% of the court's revenue comes from assessments against insurers, self-insured employers who are approved by the court, and risk management pools. The remaining 3% includes application fees for self-insurance for managed care entities for settlements, which is a small amount, as well as the interest that we're talking about here. The Worker's Compensation Court is tasked with administering the Compensation Court Cash Fund, and should be able to continue to administer that judicial branch fund in its entirety. The Compensation Court Cash Fund has a provision that is different from some of the other cash funds. It's intended to be



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self-regulating, and the provision that I'm talking about is an abatement provision. So if, as of June 30 of each year, the amount in the cash fund exceeds the-- three times the expenses and encumbrances from that year, then next year, the insurer's self-insured employers and risk management pools have an abatement. They do not have to contribute for the following year. I think that is an important provision, and it does self-regulate. Because instead of our cash fund going up and up and up, when it reaches that level, then there's an abatement and it resets, essentially. I think that is different. In response to some of the previous testifiers, this is not taxpayer money. This is all from the entities that I've described: insurance companies, workers compensation insurance companies, self-insured employers, and risk management pools. The court's programs would be impacted by the interest sweep that is being proposed. The court's statutory duties, for example, include enforcement actions and collections of monetary penalties against employers who fail to procure workers compensation insurance. In situations where there is that failure to procure workers compensation insurance, our court provides information to the Attorney General. They pursue penalties, and those penalties do become a part of the common school funds. Last year, that amounted-- or the fiscal year that just ended, that amounted to \$152,000, and a little bit more. So as a judicial branch court, because of the special purpose of the Compensation Court Cash Fund and because of the abatement proceeding-- procedure, we are asking that you exclude the Compensation Court Cash Fund from that interest allocation sweep, if that indeed moves forward as Section 40 of LB3. Happy to answer any questions you may have.

**CLEMENTS:** Seeing none, thank you for your testimony.

**JILL SCHROEDER:** Thank you very much for your time.

**CLEMENTS:** Have you decided who's next? Would you like to go? Could I have-- raise your hand if you're planning to testify, please. All right. If we're--yeah. We're going to be-- OK. After, after these we're going to be asking if there's any other agency representatives. But, welcome.

**JULIANE STRAUSS SOUKUP:** OK. Great. So I'm going to continue the story on biomedical research. Chairman Clements and members of the Appropriations Committee, my name is Juliane Strauss Soukup, spelled J-u-l-i-a-n-e S-t-r-a-u-s-s S-o-u-k-u-p. I'm the associate vice

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provost for research and scholarship at Creighton University. I'm here today to continue the story that you hi-- that we started to hear about, about highlighting how the Nebraska Health Care Cash Fund promotes brain gain and attracts high-caliber scientific researchers and projects to our state. Creighton University understands the importance and value of building Nebraska's workforce. With 80% of our students coming from outside the state and nearly half of those deciding to stay in the state after graduation, we are committed to recruiting and retaining exceptional people. These funds are a magnet for top talent, providing early career faculty essential support to collect preliminary data that then strengthens their federal funding proposals. Additionally, they enable faculty to hire technicians, research associates, graduate, and undergraduate students, boosting high job opportunities in science across our state, from Chadron State College all the way to Wayne State College. By investing in biomedical research, we are investing in Nebraska's future. These funds create high-quality jobs, stimulate economic growth, and enhance our state's reputation as a leader in scientific innovation. Competition for top researchers is fierce. While outstanding candidates receive offers nationwide, the support and stability of this fund makes Nebraska a more compelling choice. And when we recruit new faculty, they frequently arrive with a spouse and family, further enhancing our state's health and economy. This fund also empowers us to equip our research facilities with state-of-the-art technology. For an example, an instrument for sequencing entire genomes or rare cancer-causing genes, which can cost over \$1 million, is essential for discovering cures. Without these funds, we risk losing both these critical tools and the talent needed to use them. Since it began in 2001, this fund has helped to recruit 72 faculty researchers to Creighton University. And today, this funding actively supports over 20 Creighton researchers who are developing new cancer treatments, safeguarding our food supply by studying neurological diseases in livestock, and advancing critical research in antibiotic, antibiotic resistance, asthma, and hearing loss. Simply put, this funding is a catalyst for innovation and growth in Nebraska, and should be maintained. Thank you, and I'm happy to answer any questions.

**CLEMENTS:** Any questions? I think we had comment that Creighton, Creighton has a hospital. Will it be benefiting from the hospital assessment program? And could it be-- could that-- could those funds be used for your research?

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**JULIANE STRAUSS SOUKUP:** So similar to the Nebraska system, CHI, CommonSpirit is separate from Creighton University academic institution. So no, those other funds would not be able to be used for biomedical research.

**CLEMENTS:** OK. Thank you.

**JULIANE STRAUSS SOUKUP:** Yeah.

**CLEMENTS:** Next. Welcome.

**RYAN McCREERY:** Good afternoon, Senator Clements and members of the Appropriations Committee. My name is Ryan McCreery. It's spelled R-y-a-n M-c-C-r-e-e-r-y, and I'm the vice president of research for Boys Town. At Boys Town, we're changing the way that America cares for children and families, and our research programs that are partially supported by the tobacco settlement funds from the Health Care Cash Fund are a crucial component of our mission. Our scientists focus on research that helps to improve the lives of children and families with hearing and communication disorders, neurodevelopmental conditions, and mental health conditions. I'm here today to highlight the importance of biomedical research as a significant economic engine that created hundreds of high-paying jobs across Nebraska over the last 20 years. Tobacco settlement funds have provided fuel for that engine in the form of financial support for improving infrastructure and recruiting top scientists at Boys Town, Creighton University, and the University of Nebraska system. Scientists who were recruited and initially supported by investments from the tobacco settlement funds have been highly successful in obtaining federal funding to support their research. Since the settlement funds were initially allocated for biomedical research by the Legislature in 2001, our partner institutions have all experienced substantial growth in external federal funding. At Boys Town, for example, our federal funding for research in 2001 was about \$4 million annually. And in 2023, that rose to \$23 million. This is a return on investment of about \$10 for every dollar that we spent from the Health Care Cash Fund at Boys Town alone. And you heard from our partner institutions, the impact that it's had on them as well. These research dollars stay in our communities. Competitively awarded funding to Nebraska scientists strengthens our state economy by creating highly-skilled jobs and attracting talented workers to our communities. Without these funds, Nebraska's leading research institutions would lose a critical

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competitive advantage that we have enjoyed for the last 2 decades. Tobacco settlement funds often provide multi-year commitments to recruit and retain top scientists. The proposal to eliminate \$15 million in biomedical research funding from the Health Care Cash Fund would stifle progress in key areas of research that are currently working at our institutions, including improving care for Nebraskans with cancer, mental health disorders, childhood neurological and developmental conditions, speech and language and communication disorders, and Alzheimer's and Parkinson's disease. We can only continue to grow Nebraska's scientific economy and positive impact in our communities with your continued support. I, I, I appreciate the opportunity to highlight the importance of biomedical research with you today, and I really appreciate you taking time during the special session to hear from us. And I'm happy to answer any questions that you might have.

**CLEMENTS:** Questions? Seeing none, thank you.

**RYAN McCREERY:** Thank you.

**CLEMENTS:** Good afternoon.

**JOANN B. SWEASY:** Good afternoon, Chairman Clements and members of the Appropriations Committee. My name is Joann B. Sweasy, spelled J-o-a-n-n B S-w-e-a-s-y. I have the privilege of being the director of the Fred and Pamela Buffett Cancer Center, the only cancer center in Nebraska that is designated by the National Cancer Institute, and one of only 72 in the entire nation. I'm here today to highlight the importance of the Nebraska Health Care Cash Fund for the support of cancer research in the state of Nebraska, and oppose any reduction. In terms of cancer, Nebraska has big challenges. We have higher rates of cancer compared to the United States. More Nebraskans die of brain, colorectal, kidney, leukemia, pancreas, and esophageal cancers. Many Nebraskans in rural and frontier areas of our state don't have sufficient access to cancer screening and cancer care. Members of the Buffett Cancer Center are some of the best researchers in our nation, and have led the way in blood cancer research and early detection of pancreas cancer, to name a few. And many of these scientists have been supported by the Nebraska Health Care Cash Fund. For example, one of the newest cancer therapies is called chimeric antigen, CAR T-cell therapy. This is a way to get immune cells, called T-cells, a type of white blood cell, to fight cancer by changing them in the lab so that

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they can find and destroy cancer cells. The Fred and Pamela Buffett Cancer Center was one of the first cancer centers asked to test this therapy in patients, because our researchers are internationally recognized as world-class experts in blood cancers. Largely due to the research performed by our team, CAR T-cell therapy is broadly used across the world today, saving many lives from cancer. The Nebraska Health Care Cash Fund helped to recruit and retain these researchers, who could have gone to any cancer center in the world to do research and care for patients. A second example is that recently, researchers at our center invented a new drug that protects normal tissues from radiation therapy, but allows the radiation to kill the tumor. This means that patients whose cancer is successfully treated by radiation will not suffer from the toxic effects of this treatment. Investments in the Nebraska Health Care Cash Fund supported the recruitment of these researchers as well. We have significant opportunities to prevent cancer, discover new treatments that are less toxic through cutting edge research, and to increase access to care across the state, so that all Nebraskans can participate in a clinical trial should they wish to do so. We will be successful only if we are able to continue to recruit the top experts from across the nation using the dollars provided by the Nebraska Health Care Cash Fund. Significant investments are needed to recruit these experts. I'll give you one last example. Over 40%, 40% of cancer is preventable, and it's significantly better and less costly to families and to the state to prevent rather than to treat cancer. We are currently recruiting researchers who will develop new agents to prevent cancer, including cancer vaccines. It costs about \$2 million to recruit just one of these experts to Nebraska, who will help us to prevent cancer across the state. Again, we have incredible opportunities in our state to prevent and treat cancer through cutting-edge research. We need the support of the Nebraska Health Care Cash Fund to continue to pursue these opportunities. I thank you for all you do, and I'm open to any questions you may have.

**CLEMENTS:** Any questions? Seeing none, thank you for your testimony.

**JOANN B. SWEASY:** Thank you, sir.

**CLEMENTS:** Next. Have another one on a biomedical topic?

**ANDY HALE:** Chairman Clements, members of the Appropriations Committee, my name is Andy Hale, A-n-d-y H-a-l-e, and I am vice president of

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advocacy and member engagement for the Nebraska Hospital Association. And I'm here today to testify in opposition to LB2, specifically, the issue concerning the \$15 million being removed from the Health Care Cash Fund for biomedical research. I think my colleagues before have outlined the issue. Probably should have handed this to you. Thank you. And I, I just wanted to highlight the NHA's primary concern is, with the proposed budget bill, is the suggestion in the budget narrative that institutions receiving the biomedical research funds use LB1087s to fund biomedical research. To be clear, that would be a misuse of those federal funds. LB1087, the federal funds that it leverages for protecting and strengthening access to care and quality of care in our Medicaid program, that is why CMS approves these programs. The intended purpose includes reducing the perpetual losses the Medicaid program creates for Nebraska hospitals. Suggesting to use these funds for any non-Medicaid purpose does not in line with the federal guidelines for state Medicaid directed payment programs. There are a few other key points the committee-- that needs to keep in mind. First, Nebraska's preprint application for the program remains under review at CMS, and it will be several more months before we have certainty about the approval of the state's direct payment program. Secondly, 55% of Nebraska's rural hospitals are losing money in operations, and nearly 40 hospitals close-- or excuse me, 40 hospitals have closed at least one service line in the past 2 years. These include labor and delivery, nursing homes, home health, hospice, and behavioral health. LB1087 funds are needed to ensure these closures stop in rural Nebraska, and those services are there for Medicaid recipients and all Nebraskans. Lastly, Governor Pillen made his priorities clear with us on the negotiations, LB1087. He asks our hospitals to step forward with these new investments in behavioral health, maternal care, senior care, and workforce-- all investments that are important for Medicaid and for rural Nebraska. That was spelled out in LB1087. Our hospitals are currently making plans to make these investments in a financially sustainable way, and some have even taken action on these steps. Our big question is, will this funding continue to be there to support these new service lines that the Governor has asked us to move forward on, or will there be future attempts to divert this fund? For those reasons, we oppose this section of LB2. And I do want to thank the Legislature, and specifically, members of this committee for LB1087. Specifically, as Senator Armendariz mentioned, it was her priority bill. We are so looking forward to the implementation and the approval from CMS, so we

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can get moving forward and, and do what we need to do. Thank you for your time and consideration.

**CLEMENTS:** Any questions? Thank you, Mr. Hale.

**ANDY HALE:** Thank you.

**CLEMENTS:** Anyone here-- else here on the biomedical issue? Good afternoon.

**HEATH MELLO:** Good afternoon, Chairman Clements, members of the Appropriations Committee. My name is Heath Mello. That's H-e-a-t-h M-e-l-l-o, and I serve as president and CEO of the Greater Omaha Chamber. On behalf of our nearly 3,000 members, I'm here today expressing our opposition to portions of LB2, that seeks to defund the state's biomedical research, which funds the University of Nebraska system campuses, Creighton University, and Boys Town, from the Nebraska Health Care Cash Fund. The economic impact of biomedical research funding on the greater Omaha region and the entire state of Nebraska cannot be overstated. State funding for biomedical research is not just an investment in scientific advancement. It's crucial-- it's a crucial economic driver that attracts substantial federal research funding and top tier researchers to our state. This funding forms the backbone of a, of a robust research ecosystem that generates high-paying jobs, fosters innovation, and supports a wide-ranging support of local businesses. The institutions targeted by this bill collectively secure hundreds of millions of dollars in federal research grants annually. For instance, the University of Nebraska Medical Center alone attracts significant federal funding, including grants from the National Institutes of Health, better known as the NIH, and other federal agencies. This influx of federal dollars not only supports groundbreaking medical research, but also creates high-quality jobs for researchers, technicians, and administrative staff. These jobs, in turn, support local businesses from housing to retail, professional services, and thereby stimulating the broader Nebraska economy. Moreover, the research undertaken by all of these institutions addresses critical health challenges, leading to improved health outcomes for Nebraskans. This, in turn, reduces health care costs and enhances productivity, contributing to a healthier, more vibrant workforce. The benefits of such research extend far beyond our state borders, enhancing Nebraska's reputation as a leader in medical innovation in public health. In conclusion, state biomedical research

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funding is an essential investment in our economic future. It attracts federal dollars, supports high-quality jobs, fosters innovation, and improves public health. I urge you to oppose the portion of LB2 that defunds state biomedical research funding from the Nebraska Health Care Cash Fund, and significantly impacts our state's innovation-based economic development. Thank you for your time, Mr. Chairman, and I'd be happy to answer any questions you may have.

**CLEMENTS:** Any questions? Seeing none, thank you for your testimony. Anyone else here on the biomedical issue? Seeing none, next-- front row here. And as you're planning to testify, please move to the front chairs. Yes, the public testimony, we're limiting to 3 minutes. And so, welcome.

**MICHEAL DWYER:** Good. I will fly. Good afternoon, Chairman Clements and members of the Appropriations Committee. My name is Micheal Dwyer, M-i-c-h-e-a-l D-w-y-e-r, and I'm here to testify in opposition to a portion of LB2 and LB3. I'm a 40-year member of the-- excuse me, a 40-year veteran of the Arlington Volunteer Fire and Rescue Service, over 2,700 calls, and the author of The Future of EMS in Nebraska report. I'm testifying today on behalf of the Nebraska State Volunteer Firefighters Association and the 13,000 volunteer firefighters that serve Nebraska. The Governor's tax proposals provided an exciting time for taxpayers. As a taxpayer, I strongly support these efforts. However, I also believe, as a conservative, that there are some essential services of government that merit a second look when exposed to the fiscal, fiscal knife, specifically the delicate fabric of fire and EMS. As you know, this is a historic time for fire-- firefighters and EMTs. Calls are up significantly, and the number of responders is down significantly. The Nebraska State Fire Marshal's Office provides fire training for volunteers across Nebraska, at no cost to themselves or their department. I have personally taken many of these classes, in everything from basic interior fire skills, to safe emergency driving, to incident command. They are hands on, and they are intense. Volunteers rely on this training, both for their own safety and for the lifesaving services they provide. The State Fire Marshal's Office also provides investigative services that cities can afford on their own, but that rural residents and response-- and responders also need. Leadership in emergency response is so important, and State Fire Marshal Scott Cordes is the best that I have seen in my 40 years in fire service. He is driven, engaged, and inspiring. He is not a bureaucrat. And Chief Cordes and his office deserve the funding



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necessary to keep Nebraskans safe. LB2, specifically, page 30, line 22 through about 25, and LB3, in several sections from pages 30 to 80, move much of the funding from the State Fire Marshal's Office to a fee-based system and away from the general fund. I would respectfully submit that at the very least during this transition, that the stability of those funds are critical to public safety, and should not be moved until the viability of that funding can be proven. Senator Dorn and Senator Moser, to your point earlier about how that funding might move around a little bit, I, I do think that, that training is a, is a huge priority for the State Fire Marshal's Office. But in tough budget times when you have to make tough decisions, can anyone guarantee that that might not affect the volunteer in rural Nebraska's ability to receive this training? I, I would respectfully submit that's a little more questionable. Thank you, Senator Clements and the members of the committee. I would be happy to take any questions.

**CLEMENTS:** Thank you, Mr. Dwyer. Are there questions? Seeing none, thank you for your testimony. Next testifier.

**JERRY STILMOCK:** Mr. Chair, members of the committee, my name is Jerry Stilmock, J-e-r-r-y S-t-i-l-m-o-c-k testifying of behalf of my client, the Nebraska State Volunteer Firefighters Association, in opposition to portions of LB2 and LB3. As you heard from others. Agency 21 would be removed \$3.5 million of general fund money, make it up with cash fees. Historically, the Fire Marshal's Office is integral in providing instruction to volunteer firefighters, in doing investigation after a fire occurs, as well as doing plan reviews for commercial buildings and dwelling units with more than 3 dwelling units within that, that structure. In larger cities, Omaha, Lincoln, Grand Island, Norfolk, they're able to pay their own instructors. They're able to pay their own investigators. They are able to do some plan reviews themselves. For the volunteers and the communities in which the volunteers serve, they're unable to do that, and they rely on the State Fire Marshal. I want to take you back to a moment in time earlier, before any of you arrived on the scene, short of staff, perhaps, but in approximately 2004, the Fire Marshal's Office was funded by fire insurance tax premiums. So there was-- I misspoke that. It was premium tax, tax on the premiums paid. It's 0.75% for foreign and within Nebraska, 3/8 of a percent for fire insurance premiums. The tax-- that tax flowed in for the benefit in funding the State Fire Marshal's Office. Think of it as a cash fund, as I did, perhaps. What happened was they said the funding wasn't coming in quickly enough, and the Fire Marshal's Office

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was outside of its budget because the cash funds weren't coming in quickly enough. So with the instruction of the administration and what happened at that point in time, those, those cash funds in the form of the fire insurance tax were swept away. They went into the general fund. And the Fire Marshal now, as it has been since at least 2004, is subject to general funds. There is an item, and that item is used throughout the country. And that's the premium tax-- premiums on fire insurance. That's been removed. Perhaps that's a way to go. But with, with what's being proposed, with, with fees, we, we don't know what's going to happen. We, we foresee a gap in the services. Look, I don't know what's going on in the agencies that have come before you this morning, but when it comes to life safety and public safety and people's lives at threat, it causes me to pause. And I would ask you to pause, as well. Is this an agency that should lose general funds in '24-25 fiscal year, and allow on fees in order to be recaptured-- first of all, they have to be set. Then they're going to have to be billed, and then they're going to have to be collected before that office is going to be able to generate the, the funding. The Fire Marshal's Office does a wonderful job. This past year and last year in 2003 [SIC], there were over 1,000 volunteer firefighters, men and ladies, leaving their jobs, going on vacation, taking time away from their employment. And the Fire Marshal's Office is so instrumental. We don't want to ever see diminishing service provided by that office. Thank you very much for allowing me to testify. I'd be happy to answer any questions.

**CLEMENTS:** Thank you, Any questions? Senator Dorn.

**DORN:** Thank you, Senator Clements. Thank you for being here.

**JERRY STILMOCK:** Sir.

**CLEMENTS:** I'm going to refer a little bit, I think when the State Fire Marshal was here, Senator Dover asked him if, as far-- if, if any of the local, I think it was local departments were going to be assessed a fee for training or education.

**DOVER:** Right.

**DORN:** Yes. What is your concept of that or what do you--

**JERRY STILMOCK:** Yes, sir. To both gentlemen, thank you for posing the question. Eight dash-- 81-505.01 specifically provides in statute

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today that all of the training services provided by the Fire Marshal and the training instructors is provided to-- for free for volunteers as well as career. However, if I want to become, as Senator McDonnell, a firefighter in the, in the volunteer sector, I, I-- I'm not mandated by the state, but I want to be a good firefighter. I want to protect myself and the people that I'm going in to protect. It's firefighter 101. The State Fire Marshal's training says I have to pay 100 bucks to get the book in order to take the class, sir.

**DORN:** Right now, you have to pay \$100?

**JERRY STILMOCK:** Absolutely. For the book. Training is paid for.

**DORN:** Training is free. Do you think that with this proposal, might that go up? Or what is the fear I guess, of your--

**JERRY STILMOCK:** Because that statute is not being touched-- to be clear, that statute, which requires the Fire Marshal to, to provide services of training for free, no, I do not.

**DORN:** When you say training for free, that's-- that includes the volunteer, all of the volunteer departments. And we have many of them around the state. We have some of the bigger ones are, are-- I know Omaha, Lincoln, Kearney, they're paid. But many of them around the state are volunteers, like our-- my local squad. It's a volunteer. What do you see-- with this proposal, do you see a cost coming back to them?

**JERRY STILMOCK:** I-- no, I don't. What I see are, are gaps and fees. We have, we have a-- we have that protection right now, sir, of fees shall not be charged for training. But then it goes, comma. Specialized training, the fire marshal can charge a fee. So I don't know what all is contained in that specialized training, sir, to answer, fully, your question, but it's a great question.

**DORN:** OK. Thank you.

**JERRY STILMOCK:** The, the you, you asked about it, but--

**CLEMENTS:** Go ahead.

**JERRY STILMOCK:** Thank you. You're very polite, sir. Part-time instructors, not just full-time-- there are 6 full-time instructors

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that are providing services throughout regions of the state. There are additional part-time instructors. All of those, to my knowledge, are volunteer firefighters. These people are so engaged. They're compensated for their time. They're compensated for their meals. But they have to go portal to portal, mileage is paid, but on their own, on their own time. There is no travel time by these people. These people are sacrificing so much right now, we're concerned.

**CLEMENTS:** All right. Any other questions? Thank you for your testimony.

**JERRY STILMOCK:** Thank you, all. Good day.

**CLEMENTS:** Next testifier.

**CHRIS GRAMS:** Good afternoon, Chairman Clements and members of the Approach-- Appropriations Committee. I am Chris Grams, spelled C-h-r-i-s G-r-a-m-s. I'm here today as the president of the Nebraska Corn Growers Association, in opposition of Section 12 of LB3. I'm also representing members of the AG Leaders Working Group, which consists of Nebraska Cattlemen, Nebraska's Corn Growers Association, Nebraska Farm Bureau, Nebraska Sorghum, Sorghum Producers Association, Nebraska State Dairy Association, Nebraska Soybean Association, Nebraska Wheat Growers Association, and Renewable, Renewable Fuels Nebraska, together representing over 90% of Nebraska's agricultural sales. The ag leaders continue to prioritize property tax reduction. But simply put, we admittedly oppose the transfer of funds from the Nebraska corn checkoff, as proposed in LB3. By proposing this transfer, you are proposing a tax on me and my fellow corn growers, which is completely different than the investment that I make in the corn checkoff. While the balance of my testimony will focus on our opposition to the proposed transfer, I also want to relay that as the ag leaders, we oppose language that allow the agency directors the authority to adjust fees for various programs without the step of an open hearing process. We believe that the affected parties should have the opportunity to provide input on rate changes. Currently, this is through rules and regs process. In 1978, early members of the Nebraska Corn Growers Association approached this Legislature to initiate a program where corn growers could invest in the future of our industry. From this request and legislative approval came the Nebraska Corn Development Utilization and Marketing Board, commonly known as the Nebraska Corn Board, for the corn checkoff program. For over 45 years

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and as continues today, the Legislature grants the authority in a board of directors to approve programs in the area of market development, research, promotion, and education. But as proposed in LB3, it would turn the investment I make in my and fellow corn growers' future throughout the checkoff, in a general fund tax, thus taxing me again, above and beyond the sales, income, property tax I already pay. I'm also testifying in opposition due to the bad precedence that this proposed transfer established. By bypassing the authority you granted the board of directors, the proposal opens the door to future legislators introducing a bad proposal to shift yet more funds into general fund-type programs. Again, something we oppose. As we previously mentioned by earlier testifier, a similar transfer was proposed in 2009, which brought fellow growers numerous comments. All of, all of the ag associations I am testifying on behalf of and other Nebraska associations in opposed to the proposal. It was ultimately not part of the final package, a step we request of you today. In closing, we request that you oppose and withdraw the section of the checkoff program transfer, thus eliminating a bad proposal, and even worse precedence. I will note that Senator Ibach introduced AM11 to strike Section 12, an amendment that we would support. Thank you for your time, and I would be open to any questions you may have.

**CLEMENTS:** Questions? Seeing-- Oh. Go ahead.

**VARGAS:** Quick question. In the background here, you say the proposal would set a bad precedence in setting the foundation for future transfers. Do you apply that to any transfers?

**CHRIS GRAMS:** Yeah. I, I would say that money that we invest, it needs to go to the market development, to education. Because essentially, we have to get kids back to the farming. And if, if we can't invest in their education to promote agriculture in, in Nebraska, which, I mean, Nebraska is mostly agriculture, we're not going to have a farming economy. And, and with this, we have to keep the funding with the Corn Board.

**VARGAS:** That's helpful. I mean, we're hearing that from a lot of different other entities and boards. So, thank you.

**CLEMENTS:** Thank you for your testimony.

**CHRIS GRAMS:** Thank you.

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**CLEMENTS:** Next testifier. Good afternoon.

**JUSTIN HUBLY:** Good afternoon, Senator Clements, members of the Appropriations Committee. I've been here since 9:00. I feel like, at this point, I'm an honorary member of the committee. But my name is Justin Hubly, J-u-s-t-i-n, H-u-b-l-y. I'm the executive director of the Nebraska Association of State Employees. Our union represents over 8,000 frontline state employees. They work for 43 different code and noncode agencies. They perform over 400 frontline jobs to all Nebraskans in all 93 counties. And I'm here today to express concerns on our members on LB2. The normal appropriations process went through, and it was approved, and positions were funded. The Governor issued an executive order earlier this spring, closing vacant positions, and put out a press release shortly thereafter that said that he was going to reappropriate the funds for property tax relief. Of course, he doesn't have that authority. You do. And so now, you're being asked to do just that. What I heard this morning from consultants was we have to do more with less, and we will try. Our members are committed to serving their neighbors and providing services to all Nebraskans, but most particularly those most vulnerable receive some of the most important services. And doing more with less is not going well right now. 1 in 5 state jobs is vacant right now, even after the closing of some of the vacant positions, we're still in the double digits in terms of a vacancy rate. We're penny-wise and pound foolish sometimes, when we don't have a competitive wage, and we don't fill vacant positions. And instead, we rely on overtime until people burn out and they quit and can't provide services. We're penny-wise and pound foolish when we don't make investments in the right places. So while the consultant from Utah this morning said a lot of words that I really tried to make sense, and I've read the brief report, and I can't make sense of it because there's not enough detail there. What our commitment of state employees is to the Governor and to you is to work together. You don't have to hire a consultant to find effective and efficient state government. Ask the frontline state employees. Most of you have my number. We'll tell you where the savings are. We see it every day, and we want to make sure we can effectively and efficiently deliver services. In 35 days, under the State Employees Collective Bargaining Act, we'll begin contract negotiations for our next contract, which the next Legislature will appropriate funds in January. I'm concerned and our members are concerned that these cuts, if they go through, will limit what we can do in the future, because it's a cascading

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problem when you make these cuts. So on behalf of our members, we appreciate the Governor has a noble goal of reducing property taxes, and you have a difficult job in trying to figure out how best to do that. We're begging you not to do that on the backs of frontline services to Nebraskans. It affects us all, whether it's a long line at the DMV, a road that goes unplowed, a child protective service-- God forbid something happened to a child. I heard the deputy director of the Foster Care Review Office testify that they would immediately proceed with layoffs should this go through. I represent 20 members of the Foster Care Review Office. So please proceed with caution. We're here to work together. And you have a commitment from frontline state employees to work together with the Governor and with all of you to find the best way to deliver efficient and effective services. Don't do it penny-wise and pound foolish. Thank you.

**CLEMENTS:** Are there questions? Thank you.

**JUSTIN HUBLY:** Thank you.

**CLEMENTS:** Next, please. Good afternoon.

**EMILY JACOBSON:** Good afternoon.

**CLEMENTS:** Thank you for waiting.

**EMILY JACOBSON:** Senator Clements and mem-- members of the Appropriations Committee, my name is Emily Jacobson, E-m-i-l-y J-a-c-o-b-s-o-n. I am here today in opposition of stance of LB3, Section 12. I am the Nebraska AgrAbility program manager, but I speak to you today as a Nebraska citizen and lifelong member of Nebraska's agricultural community. I currently live in Petersburg, Nebraska, which is in Boone County, but my husband and I's agricultural roots are in Madison County, where we both grew up and continue to be active. I graduated with my master's degree in occupational therapy. Having grown up on a farm in northeast Nebraska, I was passionate about agriculture as well as safe work practices, and wanted to be able to tie my passions together. For the past 9 years, I have worked for Easterseals Nebraska with the Nebraska AgrAbility program. This passion is tied together by keeping secondary injuries at bay, by recommending assistive technology to overcome disability, injury limitations, and allowing clients to continue to do what they love every day. In 2021, Nebraska AgrAbility sought out funding for clients

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who were unfunded through the, through the vocational rehabilitation system. We received funding from the Nebraska Legislature for 2 years at \$300,000 per year, serving 22 clients. In 2023, Nebraska AgrAbility again sought out funds for clients who were unfunded through the VR system. We receive funding from the Nebraska Legislature for 2 years again, at \$300,000 per year. In the 2023-24 period, AgrAbility served 6 clients. While we unfortunately did not get that spent down, it was not due to a lack of clients that have-- excuse me. It was not due to a lack of clients needing assistance. It was due to a staffing shortage on our end. We have begun a new fiscal year and plan to use those funds to serve more clients. There are at least 9 clients referred within the system that have pot-- the potential to utilize these services. To date, these funds have kept 28 farmers and ranchers actively engaged in their livelihood, which is priceless. This program has been creating hope, increasing independence, as well as improving the health and quality of life of farmers and ranchers in Nebraska. In addition, in addition, grant recipients are monetarily contributing to their community and state economy through increased purchases in taxes paid. This all being said, I truly believe that continued funding is needed for our farmers and ranchers with disabilities. However, I feel that these allocations should come from a generalized fund and not take away from the corn checkoff. The clients in Nebraska AgrAbility are not just corn farmers, but they're soybean farmers, beef producers, pork producers, wheat producers, hay producers, and so many others to name. The corn checkoff was designed to help develop, carry out, and participate in programs of corn education, research, market development, and promotion to enhance profitability, and expand the demand and value of Nebraska corn and value-added corn products. This definition shows the intent of the corn checkoff dollars, and I do not believe that funding for our farmers and ranchers with disabilities falls under this allocation. We continue to need-- to see a need for assistive technology for farmers and ranchers with disabilities, and we will continue to look for matching grants in organizations such as Farm Rescue to help supplement our funding, as well. Nationally, it is estimated that for every dollar spent on assistive technology for a farmer or rancher in a-- with a disability, there's an approximate \$10 to \$15 return in future taxes paid by keeping them employed. The Agricultural AT Fund is a program that really works, and it's really extremely tax friendly. Thank you for the opportunity to comment on this proposal, and I'd be happy to answer any questions at this time.



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**CLEMENTS:** Any questions? Seeing none, thank you for your testimony.

**EMILY JACOBSON:** Thank you very much.

**CLEMENTS:** Next testifier. I have been told that the red light is not working.

**ANNETTE DUBAS:** OK. Throw something at me, or give you a red flag.

**CLEMENTS:** [INAUDIBLE]. I have a gavel.

**ANNETTE DUBAS:** There we go. There we go. You're, you're the man in charge.

**CLEMENTS:** OK.

**ANNETTE DUBAS:** Chair Clements and members of the Appropriations Committee. My name is Annette Dubas, A-n-n-e-t-t-e D-u-b-a-s, and I'm the executive director for the Nebraska Association of Behavioral Health Organizations. In your last legislative session, we stood in strong opposition to permanently transferring \$15 million from Program 38, Behavioral Health Aid, in the Division of Behavioral Health, to the General Fund. Today, we return and continue to stand opposed to LB2, which will transfer an additional \$8 million from that same program. Over the last 8 years, previous legislators made a commitment to supporting behavioral health services through multiple rate increases. Those increases have finally enabled providers the ability to build capacity, which in turn has improved access to care for your constituents. After hearing about this bill, I reached out to a small sampling of NABHO members, just to give you a snapshot of what they are experiencing. From fiscal year 2020 to fiscal year 2023, one provider in an urban area saw persons that they served increase from 3,222 to over 6,000. Another urban provider, beginning in January of '24, saw 5 consecutive months where they served more individuals than in any previous month in the agency's history. They have provided services to over 19,000 individuals in May of 2024 alone, a rural provider shared that short-term residential services and detox are in high demand. Last fiscal year, they were capped at 45 beds due to staffing. They now have the staff to be at 58 beds and are full. They receive over 100 referrals a month for those 58 beds. Another rural provider reports about 40 individuals on their wait lists for services, with 3 to 4 weeks for new patients in their outpatient clinic. Two regions are reporting an increase in utilization, with

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both close to 90%, and not all billings are complete as of yet. With the reduction of the \$15 million for FY '23-24 and '24-25, they will be over 100% utilization and anticipate running out of funds in the last quarter of this fiscal year. This will result in either requesting additional funds from DHHS, finding other funding, or cutting services. We are still dealing with Medicaid unwind. I believe, looking at the website, there's around 17,000 clients who are still waiting for their review to be completed, so that creates some additional uncertainty as to how many of those remaining individuals will be eligible for region-funded services. The Department of Justice investigation and findings will require Nebraska to improve access to care for those with serious mental illness living in assisted living facilities. This will require additional funding for appropriate services and housing, and the Division of Medicaid and Long-Term Care are moving along with the development of their state plan amendment for the establishment of Certified Community Behavioral Health Clinics. Once in place, these clinics will need support to bring up the required core services. So it is clear. There is no room for additional cuts to behavioral health funding. In a letter we sent to Governor Pillen, dated March 11, we concluded, stating that stepping back from adequately funding the current system will only make the mental health crisis worse. If there is a problem, if money appears as unspent, then let's sit down and discuss why and identify the existing roadblocks. As you can see from those few statistics, statistics I gave you, the need for services is there and it is growing, urban and rural. Now is not the time to take any additional money away from those in need of mental health and substance use disorder, treatment, and care. Thank you for your time and I'd be happy to try to answer any questions for you.

**CLEMENTS:** Senator Wishart.

**WISHART:** Thank you, Annette, for, for being here. Is anybody from-- do you know if anybody from the Regions is going to be here to speak to their own budgets?

**ANNETTE DUBAS:** No. I don't know that they are, no.

**WISHART:** OK. One of the discussions that we had in the last budget cycle was the, the issue with this being aid funding, where we continue to have underutilized funds. Can you speak a little bit more-- I know that Director Green spoke to Medicaid expansion being

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one of the reasons where you may be seeing underutilization. Can you speak a little more to that? Because as the Appropriations Committee, what we're seeing is those funds just continuously year after year are not getting, are not getting spent.

**ANNETTE DUBAS:** Well, I think we're seeing that utilization growing. As I mentioned, just one of the Regions told me that by the end of this fiscal year, they're going to be over budget. So they're, they're going to be using those funds. And I think it's because we're finally-- things are finally getting back on an even keel. We are getting close to Medicaid expansion and the unwind being completed. We're seeing those services. We're seeing the, the staffing reaching where it needs to be, like I mentioned, with those beds. They're now fully staffed. And they can't-- they have more need than they do beds. So I, I do believe that we're going to see a lot less of those dollars being carried over at the end of the fiscal year, simply because-- and, and the Division of Behavioral Health, they provide a lot of gap services. So those individuals who, you know, either fall off of Medicaid or you know, are kind of in between, that's where the Regions come in and pick up that slack. So again, I think we're seeing that. The numbers are showing and I, I think we're going to work on this, providing more solid numbers for you, as we see the impact of the \$15 million, the increase in utilization, the kinds of services. I can think right off the top of my head out in rural Nebraska, there are 2 providers who are increasing their crisis services and their detox. We have no detox out in rural Nebraska. So those providers are stepping up to try to meet those demands and to put those dollars into play. So again, I truly believe we're going to see that those amounts of dollars that we've seen over the last few years not be as big as they have been.

**WISHART:** OK. Thank you.

**CLEMENTS:** Anyone else? Thank you for your testimony. Next testifier, please. Good afternoon.

**LAURA McDOUGALL:** Good afternoon. Good afternoon, Chairman Clements and members of the Appropriations Committee. My name is Laura McDougall, L-a-u-r-a M-c-D-o-u-g-a-l-l. I am the health director for the Four Corners Health Department in York, serving Butler, Polk, Seward, and York Counties. I'm here today on behalf of the Nebraska Association of Local Health Directors, to testify in opposition to LB2. As

introduced, this bill would drastically cut over half of all state infrastructure funding to local public health departments and devastate the foundation of our public health system. The cuts we have identified are on page 36 of the introduced bill. Local health departments find ways to meet the expectations and needs of our local communities. We manage our budgets responsibly to cover as many critical health services as we can. We greatly appreciate the foundational investments that have been appropriated to our departments, and work hard to find additional grants and other funding sources to meet specific needs within the communities we serve. Our communities value our contributions to the health and well-being of all in our jurisdictions. Teams in each of Nebraska's 19 local health departments find that the demand for our services continues to increase. The Nebraska Health Care Cash Fund and the Nebraska General Fund are the primary sources of foundational funding that allow Nebraska's local health departments to provide a range of services. We lead local and regional community health assessments and planning efforts, which improve access to healthcare and behavioral health services throughout-- through collaborations with hospitals, clinics, schools, and other community-based organizations. We support local access to resources that impact health. For example, access to food, transportation, and housing. We are on the front lines for an infectious disease emergency, as well as available to assist with any other disaster or emergency efforts in our communities. We help people find care they need, including preventative dental services and programs to prevent and manage diabetes and high blood pressure, to name a couple. We deliver and support local programs to help Nebraskans prevent falls and age in place, locally. We help families manage hazards in their environment, hazards like lead, radon, and issues with air and water quality. We work with moms, children, and families in home visitation programs to foster lifelong health and well-being. We take action to prevent the spread of diseases like salmonella, rabies, hepatitis, and many others. Investment in public health is smart for all of Nebraska. Nationally, every \$1 invested in public health saves \$5.60 in healthcare costs. The funding cuts, cuts in the introduced version of LB2 would devastate local health departments' capacity to perform our statutory obligations and do the work our communities expect and demand of us. We respectfully ask the committee to retain the funding for local health departments that was approved in the most recent legislative session. We also understand the committee may be working on an amendment, and we would be happy to

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work with the committee staff on any language or numbers that would be helpful. Thank you.

**CLEMENTS:** Are there questions? Seeing none, thank you for your testimony. Next testifier. Good afternoon.

**RACHEL GIBSON:** Good afternoon. My name is Rachel Gibson, R-a-c-h-e-l G-i-b-s-o-n, and you all might recognize me as the League lady, but that's not what I'm here for today. Today, I am here as a citizen. First, I want to thank you for taking the time to listen to folks share their, their thoughts and their concerns. And I particularly want to thank the senators, who heard, in Omaha and Lincoln, gave, gave their constituents, constituents an opportunity to speak. So my husband and I moved here for his training, and we loved it. We decided to stay. We've been here 10-plus years. We've benefited tremendously from our community. We're happy to pay into the funds that make that community wonderful, and to help out our, our neighbors when they're in need themselves. So when I looked at this budget, which, by the way, appreciation to the Fiscal Office, it was very helpful to look through that fiscal statement-- I was struck by two things. And the first was the wide variety of things that were identified as reducing funds. And then the second one was-- I was almost alarmed at some of the things that were listed. So-- and, and this is where, like, my mom sense kicked in and, and things like emergency management, behavioral health, public safety, communication systems, corrections, and violence prevention. Because I follow the Legislature, I also know that these were some really hard fought battles to get those fundings and definitely a need for things. So that's what brought me here today, is I wanted to share that concern of, of what we love-- my husband and I loved about here, we want to keep and we want to help other folks. These are really big basic services that we're looking at cuts. And we already saw cuts this spring. The question is why, why are we doing this now? And although property tax is a goal, there has to be some other way that we can still take care of the people in our communities. The two last things I want to highlight is, number one, what this looks like on the ground for folks. When we lived in Kansas, I worked for state universities. And I remember every year, even just with a yearly budget, we were just waiting to make sure that we could continue programs. And if things are moved this quickly between areas, it's hard to plan for good, effective programs. And then the second one is, is just frankly, it makes it kind of hard to trust. Because the community is advocating for things, people who are in the areas

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that are experts are asking. So when we look at the big picture, like asking us to trust that education is going to be funded if we hand that over to the Legislature, seeing things like this concerns citizens. So thank you for your time. I just wanted to share my perspective, and, and I appreciate you all very much.

**CLEMENTS:** Are there any questions? Thank you for your testimony. Next testifier. Good afternoon.

**BRIAN THOMPSON:** Good afternoon. Hello. My name is Brian Thompson, spelled B-r-i-a-n T-h-o-m-p-s-o-n. And I'm vice president of external relations for Consolidated Companies, located here in Lincoln. I'm appearing on behalf of the Nebraska Telecommunications Association as well as my company. And I wish you all happy hearing day. Hopefully this gets over faster than we thought it might. Regarding LB2, I just wanted to bring up a few points in, in-- and things that affect the telecommunications world in Nebraska. And that being, there is a \$5 million take away from the Broadband Bridge Act that is being utilized to build out unserved areas with broadband these days. This is a really important fund that has been used to reach over 16,900 farms and ranches so far in Nebraska. And, those areas are usually very expensive to build to, and they are in, in deep need of broadband service. To date, 100% of those dollars have been used in that fund that have been appropriated. And in fact, unfortunately, there's about 50% more grant applications than there are dollars to fund it. So with this money, we actually, as telecommunication providers, provide a match to the money, and then build assets that are then taxed as property tax and pay sales tax during the time that we are building those assets. Due to a federal rules and build-out obligations, unserved locations and areas served by small and rural companies will not be able to utilize the new federal BEAD funds that are managed by the Broadband Office. That's approximately \$400 million sitting on the sideline that cannot be used in 43% of the state. This money can only be spent to build unserved and underserved customers in areas located in the service areas of Leeman, Windstream, and Frontier today. BEAD funds have a higher regulatory burden also, and that is associated with those being funds from the federal level. And compared to broadband bridge grants, those funds are much harder to build a business case around. Nebraska's small and rural telecom providers can apply for BEAD funds, but we can only use them in those certain areas.

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With that, I will conclude my testimony today, and I oppose LB2 for that specific reason.

**CLEMENTS:** Any questions? Thank you for your testimony. Next testifier. Good afternoon.

**ERIN FEICHTINGER:** Thanks for keeping the hearing room cool. It's refreshing.

**CLEMENTS:** We've been working on that for about 6 years.

**ERIN FEICHTINGER:** Let's hope we're not cutting H-VAC, right? Chair Clements, members of the Appropriations Committee, my name is Erin Feichtinger, E-r-i-n F-e-i-c-h-t-i-n-g-e-r, and I'm the policy director for the Women's Fund of Omaha. We're offering our opposition to LB2, specifically the dramatic cuts to DHHS, which will dramatically impact the ability of women and their families to either continue receiving the help they need to achieve economic stability, or to access it in the future. The overall philosophy behind this bill is an attempt to reduce the size and spending of government, redirect funding to reducing property taxes. Now reducing the cost of living, and ensuring that Nebraskans can stay in their homes. is, of course, something that all of us can agree on. The problem that we see here is that there are plenty of programs within DHHS, which help low-income families in particular, achieve that same goal. And jeopardizing future funding for those programs means that those families probably won't be able to take part in the relief that you're hoping for, for all Nebraskans. The problem of under-spending allocations in DHHS and in our experience in advocating for programs and services in, in HHS, is not really a demonstration of a lack of need, but rather a failure of DHHS leadership to-- and their choices, to effectively allow people access into these programs. I think there have been attempts to make that process better. But really, what we're saying is if we want to work together to find out what the real inefficiencies are, we should do that. And we should do it honestly, transparency, coming to committees with answers. For instance, this morning and with the very serious intention of ensuring that Nebraska families are strong and stable, all Nebraska families. We should not simply look at a balance sheet and determine that unspent funds are wasteful spending. Because they're not wasteful spending to the families that need it. The cuts and redirected funding in this bill will make it difficult for you and for future Legislatures to do something like address the growing

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childcare crisis in this state, a crisis that is keeping Nebraskans out of the workforce and those same families out of the homeownership to enjoy the property tax relief that you're hoping for with these cuts. Thousands of people, including mothers in their families, would be impacted by possible cuts and decreased spending in these DHHS programs. It's hard to know precisely what that will look like, because we don't know where these cuts are coming from or what the plan is. So when Director Cordes shares that with you, it would be great if we could also get a heads up on what those look like, so we can prepare folks. Those families may not need help today, but they might need it tomorrow. And we believe that help should be available to them if that happens. Human-- I shouldn't have to say this. We all know this. But human beings are complicated. Their needs are complex. It's hard to reduce them to efficiencies and spreadsheets. And they need flexibility. Director Corsi said this morning that he's not concerned about the future, but lots of Nebraska families are. And we're concerned for them, as well. So the idea that we would drain funding now with the certainty that we will decrease spending on programs like public assistance in the future, means that we will likely cripple these existing programs that are critical for Nebraska, Nebraska families and drastically reduce their access in the future. I'm sure we have some fundamental disagreements between what I said and members of the committee, but that's all right. That's what democracy's for, and I'm happy to answer any questions that-- to the best of my ability. How about that?

**CLEMENTS:** Any questions? Seeing none, do we have any more broadband people? That's OK. We get one topic, we'll try to stick with it.

**TIP O'NEILL:** OK, well, I think I'm the last one. I, I am testifying, Senator Clements, on LB3. And Mr. Thompson testified on LB2.

**CLEMENTS:** All right.

**TIP O'NEILL:** Members of the Appropriations Committee, my name is Tip O'Neill. That's spelled T-i-p O-'-N-e-i-l-l. And I'm president of the Nebraska Telecommunications Association. The NTA represents 21 companies providing broadband and landline telecommunications services in Nebraska. We are here in opposition to a provision in LB3, regarding the use of earnings from the Nebraska Universal Service Fund. As you may recall, this provision was amended in LB1413 on General File during the 2024 regular session. Senator Cavanaugh's



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amendment eliminated transfers from NUSF earnings after June 30, 2025. The proposed amendment to Section 86-324 in this bill would re-implement transfers of investment earnings from the NUSF after transfers to the 211 Cash Fund. This change is found in Section 76, on page 107 of LB3. It is our belief that the NUSF is integral to deployment and maintenance of broadband in unserved and underserved areas of rural Nebraska. The amount of NUSF to fund current obligations for telecommunications services is almost equal to the balance of the fund. And finally, with respect to that argument, with significant money to be invested in broadband services in Nebraska in the next few years, even more money will be needed to maintain those rural networks. We can't build networks and then ignore them. We think a better solution would be to continue to accumulate earnings in, in the NUSF, and then utilize those funds when necessary in the future. So, we would ask that you strike 76 from LB3. I'd be happy to answer any questions you might have.

**CLEMENTS:** Questions? I-- I'd like to also revisit why the broadband bridge funds are so separate from the BEAD funds. BEAD funds can't be used for the broadband bridge or, or-- could you answer that?

**TIP O'NEILL:** Well, I can-- first of all, BEAD is a, is a federal program. Broadband bridge program was kind of the, the centerpiece of then Governor Ricketts' broadband economic development proposals for rural Nebraska with the passage of LB388 back in 2021. And we've appropriated \$20 million a year in state funds. Now, there have been other federal funds appropriated. ARPA, capital projects, certainly could, could be utilized for broadband. And we do have a grant program that is kind of ending at the Public Service Commission, utilizing those funds. And then BEAD also was, was part of the Infrastructure Act passed at the federal level. But those, those funds won't get into Nebraska until sometime, most likely in 2026. And that program is administered by the State Broadband Office.

**CLEMENTS:** 2026?

**TIP O'NEILL:** Yeah. Yes. Yeah. You know, I guess what we find is, is that federal administrative requirements are always more burdensome than state administrative requirements. And, and if, if you're, if you're a small company looking to the forward, you know, these, these

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areas would have been built already if, if they were capable of making money without subsidy.

**CLEMENTS:** Right.

**TIP O'NEILL:** OK. So, so if you look at, at the cost to your, your company of-- even, even if you get a 50% match from federal money, or a 75% match, it still has to maintain a certain level of profitability through the years. And that's why, you know, we're getting into pretty, pretty sparse areas, in terms of the population. And the more sparse it is, the more expensive it is to build.

**CLEMENTS:** All right. OK. Thank you for that.

**TIP O'NEILL:** Sure.

**CLEMENTS:** Anyone else? Seeing none, thank you for your testimony.

**TIP O'NEILL:** Thank you. Appreciate it.

**CLEMENTS:** Next testifier. Good afternoon

**LASH CHAFFIN:** Good afternoon. My name is Lash, L-a-s-h Chaffin, C-h-a-f-f-i-n. I'm a staff member at the League of Nebraska Municipalities. And the League in the cities and villages the League represents, we have concerns with several of the sweeps, including the, the Bridge Act sweep. Going back a couple of years, Nebraska-- and the League represents those people hoping to get broadband. We're not providers. We don't benefit financially from this. We represent the economic developers in rural Nebraska that hope to get broadband. And a couple years ago, Nebraska was woefully behind other rural states, like Nebra-- or New Mexico and Colorado. And, and between the, the Governor Ricketts' addition to it and the federal money coming through, Nebraska is starting to catch up. And there, there-- you're starting to see hope in, in big chunks of rural Nebraska. And in some places, it's moving pretty quick. If you're-- when you're out and about in Nebraska, you see a lot of boring machines. And, and that's a, that's a good sign, because Nebraska was behind. So the League is concerned about, about those, those funds. Secondly, the, the League is also concerned about the, the, the additional sweep from the, from the military department, from the NEMA emergency funding. The complexity of emergency funding is head-spinning. Yeah, everybody on this committee understands that. It's-- between the federal funds and

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various state funds. It's-- it, it, it gets very complex very quickly. And, and it's-- and, and the big thing to remember is almost all reimbursement is, is reimbursement. So in cities and villages and counties and other eligible entities, depending on the emergency, depending on the funding source, are literally being reimbursed for construction that may have begun several emergencies ago, several years ago. So, so the-- so what happens is if you're-- if the funding is not there when your reimbursement comes due, then what happens is that, that local subdivision has to, has to continue to pay for it out of, ironically, property taxes. So not funding the NEMA funding sources in fact, will probably at some point lead to a property tax increase in, in some, some isolated place. And thirdly, the, the League is, is also concerned-- I say this with a little bit of caution because I have learned to greatly respect Bryan Tuma's analysis of a situation at the Crime Commission, but, but if there's \$1 of that sweep that could be used to, to speed up getting people to the Grand Island Law Enforcement Training Center, I, I would, I would hope you wouldn't delay, you know, defer-- deter that dollar. Because the, the crisis level is, is, is high, and, and I, and I hope that we can get, get that solved. So thank you. I would certainly answer any questions.

**CLEMENTS:** Any questions? Seeing none, thank you for your testimony.

**LASH CHAFFIN:** Thank you.

**CLEMENTS:** Good afternoon.

**ALANA SCHRIVER:** Good afternoon, Chairman Clements and members of the committee. My name is Alana Schriver, A-l-a-n-a S-c-h-r-i-v-e-r, and I'm the executive director of the Nebraska Association of Service Providers, which are the home and community-based agencies supporting individuals with intellectual and developmental disabilities. So thank you for the opportunity to speak on behalf of the people we support and employ. There are a lot of changes happening in DD right now, so any funding reallocations and their implications raise concerns and add to the collective confusion. When details about funding changes and policy shifts aren't clearly communicated, it leads to mistrust and speculation about the motives behind these decisions. Transparency is crucial for building trust with stakeholders, especially in areas impacting public services and vulnerable communities. The shift of \$8 million in DD funding to the Health Care Cash Fund raises questions. Understanding the rationale behind such moves is essential. And when

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asked about that rationale this morning, CEO Corsi chose not to speculate. I would have assumed he would have known the rationale behind that shift, especially if there's existing needs like addressing the waitlist for services. And my initial-- when I saw that shift, I thought it was an-- a way to avoid the amendment in the budget bill, that any unexpended funds would be pushed out to DD providers to address the waitlist. And in LB2, there's also language striking funds specifically going towards the waitlist. So it just seems confusing when the Governor comes out and announces this big plan to eliminate the waitlist, that changes in this proposal take money away from what we thought would help address the waitlist. So, advocates and families have the right to ask for clarity and accountability in these processes. Transparency in decision-making, clear communication of intentions, and a consistent approach to addressing the needs of the IDD community are essential for ensuring trust and effective service delivery. Services and supports for individuals are a key responsibility of the state, ensuring that funding allocations are sufficient and appropriately directed, that policies reflect the needs and the rights of individuals with IDD, and that there's consistent engagement with stakeholders are all part of the state's role in supporting this community. Providers view ourselves as partners of the state. You guys have an obligation to ensure those services are available. We do it at a fraction of the cost of the state-run institution, but it doesn't always feel like a partnership is reciprocated. When legislation like LB3 highlights the importance of adjusting fees and payments based on the consumer price index for other areas, similar considerations should logically apply to service providers. If payment rates to service providers don't keep pace with rising costs, it undermines our fi-- our financial stability and ultimately our ability to serve individuals with IDD. And without robust service provision, the state faces higher costs in addressing unmet needs, including more expensive institutional care and emergency services. The ripple effect also leads to significant economic and social consequences, including an increased burden on family caregivers, like myself. When professional services are unavailable or insufficient, family caregivers must reduce their work hours or leave their jobs entirely. So not only does that affect the economic stability of that family, but also the broader state economy. And it creates a greater demand for state assistance for those families if they are forced to leave their jobs or reduce work. Investing in a robust HCBS IDD service delivery system is not only a moral

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imperative, but also a sound economic decision. It can help mitigate long-term costs, support families and caregivers, and ensure that individuals with IDD have the opportunity to live fulfilling lives within their communities. Thank you for your time, and I'm happy to answer any questions, professionally or as a parent trying to navigate all the crazy changes that have happened this year and figure out I was on the waitlist. But I don't really know where my son stands now because he was one-- I did note Corsi, this morning, mentioned the number of pending family support waiver applications, but he didn't say how many people are actually approved. I was in the first group of offers in March. We're still pending. And last I heard, only 12 people of the 2,700 on the waitlist are actually actively able to use the family support waiver right now. I know Corsi said that there's no restriction in services, but actually, since November 2023, they have not made any comprehensive DD waiver offers unless you meet priority one category, which means you're homeless, death of your caregivers, or their violence in the home. I don't think that a parent should have to kill themselves or beat their child up to receive comprehensive services for their child. Yes, comprehensive services are the most expensive, but that's because it actually addresses the full array of needs for that individual. So, probably went over my 3 minutes, but the light is broken. So thank you for your time.

**CLEMENTS:** All right. Thank you. Any questions? Thank you for your information and your testimony. Next testifier.

**KEN SMITH:** Good afternoon, Chair Clements, members of the committee. My name is Ken Smith. That's K-e-n S-m-i-t-h, and I'm the director of the Economic Justice Program at Nebraska Appleseed, here to share a few remarks in opposition to LB2. And specifically, our opposition is rooted in the proposed cuts to DHHS administration, to our public assistance funding, and to the Foster Care Review Office. The simple basis of our opposition is that the proposed cuts would further impede DHHS's ability to effectively administer the programs under its purview, programs that are very critical in our state. So there are 2 categories, as the committee is aware, of funding, at least 2, as it relates to DHHS and this proposal. One is administrative cuts. The other is cuts to the public assistance funding. Important to point out that while we heard this morning that DHHS was in a position, apparently, to absorb these cuts without any negative impact on services, the Public Assistance Fund has resources that is directly allocated to go to Nebraskans who are vulnerable in some way, shape,

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or form. Those, those funds-- the vast majority of those funds are supposed to be passed on to Nebraska families. It's not possible to take money out of those funds-- out of that fund and not have that impact DHHS's services. That's just-- that's-- that cannot be done. On the administrative side, another theme of this hearing so far has been looking at whether or not this proposal has adequately thought through the federal funding implications of some of its-- some of the elements of this proposal. I-- on the administrative side, a lot of the administrative funding that we dispatch as a state is matched with federal funding, in the public assistance sphere. And so when we're looking at making cuts to our administration, not only are those cuts dangerous in the sense that, in the world of public assistance, if you underfund administration, it leads to backlogs in, in, in case lists, overburdened caseworkers, delays in folks getting the, the assistance they need. But in this case, we're also putting less money on the table that is matched by the federal government. So I, I can't speak specifically to the, the number that may be at issue, but I would just urge this committee to take a look at, specifically, with Program 347 in this proposal, how this could impact federal funding that we're able to pull down. I will note, too, it's just hard to reconcile the agency's position in, in their alleged ability to just absorb these cuts, when every kind of proposal to make needed even moderate, you know, modifications to our eligibility systems, to our, to our information systems, has been met for the last several years with opposition that is cost-based. We're concerned about how these cuts will impact Nebraskans in the near term. We're even more concerned about how these cuts can put a-- would put us in a precarious position in terms of agency readiness for the next economic downturn. That's something that we discussed this morning. The extent to which Nebraskans rely on these programs ebbs and flows. If we take away every dime of unexpended funds, we are putting ourselves in a very precarious position for the next economic downturn. We also just want to note quickly our opposition to the proposed reduction to the Foster Care Review Office because, as, as was stated earlier, it would have a detrimental impact on their workforce, which plays a critical role in oversight and data keeping in our child welfare system. So because these cuts would directly undermine our state's ability to effectively administer critical human services programming, we oppose LB2. I'd be happy to answer questions the committee may have.

**CLEMENTS:** Questions? Senator Wishart.

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**WISHART:** Thank you for being here today. We have heard a re-occurring theme today, about Medicaid expansion being enacted in Nebraska, helping to reduce some of the costs, whether it be in behavioral health or our corrections system. And I know Nebraska Appleseed was involved-- heavily involved in, in pushing for the expansion of Medicaid in our state. Do you have-- can, can you talk a little bit to that? Because one of the talking points for voters was that it would reduce costs by more people being able to access Medicaid. Can you talk a little to that? And if not today, can Appleseed provide us-- help us understand how this fits within the broader discussion that we're having today, in terms of, of funding for these types of programs?

**KEN SMITH:** Absolutely. And I'm glad you asked about that. And I'm not one of our healthcare lawyers, but I, I would-- I can speak to that a little bit. But I think what I would, I would defer to, to them. And we'd be happy to, to take a look at that and to work with you to make sure there's a full understanding of, of all those implications.

**WISHART:** Yeah. That would just-- that would be very helpful to get that before we start discussing these issues, because it's come up twice today in the hearing. And so it would be helpful as we're making those decisions.

**KEN SMITH:** We'd be happy to, happy to do that.

**WISHART:** OK. Thank you.

**CLEMENTS:** Other questions? Thank you for your testimony.

**KEN SMITH:** Thank you.

**CLEMENTS:** Next testifier. Good afternoon.

**JULIET SUMMERS:** Good afternoon, Chairman Clements, members of the committee. My name is Juliet Summers, J-u-l-i-e-t S-u-m-m-e-r-s. I am here today representing Voices for Children in Nebraska. For over 37 years, we've been a nonpartisan voice for children and families in the areas of child welfare, juvenile justice, economic health, child health and family economic stability. And over those decades, we have seen budget fluctuations, both recessions and booms, and have consistently advocated for the funding necessary to ensure that every child in our state grows up healthy, safe, loved, and on a path to

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opportunity. And in light of that history, I am here today to share with you our opposition to LB2, underscoring specifically the crucial importance of a couple agencies and funds impacted by proposed cuts. We are gravely concerned about the potential short and long-term impacts of the proposed re-appropriations and fund shifts pertaining to Section 34, the Foster Care Review Office, and you've heard the reasoning why today. This is an external oversight data collection and analysis agency, whenever a child is placed in the out-of-home care, in either the child welfare or the juvenile justice system. And they also provide that oversight when a child has been out of their home for, sometimes months, sometimes years, and then is placed back in their home in what's called a trial home visit, to ensure that that safety is maintained when a child initially returns home. As you've heard, the proposed reduction and clawback to approximately 10% of the agency budget and would mean staff reductions. We are also deeply concerned about proposed cuts to 2 grant funds within the Crime Commission in Section 35, the Juvenile Services Aid Fund and the County or Community-based Juvenile Services Aid. They are 2 programs, slightly separate, but they serve related purposes: to reduce youth offending, to provide cost-efficient diversion services across the state, to reduce racial and ethnic disparities in youth justice, and to provide for effective alternatives to detention. And so we are talking about programs like mentoring, school-based responses, crisis intervention, emergency shelters, mediation, truancy interventions. And so, I've appended to my testimony some more detailed information about the, the County-based Juvenile Services Aid Fund, which is a block grant fund created by the Legislature to go statewide. This is from the, the fiscal year '22-23 annual report. And as you can see, in that year, the most recent year available, this funding provided grants for 173 programs across 81 counties. And I would note that for every program that receives funding through this, they have to undergo evaluation for effectiveness, including in the metric of youth recidivism or youth reoffending. So these are programs where we know that our dollars are being spent wisely, because we are testing to see that the children who go through them are not then later reappearing in our juvenile justice or our criminal justice system. So these funds really operate as an investment in order to keep communities safe and to prevent greater costs down the line. The light has now gone out, so I will stop. I'd be happy to answer any questions that you may have for me. And thank you for your time.



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**CLEMENTS:** Questions? Thank you for your testimony. Next, please.

**JOEY ADLER RUANE:** Good afternoon, Chair Clements and members of the Appropriations Committee. My name is Joey Adler Ruane, J-o-e-y A-d-l-e-r R-u-a-n-e, and I am the policy director at OpenSky Policy Institute. I'm here to testify in opposition to LB2 and LB3. Our concerns are multifaceted, but rooted in the idea that responsible budgeting must be transparent, sustainable, predictable, and reduce risks. Opening the budget at this point in the biennium is unprecedented in economically prosperous times for our state. This bill provides for \$116.7 million in one-time carryover reappropriation reductions, an additional \$83 million in ongoing General Fund base appropriation reductions. 22 different departments will see reductions ranging from \$25,000 for the Office of the Lieutenant Governor to nearly \$81 million for Health and Human Services. Absorbing this level of cuts will undoubtedly make it more difficult for these critical agencies to provide programming and services at the levels necessary to serve all Nebraskans. Particularly concerning are the proposed adjustments to the Nebraska Department of Health and Human Services, such as behavioral health and public assistance. There's no concrete way to determine how these proposed budget cuts will affect service levels or impact outcomes for clients served by these programs. For instance, 88 out of 93 Nebraska counties report having a mental health care service shortage, underscoring the need for significant state investments. Many of these changes are apparently driven by the findings of the Epiphany report released earlier this year. The methodology for determining these cuts was not provided in the report, and Epiphany suggested they will follow a yet-to-be-determined system for evaluating performance after these services' budgets are cut. The report makes the claim that these cuts will not impact how services are provided, nor the number of people being served. We find that claim to be suspect. The special adjustment of the biennial budget is unprecedented outside of significant budget crises. The people of Nebraska would be better served by waiting to craft a new biennial budget in January, with the collaboration, consideration, and transparency Nebraskans have come to expect from this process. As for LB3, it proposes a 30% reduction in the state's Cash Reserve, or \$235 million over the next 3 years. \$200 million of this amount will be distributed to the General Fund in fiscal year 2027. This deduction will bring down the Cash Reserve below the recommended, recommended minimum amount of 16% of General Fund receipts. This fund is meant to

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be used when the state is in economic distress, and should be maintained at robust, robust levels for those purposes. Depleting it for funding property tax relief puts the states in a risky budgetary position, should a recession or economic downturn occur. To summarize, our position to LB2 is not only-- our opposition to LB2 is not only because of the budget cuts to key services that impact vulnerable Nebraskans, but also because of accountability that is ambiguous at best and nonexistent at worst. LB3 transfers additional funds into the General Fund and not for their intended purposes. I thank you for your time and consideration today. Happy to answer any questions.

**CLEMENTS:** Questions? Thank you for your testimony.

**JOEY ADLER RUANE:** Thank you.

**CLEMENTS:** Next testifier. Good afternoon.

**EDISON McDONALD:** Good afternoon. Hello, committee members. My name is Edison McDonald, E-d-i-s-o-n M-c-D-o-n-a-l-d. I'm the executive director for the Arc of Nebraska. We're the state's largest membership organization for people with developmental disabilities and their families. I'm here today to express our concerns regarding LB2, including cuts to the Secretary of State's Office, AgrAbility, behavioral health, but most importantly, the shift of funds from developmental disabilities to the General Fund, then moving funds from the Health Care Cash Fund to developmental disabilities. Concern that these funds need to be built in sustainably into the budget, I'm not sure how this is intended to operate moving forward. While we're glad to receive Health Care Cash Funds, as most other states have used these funds for developmental disabilities, however, in Nebraska, we have not. I believe it will be important for this committee and for the Governor to make clear how that will continue to operate in the future. Other than that, I'm going to truncate my remarks because you all have had a long day, and just indicate that, Alana, earlier, from the Nebraska Association of Service Providers, really well articulated a large variety of our concerns. Our developmental disability system seems to be really just kind of crashing down. We were very excited when Governor Pillen announced that he had a plan to eliminate the wait list for developmental disabilities. However, it seems instead of eliminating the wait list, it's just going and really kind of move--moving things around. In particular, really limiting critical residential services, and saying that just access to Medicaid can

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support it. Basically, really, it moves to leave families stuck on the hook, back like they were in the 1950s and '60s. This is a problematic approach, and we're very concerned. In the letter that you can see I've handed out to you, it carves out a variety of state and federal violations that we have found within this plan. In particular, already limiting residential services is very concerning. If they want to do that in the future, that's something that needs to go through this body. However, to already have acted on it is very concerning. Without a plan, without clear direction as to how this is going to operate, we can't support anything that would move these funds around. With that, I'll take any questions.

**CLEMENTS:** Questions? Senator Dover.

**DOVER:** Yeah, I don't know for sure if you'd be the right one to ask. But it's been explained to me that, I mean, obviously if we are all kind of in need of something, and we all showed up, showed up and said, hey, we need this. And they go, OK, here's, you know, here's this, here's this, here's this, and they give everybody the same thing. Obviously, everybody doesn't need all of that.

**EDISON McDONALD:** Yes.

**DOVER:** And so, as somebody professed earlier, we have unlimited needs, you know, unlimited resources. And so, like, to me it makes sense that something-- that somebody doesn't get all the same stuff. Because give them what they need, and that allows cost savings, whether it's on both sides, so you have tax dollars, perhaps. And then you have [INAUDIBLE], and you can take care of more people with your limited funds. But why would you say this is a package and give everybody the same package when there's varying needs?

**EDISON McDONALD:** Yeah. And I do appreciate how the department has moved away from the just one-size-fits-all mindset, which has been problematic. That was something that we've brought to the body and brought to DHHS. However, I think that this plan, what it does, is it, it kind of instead groups people in ways that won't necessarily work. And in particular, it's those residential services for those high-needs individuals that really, this plan kind of eliminates that. So they don't have any pathway to make sure that those individuals can have supports ever. At least right now, there's like a time. 6 to 8 years is a huge wait, but there is some sort of time in which you know

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that you'll get services. Otherwise, you're stuck currently with Section 83-1216 of the Revised Statutes, that basically sets out a priority structure. And priority structure one that the Department has indicated is the one they're going to utilize as the standard for residential services, is way too high. It means that basically, as Alana said earlier, you would have to either die as a caregiver, or have the life of your loved one be in danger, or have them become homeless. And not that they're going to be homeless tomorrow, but that they're already homeless. So that plan just doesn't really jive. And unfortunately, we don't have any really clear strategic plan that we would see typically from DHHS with a project like this that lays out how this would work. And it seems like it's left a lot of those gaps in its wake.

**DOVER:** OK. Thank you.

**CLEMENTS:** Anyone else? Thank you for your testimony. Welcome, and thank you for waiting.

**ELAINE MENZEL:** Thank you for having me.

**CLEMENTS:** Good afternoon.

**ELAINE MENZEL:** My name is Elaine Menzel, Chairman Clements and members of the Appropriations Committee. I'm here to-- or I'll spell my name. It's E-l-a-i-n-e M-e-n-z-e-l. I'm here today on behalf of the Nebraska Association of County Officials in opposition to both LB2 and LB3. And I'm here essentially on a number of the other topics that have been raised by prior individuals. I won't be repetitive of their testimony. I will mention them briefly in a second. But first of all, I would like to express our appreciation to Senator Ibach and ask that you please consider supporting her AM8 to LB2 that she filed today. It would restore funding for the noxious weed program that was earlier eliminated, apparently, this summer. And then some of the appropriations that we have identified and this may not be all of them, but-- well, and first, before. I go on to say that, please let us know-- or please be assured that we will be glad to work with you and attempt to address those issues as we move forward. We would be glad to be part of the conversation to-- and to see how we can best implement some of those things if they, they do come to fruition. Some of the things that were identified, were spoken of, related to election-related services, a couple of programs which Ms. Summers

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referred to related to the Community-based Juvenile Services Aid. Want to express great deal of appreciation to you for your support through the years. Nebraska stands out as a state when I go to national conferences and see the support that we provide for those juvenile justice programs that she mentioned. There is also a second aid-- or grant program within the community or Juvenile Services Act. The problem with those juvenile ones there's essentially 3 times, in some of those programs, needs for what are being able to be obligated. And as I indicated, some of those are obligated. And therefore there's been places that have planned to do operations and that type of thing. So they would have to cut back on that. Also, the behavioral health aid, which had been previously discussed by former Senator Dubas, Dubas, the Health Care Cash Fund, Broadband, Broadband Bridge Fund, and then also the things that Lash Chaffin testified about, regarding emergency funds, law enforcement training, and the broadband. So though-- I'm going back and forth on a lot of different issues, but hopefully I have addressed everything. And I would respond to any questions if you happen to have any.

**CLEMENTS:** Any questions? Thank you for your testimony.

**ELAINE MENZEL:** Thank you.

**CLEMENTS:** Is there anyone else wanting to testify? Seeing none, are you here to-- you may.

**VARGAS:** You can, you can fill out the paperwork right afterwards. You can just come up and testify.

**CLEMENTS:** Go ahead. Just about to finish, so you just made it. Good afternoon.

**CINDY MAXWELL-OSTDIEK:** I'm sorry. I'm out of breath.

**CLEMENTS:** It's OK.

**CINDY MAXWELL-OSTDIEK:** Hi. I'm Cindy Maxwell-Ostdiek, C-i-n-d-y M-a-x-w-e-l-l-O-s-t-d-i-e-k. And Senator Clements and members of the Appropriation Committee, I've been listening to your hearing today. I have real strong concerns as an everyday member of the second house. And I just wanted to express my alarm at listening to all of the testimony in your committee today, about these different services and these vulnerable, vulnerable Nebraskans that will be left behind with

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this budget. And I know many of them couldn't be here today. This was such short hearing notice, because we're in a special hearing or special session. And so many Nebraskans couldn't get off work, or they couldn't find daycare, or otherwise make their way here. I'm on my way, actually, from Omaha to Hastings for a funeral this evening, and I was lucky enough to just get here in time. I wanted to say that the special session is something that should have been adjourned already. I really wish that you would have voted yes for sine die last week. These types of changes to our budget and what is being proposed with taxes are something that really needs careful consideration and input from the second house. And we can't do this in such a chaotic and short type of notice fashion. So I just wanted to express my real alarm at these cuts that are being proposed, and to ask you to please make sure and keep in mind vulnerable Nebraskans who need these services.

**CLEMENTS:** Thank you. Any questions? Well, thank you for your testimony.

**CINDY MAXWELL-OSTDIEK:** Thanks. I'm sorry I'm out of breath. I literally just walked in. Thanks.

**CLEMENTS:** That's OK. We know how parking is, too. No, we're just going to adjourn. We'll, we'll be, we'll be concluding-- that concludes the hearing on LB2 and LB3.